

	<p>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</p> <p><i>Secretary: Max Howard PO Box 261 Corinda Q 4075</i></p>
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15 September 2012

SUBMISSION ON QCA ISSUES PAPER ON “ESTIMATING A FAIR AND REASONABLE SOLAR FEED-IN TARIFF FOR QUEENSLAND”

BACKGROUND

The Queensland Consumers’ Association (the Association) is a non-profit organisation which exists to advance the interests of Queensland consumers. The Association’s members work in a voluntary capacity and specialise in particular policy areas, including energy. The Association is a member of the Consumers’ Federation of Australia, the peak body for Australian consumer groups and is represented on the Queensland Competition Authority’s Consumer Consultative Committee and the Energy and Water Queensland Ombudsman’s Advisory Council.

Although the topic is of great importance to all Queensland consumers, the Association only has the resources to make a brief submission and is unable to respond to all the questions in the Issues Paper.

The contact person for this submission is: Ian Jarratt, email ijarratt@australiainmail.com

GENERAL COMMENTS

We welcome the Government’s decision to require QCA to investigate and report on this matter and that this involves significant consultation with all stakeholders. There was inadequate consultation prior to the introduction of the solar feed in tariff scheme in 2008 when we indicated to the Government several concerns about the proposed scheme, including that the cost of the scheme could be significant and would be borne by other consumers of electricity.

We consider that the investigation should take account of the needs of ALL types of electricity consumers in Queensland i.e. those:

- with or installing solar panels which will qualify for the 44c per kWh feed in tariff
- with or installing solar panels which will qualify for the 8c per kWh feed in tariff
- who may consider and be able to install solar panels in the future
- who are unlikely to consider or be able to install solar panels.

The latter category will include many types of consumers including: tenants, the poor and disadvantaged, and those living in multiple dwelling complexes.

We emphasise the need for this review to take account of other relevant reviews currently being undertaken in Queensland and at national level. The Government must also take account of these when considering any recommendations from QCA. This is essential to provide all consumers with as much certainty as possible about the arrangements during the next few years. Solar panels are a substantial and long term investment for most consumers so significant changes in the terms and conditions associated with any arrangements, or other policy changes, can have major impacts on the returns from such investments.

We note that this investigation is into solar feed in tariffs only, not feed in tariffs for electricity from other small scale sources. We are not aware of the current or potential for the feeding in of electricity from other sources, but if it is significant a similar investigation may be needed for these since they are likely to differ from solar in many important respects.

SPECIFIC COMMENTS

Impacts

The predictability of total and exported solar electricity production may have impacts on costs and benefits but are not mentioned in the paper. If significant, they need to be identified and where necessary allocated to the relevant part of the industry.

We note that the paper does not mention specifically any possible impacts on other electricity generators even though small scale PV generated electricity may have significant effects on the demand for, and supply of, electricity from other sources. We suggest that this be further considered. If significant, and not able to be satisfactorily taken into account by the wholesale prices paid by retailers, it should be treated as a separate cost benefit area.

Uniform Tariff Policy (UTP)

Consumers in the Ergon area who are subsidised by the UTP should not be disadvantaged relative to those in the Energex area in relation to feed in tariffs.

Further detailed consideration is needed to arrive at arrangements that will be fair and reasonable for consumers in Ergon's area.

Form of regulation

As in previous submissions to the QCA, we again caution against using only figures on the number of switches and the number of consumers on market contracts in the Energex area as the sole indicators of the level of competition between retailers. Also, we also emphasise the need to have enough informed consumers able to effectively participate in the market and consider that at present this is not the case. For example, many consumers are on market contracts which are less beneficial for them than the standard contract. We suggest that although the market in the Energex area has more competitive characteristics than that in the Ergon area, it is still not effectively highly competitive.

We note that QCA has assumed, but provided no evidence, that solar PV customers may be better informed and more likely to seek out competitive offers than other customers. Given the importance of this assumption to the final form of regulation, we recommend QCA to commission and publish the results of a survey of existing and potential solar PV customers and other customers in the Energex area on this matter.

Until evidence is available on customer information levels, ability to seek out and compare offers, etc we are unable to have a firm view on the appropriate level of regulation in the Energex area. However, at the moment we consider that as a minimum in the Energex area a benchmark value or range of values should be published and that in the Ergon area there should be a minimum mandatory tariff (or tariffs).

Metering arrangements

The paper considers this largely in terms of the extent to which grid connected PV customers pay the true cost of their supply from the network and suggests that with net metering the current distribution charging arrangements with relatively low fixed daily charges results in PV customers possibly not paying the true cost of their supply. It then indicates that there is an argument to prefer gross metering.

However, the paper provides no information about the potential impact of gross metering on the economics of PV panels, which could be very substantial, or about the extent to which it would reduce the cost of PV schemes for other consumers.

In the absence of such information, we do not support changing from gross to net metering, especially for consumers with PV systems within the current 44c and 8c schemes.

Also, we consider that this raises much broader issues such fixed and variable costs for electricity supply and whether consumers should be penalised for reducing electricity consumption. For example, consumers who take other actions to reduce their electricity consumption, such as by being more energy efficient, have the same types of negative impacts on distributor revenue. Consequently, this matter should be examined quite separately to this review.

Equitable sharing of scheme costs

We support in principle the equitable sharing of the costs of the 44c and 8c feed in tariffs and, if they are the main beneficiaries, all retailers should contribute to the costs of these tariffs.

However, depending on the level of contribution, such an approach could result in retailers not continuing to offer existing PV customers in the Energex area voluntary feed in tariff premiums or for the levels to be much reduced. This could have significant impacts on such customers whose investment decisions may have assumed the continuation of such premiums. So, if such a policy is adopted, it should be phased in over several years for existing PV customers.