Submission to ESCOSA Determination of Solar Feed-in Tariff Premium – Issues Paper

Att: Nathan Petrus

Dear Nathan,

Please accept this email as a submission to your Discussion Paper.

The determination of a 'fair and reasonable' retailer component to the scheme by ESCOSA is a measure supported by the clients I represented during the process of amending the feed-in provisions in the Electricity Act earlier this year.

It is understood and accepted that not all retailers that sell to residential electricity customers in SA are willing to accept 'solar customers' – and that this may be due to a number of factors including the compatibility with billing systems. It is however also important to ensure that a competitive number of retailers continue to make offers available – the 'fair and reasonable' price therefore needs to be set at a level that makes a solar customer 'unattractive' in the market.

It is also understood that variations exist in the tariff rates set by retailers for the 'non-solar' components of a bill. Amendments that were not accepted by parliament did try to enshrine access to the FiT from the standing contract (and hence providing a regulated cap on the 'non-solar' components). Care will be required to understand the relationship between the amount paid for the quantity of electricity 'fed-in' and the price set for the electricity that is consumed from the grid.

My approach to the question of method would be to examine the genuinely avoidable costs for retailers. For the benefit of all consumers it would be valuable to be able to, in plain language, describe the physical and financial treatment of the electricity that a solar customer feeds back into the grid. There is a perception that the retailer (or FRMP in market language) pays the customer around 6-8c and then goes on to re-sell that electricity to another customer at the full retail price of, say, 22c – making a windfall gain in the process.

In relation to the Issues Paper, Section 2.1, I have ongoing access to interval meter data for the 114kW PV Array at Adelaide Airport (now over 2 years worth of data). I would be happy to arrange for this data to be provided by Adelaide Airport Ltd and correlate this with SA Region wholesale pool prices in order to provide a 'volume weighted average' of pool prices at the time a solar system is producing. This is, of course, only a proxy for the volumes that may be being exported from solar systems at these times. The consequential question is whether or not (or by how much) a retailer is able to realise these time dependant values. The role of the Net System Load Profile (NSLP) for market settlement needs to be explained for the benefit of consumers seeking to understand how the electricity markets work. The interaction with hedging costs also needs to be explained. My understanding of ESCOSA's perspective on this is that electricity fed into the grid would have no impact on a retailer's hedging costs. This should be explained in plain language.

Similarly, I am able to contrast the interval metered output of the Airport PV system with the NSLP on peak days (with the NSLP as a proxy for the aggregate demand profile of small customers – ie those eligible for the FiT) – this provides a clear illustration of the correlation between the two.

In relation to other issues, the impact on network charges should also be explored – even if to ensure that consumers have a fulsome explanation of the interaction of their solar system with the market. The avoidance of network losses (and Transmission charges overall) needs to be understood – but should be put in the context of any increase in costs (and/or in prices).

In relation to the question regarding the sharing of benefits, it is important to acknowledge that the 'fair and reasonable' amount is the ONLY amount that consumers installing PV will be eligible to receive at the end of the Feed-in scheme eligibility (ie all new customers from October 2013). In that circumstance at least it will be important for any benefits to accrue to the 'causer' of this benefits.

I would encourage the Commission to consider making a review of the 'fair and reasonable' FiT premium part of the 3-yearly standing contract price path review – as the majority of market conditions that would need to be assessed for both tasks would be expected to be the same.

In summary, I would like to reiterate the benefits to all consumers of a plain language description of the physical and financial 'flows' that occur when a small customer exports electricity to the regulated grid. Further, I think the process would benefit from an analysis of the 'long term interests of consumers' in this case – clearly there is a distinct segmentation between those consumers with PV and those without.

I look forward to the Draft Report in November and please contact me if you would like to consider the data I have available.

Regards,

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