

20 May 2021

Deborah Cope
Acting Chair
Independent Pricing and Regulatory Tribunal

Submitted electronically

Dear Ms Cope,

Submission to Solar Feed-in Tariff Benchmark 2021-22 Draft Report

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) Draft Report for its Review of Solar Feed-in Tariff (FiT) Benchmarks for 2021-22.

PIAC generally supports IPART's methodology contained in the Draft Report.

Solar multiplier

PIAC supports the new method to calculate the solar multiplier and using data from all three NSW Distribution Network Service Providers (DNSPs), rather than just data from Ausgrid's area. However, we encourage IPART to also use data from a range of climatic zones in NSW, especially for Essential Energy since the solar availability will vary across their jurisdiction. The difference in general climate and weather patterns will affect both the gross solar generation from a system and household's typical usage patterns and hence the amount of solar generation injected back into the grid.

PIAC also supports utilising a longer historical data series as this is likely to smooth year-on-year variations of the calculated FiT and provide a more stable value proposition to inform DER investment choices. The wholesale spot price is increasingly hard to predict and somewhat more volatile than the actual cost to retailers due to the effects of contracting and vertical integration. This will also be impacted when usage patterns, and therefore export, change with increased uptake of DER.

Fairness

Climate change requires rapid decarbonisation of our electricity system and so renewable energy including solar should be encouraged. However, PIAC agrees with IPART that non-solar households should not subsidise solar households. Many non-solar households would like to take up solar and other DER options but are limited in their



capacity to do so because they rent, have shared roof space or are not able to afford the upfront cost of solar. The solar FiT should not exacerbate this inequality.

Although outside the scope of this Review, in PIAC's view the Small Scale Renewable Energy Scheme and other green costs should not be collected via bills where they are applied at a flat rate regardless of an ability to afford them. These costs are more fairly recovered through consolidated revenue.

The benefits of the solar FiT benchmark

Individual and network benefits of rooftop solar clearly lie with households self-consuming where possible. IPART's FiT benchmarks send a signal to households to maximise the consumption of the energy they generate where they can and to get batteries if they can afford it. Households with solar should be encouraged, rewarded and educated to optimise self-consumption of their solar energy.

The benefit of the benchmark FiT would be improved if current and future solar owners were both aware that IPART's makes a determination and for this information be easily accessible. Although IPART has developed a spreadsheet tool to help compare bills for offers with different feed-in tariffs and retail prices, this tool is not easily accessible for current or prospective solar owners. PIAC suggests these valuable tools be available in user friendly formats at places people regularly access energy information such as the Energy Made Easy and Energy Saver websites.

As included in our submission to the Issues Paper, data from the NSW Social Programs Code suggests many solar households may actually be worse off as, despite receiving a reasonable FiT, they receive higher than normal fixed or usage rates for consumption. Further to this, solar households with a controlled load have the highest bills amongst solar households who receive a rebate.¹ An opportunity exists for these households to reduce their bills by shifting this energy use (most likely water heating) to daytime hours (with further savings opportunities for some households to switch to a heat pump water heater).

PIAC notes IPART's analysis in the Draft Report that "offers that include a high feed-in tariff are not necessarily the best overall deal for customers ... there is not a strong correlation between customers' total bills and the feed-in tariffs offered. For many offers, a customer is better off overall with a lower feed-in tariff because the retail tariffs offered are also lower."

Despite this, PIAC considers it worthwhile for IPART to continue to develop solar FiT benchmarks. It is an important consumer tool to enable current and future solar owners to be aware what is a reasonable FiT to expect from a retailer.

Longer term value of FiTs

Although IPART sets the FiT benchmark each year "because the price of electricity can fluctuate significantly year to year, and can be difficult to predict several years in advance", it should be clearly communicated to people who are considering purchasing or upgrading a solar system that "there are some clear trends emerging that mean that solar feed-in tariffs are likely to stay relatively low over the medium term". Households could then factor this information into their purchasing decision.

¹ NSW Department of Planning, Industry and Environment, *NSW Energy Social Programs Annual Report 2019-20, 20-21*.

Overall financial impact of time-dependent tariffs

PIAC looks forward to IPART's analysis of the overall financial impact time-dependent tariffs could have for a range of different consumers with varying electricity usage profiles, solar panel systems and battery sizes. PIAC also expects retailers to begin offering time-dependent FITs and IPART's analysis would be of benefit to consumers. As such, this information should be easily accessible and understandable for NSW households.

Consumer data right

The ability for consumers to authorise sharing their usage data with third-parties under the Consumer Data Right (CDR) can allow households to make better informed choices about energy and DER. However, the benefits of this to households is not guaranteed and is dependent on a number of factors including the authorisation model used in energy. For instance, PIAC has strong concerns with the retailer-centric ('peer-to-peer') model proposed in the Commonwealth Treasury's recent CDR issues paper². Under this model, retailers would be able to see when their customer authorises data sharing under the CDR to use a price comparator service or to invest in a DER system. The retailer could then make a counter-offer to retain their customer or offer them a DER system. This is much like 'saves' or 'winback' marketing seen previously in energy retail offers. On the surface, winback appears to offer an immediate benefit to the consumer in question, in the form of a cheaper energy contract. However, the practice appears to drive up the cost of customer acquisition for new providers, at best making it hard for them obtain a viable market share and at worst deterring them from entering the market altogether. PIAC is concerned such practices impedes viable competition in the market and harms consumer outcomes in the longer term.

Continued engagement

PIAC would welcome the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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² Peer-to-peer data access model in the energy sector: CDR rules and standards design paper, April 2021, available at https://treasury.gov.au/sites/default/files/2021-05/c2021-168954-cdr_design_paper_peer_to_peer.pdf