

SUBMISSION TO IPART

SOLAR FEED-IN TARIFFS IN 2017-2018

1. IPART's recommendation for a benchmark tariff "*involves estimating the financial benefit that retailers receive when electricity is exported to the grid*" (page 1 of 9 unnumbered pages).
2. In estimating this benefit there are certain implicit assumptions. One such assumption appears to be that retailers are currently paying feed-in tariffs that are within or above the current benchmark range of 5.5 – 7.2 c/kWh. This assumption appears to be based on what retailers say they are offering (Table 1, page 9), rather than what they are actually paying. Ipart should treat these figures with some caution and, if possible, seek data on prices actually being paid to solar energy producers.
1. For example, Origin Energy ("OE") is said to be currently offering 6, 10 and 12 c/kWh. In my recent experience the offers of anything above 6 c/kWh are illusory in the case of Origin energy, for the reasons set out below. In 2011 I installed a range of solar panels on my property which produce about 13,000 kWh of electricity per annum. I use about 6,300 kWh per annum for domestic and business purposes. The property is at Robertson, NSW, where I conduct a cattle-breeding operation. I also reside at the property.
3. On 23 March 2016 OE wrote to customers, including myself, noting that the NSW Government's Solar Bonus scheme would end on 31 December 2016 and stating:
"To make sure you continue to get the most out of your solar system after the scheme ends, Origin will supply and install a remotely read digital meter free of charge in the next few months....As part of our exclusive Digital Meter offer we'll also pay our Origin customers a special solar feed-in tariff from 1 January 2017...You don't need to do anything..."
And:
*"**The benefits of net metering.** Generally, if your feed-in tariff is lower than the price you pay for electricity, you're likely to be better off with net metering. This is because under net metering you're using you own solar energy – so you won't need to pay for it. That means you'll only pay for the extra energy you need to take from the grid, which may reduce your overall electricity bill."*
4. On 25 October 2016 OE emailed customers, including myself. The email was headed: "*We'll be in your area soon to install a new digital meter*" and stated:
"This is to confirm we're coming to install your digital meter...we'll be there in the coming months... you don't need to be home – we'll do it all for you!"
5. The letter and email quoted above were clearing marketing exercises by OE designed to entice existing solar customers to remain as customers of OE after the NSW Government scheme ended. They used the promise of a free digital meter and the claimed benefits of such a meter, along with promised higher feed-in tariffs, to make their ploy attractive. I relied on their

representations rather than exploring alternatives, such as other resellers and storage batteries. Because receipt of the 60 cents feed-in tariff paid under the Government scheme depended on my continuing with OE until 31 December 2016, I was at a negotiating disadvantage, as OE well knew.

6. Having heard nothing further from OE by early January 2017, I wrote to the General Manager Retail who had sent the email in October, asking for answers to the following questions:

“1. Why has no one from Origin been in touch to explain the delay in installing digital meters?

2. When will a digital meter be installed at my premises?

3. What feed-in tariff will Origin pay me from 1 January 2017?

4. Confirmation that Origin will supply me with electricity after 1 January at a tariff which is no greater than the feed-in tariff it credits me with.”

7. I received an email response informing me the meter would be installed in January 2017. The email stated I would receive a feed-in tariff of 6 cents/kWh from 1 January 2017 and offering me \$50 compensation for the delay. Nothing further occurred in January.
8. In February 2017 a contractor employed by OE visited my property and informed me that, if there was no strong “3G” signal he would be unable to install the digital meter. However I could, at my own cost of “about \$1,000”, install a booster or possibly an aerial in order to receive the “3G” signal which was necessary for the digital meter to be read remotely by OE, thereby saving the cost of meter reading.
9. I emailed OE to inquire what was happening, as there had been no reference to the availability of a “3G” signal in either the letter of 23 March 2016 or the email of 25 October 2016, or the email received in January 2017.
10. I received a reply from OE stating:

“The metering team have confirmed that the service order was not completed due to poor signal for the 3g network. The meters we are installing require a strong 3g mobile signal to work. We currently do not have a solution in place for customers who do not have a strong mobile signal and whilst we are working on this I cannot provide you with an estimated time of resolution for this issue.

We will install the digital meter as soon as we are able to, however I cannot confirm when this will be.”

11. On 3 March 2017 I spoke to a complaints officer at OE called Maryanne. I pointed out that OE had engaged in a marketing exercise to entice solar customers to remain with it after 1 January 2017 by stating an intention to install free of charge a digital meter that would have the benefit that they would only pay for electricity they used over and above what they produced. However the statements had made no mention of any conditions, in particular no reference to the need for a “3G” signal. Maryanne admitted that the letter and email were misleading in this regard. I asked her three times to inform me

the basis on which I would be paid and charged for electricity produced and used after 1 January 2017, but she declined to answer.

12. My electricity meter was read on 24 February 2017 and I received an account from OE dated 6 March 2017 covering the period 19 November 2016 to 24 February 2017. For the period from 1 January 2017 I was allowed a feed-in tariff of 6 cents/kWh for electricity produced, a total of \$125.94, and charged for all electricity used at the rate of between 22.83 and 23.43 cents/kWh., as well as a daily supply charge of 78.5 cents, a total of \$265.96 plus GST. In other words, OE compulsorily purchased the electricity I produced at 6 cents and sold it back to me at about 23 cents!
13. During that period I used about 46% as much electricity as I produced. Had a digital meter been installed before the end of 2016, in accordance with OE's representations throughout 2016, I would have used my own electricity, at no cost, except during periods when the solar panels were not generating electricity, such as at night. It is impossible to calculate how much electricity I would have used from the grid in the absence of a digital meter. However the amount would clearly have been considerably less than the total usage, for which I was charged. In addition, I would have been paid the "special feed-in tariff" that OE promised for all the electricity I produced but did not use. Again the amount cannot be calculated without a digital meter.
14. It is stated on page 5 of the document, data in Endeavour Energy's network area are insufficient as most solar customers do not yet have digital meters. I still do not have one. I changed retailers about a month ago and Energy Australia have said they will install a digital meter and I have also agreed to purchase a storage battery so that I will be largely independent of the grid. However this is not likely to happen until the end of 2016-2017. No doubt this explains the low number of digital meters in Endeavour Energy's area.
15. Had OE acted in accordance with their representation, I would have had 6 months in which to use my own electricity and export the balance, paying only for the small quantity I needed to top up supply. This is the "benefit" they were referring to in their letter of 23 March 2016 quoted above. They were in no doubt there would be a benefit to me, and it follows a cost to them. They took a deliberate decision to deny me this benefit, to their advantage. There is therefore an element of market failure present, induced by retailers in whose interest it is to sell as much and purchase as little electricity as they can contrive to do.
16. Any suggestion that retailers are in fact presently paying feed-in tariffs above 6 c/kWh hour must therefore be treated with extreme caution.
17. Indeed I would suggest that IPART should proceed on the basis that retailers may be receiving a hidden benefit for selling as much electricity at high tariffs, and paying low tariffs for any electricity fed into the grid. These benefits would far exceed, in order of magnitude, the type of benefits which IPART is considering in its methodology for determining a benchmark range of feed-in tariffs. IPART should therefore consider increasing the range for 2017-2018, and thereafter, at least until it has reliable data as to the tariffs actually being

paid, and the proportion of solar energy the retailers are actually acquiring at those tariffs, and should endeavour to ensure that artificial impediments to the operation of a competitive market, such as those engaged in by OE, are removed.