

Review of the Solar Feed-in Tariff Premium - Issues Paper
Essential Services Commission of South Australia
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Submitted by email to escosa@escosa.sa.gov.au

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Dear Commissioners,

RE: ESCOSA's Review of The Solar Feed-in Tariff Premium - Issues Paper¹

Thank you for the opportunity to comment on the Issues Paper.

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services and particular the cost of basic necessities like electricity because they impact greatly and disproportionately on vulnerable disadvantaged people.

Background and context

SACOSS acknowledges the significant role of rooftop solar power systems in the South Australian Electricity Market: we are approaching 1 in 5 households and a combined capacity of around 400MW (out of a residential maximum demand of around 2000 MW). This is a substantial sector of the market that continues to grow.

The Feed-in scheme provides for two components of payment. The current Feed-in Tariff (FiT) premium as set by the Essential Services Commission of South Australia is 9.8c/kWh, which reflects the Commission's assessment of the value to retailers of the energy produced by PV systems. Electricity retailers must pay at least that amount to eligible solar PV customers until 31 December 2013, which is when the current FiT Premium determination expires.

The FiT Premium is additional to the FiT paid by SA Power Networks of 44c/kWh (for systems connected prior to 1 October 2011) or 16c/kWh (for systems connected between 1 October 2011 and 1 October 2013).² This cost of the SA Power Networks administered aspect is spread across all consumers, who provide payments to solar owners in excess of \$100m per annum³. SAPN estimate that the average residential customer pays around \$100 pa towards the Feed-in payments.⁴

It is recognised that the uptake of solar has contributed significantly to the lowering of growth forecasts in the NEM. This should result in the ability to delay expenditure on the

¹ <http://www.escosa.sa.gov.au/projects/200/review-of-the-solar-feed-in-tariff-premium.aspx>

² <http://www.escosa.sa.gov.au/projects/200/review-of-the-solar-feed-in-tariff-premium.aspx> p.1

³ <http://www.aer.gov.au/sites/default/files/SA%20Power%20Networks%20-%202013-14%20Annual%20pricing%20proposal%20-%20revised%2024%20May%202013.pdf>

⁴ \$98 for 5000kWh per annum

transmission and distribution networks – to the benefit of all consumers. Quantification of money not spent is difficult but it is expected to be material.

However, to put this in context, as at Dec 2012, 185,000 electricity customers were receiving the South Australian Government's Energy Concession of \$165 pa. This totals just over \$30m pa.

SACOSS notes that around 25% of the South Australian population rent and are therefore unlikely to be able to benefit directly from the solar schemes.

SACOSS supports solar as a legitimate part of our current and future energy supply mix but is of the view that Government's support for solar has been inadequately linked with the obligation to provide an effective safety net for consumers of this essential service: The value of the concession (\$165 pa) is significantly eroded by the contribution to the feed-in scheme (\$100 pa). These same customers also make a contribution to the related Small-scale Renewable Energy Scheme (SRES) of around \$30-\$40 per annum.⁵

SACOSS believe that concession reform is long overdue and that an energy concession framework based on a percentage of bills is now overdue. Such an approach is already taken with water in SA and for energy in Victoria.

Further, SACOSS is of the view that the 2028 end date for feed-in payments must be reconsidered in light of the scale of uptake and the material impact on household costs. SACOSS believes that an earlier date could be agreed that still guaranteed a reasonable return on investment for all current solar owners.

Issues Paper

SACOSS is not convinced that a case currently exists to deregulate the retailer component of the FiT. SACOSS is of the view that a more sophisticated market involving interval meters, time-based tariffs and, possibly, the ability to sell via an aggregator other than your retailer is required before deregulation should be considered.

Deregulation also allows retailers to offer higher FiTs but with accompanying higher charges for consumption.

The amount in question applies to the quantity that is effectively credited to the retailer responsible for the connection point. The retailer, in effect, on sells this to another customer. The value to the retailer is the avoided costs of purchasing that electricity in the wholesale market. However, a relevant issue for PV owners in South Australia is that the retailers, to whom they must sell their surplus electricity, are also the generators against which the PV owners are competing.

The relationship between retailers, their small customer base and their generation portfolios is shown below:

⁵ The Small-scale Technology Percentage for 2013 is 19.7% (<http://ret.cleanenergyregulator.gov.au/For-Industry/Liable-Entities/STP>) but forecast to be less than 10% in 2014 and 2015. Retailers are therefore obliged to purchase STCs for 19.7% of their sales. At a price of \$30-\$40 each, all customers pay between \$5.90 and \$7.90 per MWh consumed. For the average 5MWh (5000kWh) customer, this equates to another \$30-\$40 per annum.

Retailer	Small Customers (Dec 2012)	Market Share	Conventional Generation	MW	Wind Power	MW
AGL (& Powerdirect)	455,324	55%	Torrens Island	1280	Hallett1, Hallett 2, Wattle Point, North Brown Hill, The Bluff	309
Origin	146,113	18%	Quarantine, Ladbroke Grove, Osborne	484	-	
Simply Energy	76,474	9%	GDF Suez: Pelican Point, Synergen Peaking stations	860.5	Canunda	46
Energy Australia	84,724	10%	Hallett	228.3	Waterloo, Cathedral Rocks	177
Lumo	48,891	6%	Infratil: Angaston, Pt Stanvac and Lonsdale	128	Snowtown	98.7
Alinta	9,531	1%	Pt Augusta Power Stations	770	-	

Table 1: South Australian retailers, small customer base and generation portfolios

The installed capacity of small solar (144,000 installations totalling 388MW as at June 2013⁶) is forecast by AEMO⁷ to provide around 150MW of capacity at peak times. This has contributed significantly to forecasts of no demand growth over coming years and can be seen to represent significant competition to existing generation portfolios.

While SACOSS has strong views on the equity of legacy Feed-in Tariff payments (particularly given the scale and duration of the payments) SACOSS is also of the view that the interests of consumers overall is best served by continuing to regulate a fair price to be paid by retailers to PV owners. These PV owners are in the market primarily as consumers who happen to generate, not generators who happen to consume.

SACOSS notes that this is an opening stage of the review and would be pleased to engage further. We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,



Ross Womersley
Executive Director

⁶ Source: Office of the Clean Energy Regulator postcode data to end June 2013

⁷ AEMO National Electricity Forecasting Report 2013, South Australia