

Attention: Nathan Petrus

Submission re 2011 Determination of Solar Feed-in Tariff Premium

Draft Price Determination

Dear Sir,

I would like to express my disappointment with the Draft Price Determination report. In my opinion, ESCOSA has taken the easy way out and sided with retailers by assuming they will pass on all savings excluded from the FiT Premium to all of their customers by way of reduced tariff charges. My bet is that retailers will pocket any cost savings as a result of reductions in Net System Load Profiles (NSLP) and reductions in the Overall Wholesale Electricity Price, etc, that they can. What ESCOSA should have done was to reward the owners of PV systems, who have generated these savings, by giving back to them the value of these savings in the form of a realistic FiT Premium. These PV owners are the ones who have incurred the additional capital costs and so it's only fair and reasonable that they should be the only ones who share in the financial benefits. Non-owners of PV systems have not earned the right to benefit financially as a result of PV users spending thousands of dollars to produce clean energy.

5.2.2 Reduction in NSLP Weighted Electricity Price

For ESCOSA to say that they have decided to exclude the savings achieved by PV customers due to their systems reducing the NSLP, because it would be difficult to allocate a value to these owners with any certainty, is a cop-out. Sure it would require a degree of estimation, but that is no different to retailers having to estimate many aspects of their costs, incomes and cash flows when establishing their financial budgets. But whatever the savings estimates are, one thing is for sure, they should only be shared between PV owners by way of a FiT Premium, and not with other electricity users, who have not made any financial sacrifice in order to install PV systems.

In ACIL Tasman's report to ESCOSA, they have highlighted this very fact by saying "there may be a concern that PV customers cause the price effect but share its benefits with non-PV customers".

Therefore, ESCOSA should reward PV customers, instead of taking the easy way out and accepting the retailers word that they will pass on these savings "through the operation of the market", whatever that means. I thought retailers had share holders to answer to, and were about making profits and, in my opinion, that's what they'll do, by agreeing between themselves not to, or at least avoid as far as possible, passing on these savings to customers.

5.2.3 Reduction in Overall Wholesale Electricity Price

Another benefit that PV customers will create is that the wholesale spot price of electricity will reduce because of PV generation.

Again, as this benefit is achieved wholly and solely by PV customers, it's only fair and reasonable that they should be the only ones to share in any savings, by way of the FiT Premium. Other electricity users have not earned the right to benefit financially, by way of reduced electricity charges.

Therefore, for ESCOSA to exclude this effect from its assessment of the FiT Premium is unfair and unreasonable, which is not what the Government had in mind when it required ESCOSA to determine a fair and reasonable value to a retailer for electricity exported to the grid. **ESCOSA should bear in mind that this fair and reasonable value is to be reflected in a feed-in-tariff paid to PV generators by way of a FiT Premium**, and not by way of reduced electricity tariffs payable by all electricity users.

5.3.2 Reduction in Loss Factors

This is another example of ESCOSA getting it wrong by not including in the FiT Premium, savings due to solar PV cells resulting in a reduction of losses in the network. ESCOSA's argument is that these savings will be reflected in lower electricity purchase costs for all retailers which would tend to reduce electricity costs in total for all consumers. This approach again misses the point that PV owners have created these savings and they are the ones who should benefit through FiT Premiums paid to them for electricity they feed back into the grid. The benefit should not be shared with other electricity consumers who have not taken any financial risk associated with purchasing a PV system.

5.4 Avoided contracting and risk management costs

This is another example of savings, resulting from PV generation, not being passed on directly to customers with PV systems, but instead being shared with all electricity consumers. Again, this is unfair and unreasonable treatment towards PV owners, who alone have created these hedging contract savings.

In conclusion, I remind ESCOSA that it is their responsibility to determine a feed-in tariff as per subsection 35A (1) (ba) of the Electricity Act 1996. Then, under subsection 35A (2a) it says that in acting under subsection (1) (ba), ESCOSA must have regard to the fair and reasonable value to a retailer of electricity fed into the network by qualifying customers. In other words, ESCOSA must include all savings generated by PV systems in the FiT Premium and not allow some of these savings to be excluded, simply because calculating those benefits might be difficult, as ESCOSA has said in sections 5.2.2, 5.2.3 and 5.3.2 of their 2011 Determination of Solar Feed-in Tariff Premium paper.

Thanks for your consideration.

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