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2011 Determination of Solar Feed-in Tariff Premium
Draft Price Determination
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Background

Tindo Pty Ltd (Tindo) is a solar panel manufacturer based in Technology Park, Mawson Lakes in South Australia.

Tindo is commencing serial production of panels in December 2011 and will have solar panels ready for installation from late January 2012.

When the Feed-in Tariff legislation was introduced in July 2008, it had a review cap of 10MW installed PV. Since July 2008, we have seen the cost of manufacturing solar panels dramatically drop from around \$5/Watt down to \$1/Watt.

Combining the drop in the cost of solar panels with the rise in the cost of electricity meant that South Australian home owners have taken to solar in a big way. It is estimated that over 120MW of solar panels are now installed in South Australia.

This change happened very quickly and caught the industry and policy makers by surprise.

ESCOSA Draft Determination

When considering the reduced wholesale electricity cost together with avoided losses and the saving in market service fees, Tindo believes the price proposed by ESCOSA Feed-in Tariff Draft Price Determination to be fair and reasonable.

However, we believe network charges should also be considered.

On page 32 of the ACIL Tasman report it states:

“However, the cost of network access is driven by peak demand, not electricity consumption. The cost of providing network access to an existing customer depends on their demand for electricity when demand in ‘their’ part of the network peaks.

It is possible that PV customers would reduce their energy use over the year, and therefore the amount they pay for network access, by more than their reduction in demand at peak times. If so, they reduce the amount they pay for network access by more than their use of that network and, in doing so, receive a cross subsidy from non-PV customers whose network charges increase proportionally.”

Network charges are calculated and paid by the consumer on a per kWh basis, **not** on a peak demand basis.

The same argument made in the ACIL Tasman report could apply to a household that does not have PV installed. If both non-PV installed households have an identical peak load, but one household consumes half the electricity of the other household, then it too will be paying half the amount of network charges.

We believe it is not fair or reasonable to argue that PV creates cross-subsidy of network charges on the user pays basis, when this situation exists regardless of whether a household has, or, does not have PV installed.

As the pricing mechanism stands in relation to network charges, we believe it is reasonable PV should pay less in total for their network charges as they are using less of the network.

Until such time that the price of network charges is based on ‘peak’ demand, we believe it is misleading to suggest that only PV installed households cross-subsidize non PV households.

Cross subsidy against PV systems.

Furthermore the average kWh of exported solar electricity typically travels only tens of metres to the next power demand. That is, if the PV system on your roof is exporting electricity during a sunny day, this electricity will be consumed by your closest neighbour who is usually just metres away.

This compares to conventional centralized power station whose electricity needs to travel sometimes hundreds of kilometres via high Voltage power lines, through sub stations, the low Voltage network and eventually into your home.

Conventional centralized electricity uses a lot more of the network than distributed PV electricity. Yet, PV electricity pays exactly the same network charge as conventional centralized electricity.

There is a cross subsidy against PV systems.

Conclusion

When considering the reduced wholesale electricity cost together with avoided losses and the saving in market service fees, Tindo believes the price proposed by ESCOSA Feed-in Tariff Draft Price Determination to be fair and reasonable.

However we firmly believe that the benefits to the network brought by PV installations need to be reflected in the Feed-in Tariff as well.

If PV customers pay the same network charges for the electricity that is exported, non-PV customers receive a cross subsidy from PV customers.

The output of PV systems in South Australia will undoubtedly reduce the wholesale spot price of electricity passing on the saving equally to both non-PV customers as well as PV customers.

The output of PV systems also reduce the peak demand on the electricity grid during business hours hence promoting the reliability and sustainability of the grid to the benefit of both non-PV customers as well as PV customers.

We request ESCOSA to consider the inequitable cross-subsidy of network charges against PV installed systems.

In addition the retailer should not pay network charges or these network charges be at least pro-rata based on an estimate of distance travelled from source to load when reselling PV energy purchased from a PV customer.

Yours sincerely



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