



Submission to the Independent Pricing and Regulatory Tribunal of NSW: Review of solar feed-in tariffs 2017–18

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Contributors

This submission was prepared by Andrea Leong and Tom Geiser on behalf of the Science Party NSW.

Contact details

Email: [REDACTED]

Confidentiality

This submission does not need to be kept confidential and may be made public.

Summary

The Science Party NSW commends IPART's methodology of calculating tariffs based not only on the average wholesale retail cost of electricity, but also to reflect the reduced stress on the grid of generating power close to where it is used, and taking into account the savings to retailers.

We welcome the increase in the recommended range from 5.5–7.2 c/kWh in 2015/16 to 11.6–14.6 c/kWh in 2017/18 to reflect the recent increase of similar proportions in market prices.

Comments on the benchmark range

The objective of solar feed-in tariffs should be to encourage rooftop solar electricity generation with the excess to be fed into the electricity grid. However, the tariffs should not be so high as to be prohibitive for retailers; nor need to be subsidised by all users like the NSW Solar Bonus Scheme was, as rooftop solar generation is not an option available to all users (due to reasons such as initial cost, or because they are renting).

We are sympathetic to calls for higher tariffs on the basis that solar energy is more environmentally sound than energy generated from burning fossil fuels. However, we do not believe that feed-in tariffs are an appropriate mechanism to reflect that factor, as some of the energy generated by large suppliers is also generated from non fossil-fuel sources (albeit a small proportion¹).

It is worth noting that the suggested benchmark range of 11.6–14.6 c/kWh reflects the current wholesale price in NSW. The current proposal therefore provides fair compensation for exported solar energy. The additional benefits of lower network losses and market costs are a smaller proportion of solar energy's export value, but are nonetheless important considerations.

Comments on the voluntary nature of the tariffs

The Science Party NSW believes it is appropriate to keep the recommended feed-in tariffs non-compulsory at this stage. The draft recommendation under consideration notes that many electricity providers voluntarily provide the recommended tariff to their customers, and we believe retailers should be given a chance to follow the higher recommendations for 2017/18. Flexibility should allow for competition between retailers.

Where possible customers should be notified of tariff changes and encouraged to compare retail offers so they may find the best offer. To this end, services that present a comprehensive and straightforward comparison for customers provide an important service.

The future of feed-in tariffs

With increasing penetration of smart meters it will soon be practical to provide some level of wholesale price exposure to customers. This will encourage efficient development of distributed generation and result in fairer tariffs for all customers. This mechanism will need to be a consideration for future reviews of feed-in tariffs.

¹ <https://www.marketforces.org.au/how-renewable-are-the-big-three-energy-retailers-2015/>