



QCOSS Energy Consumer Advocacy Project

QCOSS Submission to QCA Issues Paper:
Estimating a Fair and Reasonable Solar
Feed-in Tariff for Queensland

17 September 2012

Introduction

The Queensland Council of Social Service (QCOSS) is the peak body for over 500 welfare and community sector organisations in Queensland. For over 50 years QCOSS has worked to promote social justice and exists to provide a voice for Queenslanders affected by poverty and inequality. We act as a State-wide Council that leads on issues of significance to the social, community and health sectors. We work for a Fair Queensland and develop and advocate socially, economically and environmentally responsible public policy and action by community, government and business.

QCOSS has been funded by the Department of Energy and Water Supply for an energy consumer advocacy project in Queensland. The purpose of this project is to advocate on behalf of Queensland consumers and particularly vulnerable and low income households in relation to energy.

QCOSS welcomes the opportunity to provide a submission to inform the Queensland Competition Authority's investigation into a fair and reasonable value for electricity generated exported to the Queensland grid by small-scale solar photovoltaic (PV) systems. QCOSS supports the Queensland Government's decision to initiate this review in recognition of the high growth in costs associated with the Solar Bonus Scheme and resulting impact on electricity prices for Queensland consumers.

Preliminary Comments

QCOSS's primary concern in providing these comments is the rising cost of living and the associated impacts on low income and vulnerable households. Given the impact of recent electricity price rises on Queensland consumers, QCOSS is supportive of the requirement in the Terms of Reference that the QCA investigate tariff arrangements that result in "no consequential increase in electricity prices in Queensland". As outlined in the Issues Paper, the existing distributor-funded Solar Bonus Scheme incurs costs which are ultimately borne by all electricity customers via higher retail electricity prices. In light of this, and acknowledging that the Scheme has surpassed expectations in terms of uptake and cost, QCOSS supports this investigation to identify options that provide solar PV customers with fair payment for their exported electricity without adversely impacting electricity affordability for all Queensland consumers.

While rising electricity prices impact many households, those on low incomes are particularly vulnerable as they typically spend a higher proportion of their income on electricity, and are likely to experience slower income growth to manage rising costs over time¹. Additionally, low-income consumers have generally been less able to participate in the Solar Bonus Scheme as they lack access to capital and have limited ability to install solar PV due to their status as tenants of private rental properties, apartment complexes, residential parks or social housing². This raises concerns about the equity of the distributor-funded scheme, as non-participants face higher electricity bills without deriving any direct benefit in return. It is therefore critical that a more appropriate 'fair and reasonable' solar feed-in tariff arrangement is established to avoid further electricity price increases for low-income consumers.

¹ QCOSS Cost of Living Report, May 2011

² Only 31.7% of consumers with low economic resources are owner occupiers, compared to 70.7% of the total population (ABS Household Wealth and Wealth Distribution, Australia, 2009-10)

Recommended tariff arrangements

QCOSS acknowledges that there is a reasonable level of retail competition in the South East Queensland electricity market, which indicates a voluntary feed-in tariff could be adequate in delivering a fair and reasonable value to solar PV customers. However, QCOSS believes some level of regulation may be required in terms of publishing a non-mandatory benchmark range of values for customers to reference. Should a voluntary approach be adopted, QCOSS believes it is important that some level of guidance and information be provided to ensure customers understand the fair value of their exported electricity, and have adequate information to determine the most competitive retailer offers.

QCOSS suggests greater regulatory control may be required to ensure solar PV customers in Ergon Energy's distribution area are not disadvantaged in comparison to South East Queensland customers. QCOSS understands that publishing a non-binding benchmark rate as a guide for consumers would not result in feed-in tariffs being voluntarily offered to regional consumers. In the interests of consumer equity, QCOSS believes a mandatory tariff may be the only way to ensure regional customers have access to a 'fair and reasonable' value for their exported electricity.

While QCOSS has not fully explored the range of implications associated with the difference between a gross vs. net feed-in tariff, we would suggest that any recommendations should take into account the outcomes of other reviews and rule changes occurring in the electricity industry, such as the Senate Inquiry on Electricity Prices, Australian Energy Market Commission (AEMC) Power of Choice Review, AEMC Rule Change of Economic Regulation of Network Service Providers, and the Productivity Commission Inquiry into Electricity Network Regulation. Some of these reviews may have outcomes, such as altered revenue dividend arrangements for distributors or recommended peak demand management initiatives, which could change the impact of different feed-in tariff arrangements on the market.

Enhancing consumer information and choice

The Issues Paper states that solar PV customers are likely to be well-informed consumers who actively seek out competitive market offers. However QCOSS would caution the QCA against making any recommendations based on this assumption. Strong anecdotal evidence from stakeholders and other consumer advocates suggests that many customers who have installed solar PV are in fact not very well-informed at all, and many have inflated expectations about the likely benefits of installing a solar PV system. As the QCA would be aware, the Australian Competition and Consumer Commission has previously responded to concerns about misleading advertising by warning the solar PV industry that they must be able to back up claims about system performance and expected savings.

Therefore, QCOSS would suggest that there remains a high level of consumer confusion and misunderstanding about the costs and benefits associated with solar PV, and electricity pricing and contracts more generally. The recent rapid uptake of solar PV, driven by a fear of missing out and increasing market offers of interest-free finance, means that a diverse range of consumers with varying levels of understanding have recently installed solar PV. If the cost of technology continues to fall, and electricity prices continue to rise, a wider range of consumers will continue to enter the solar PV market. For this reason, it will be important that any future feed-in tariff arrangements are supported by adequate provisions to ensure consumers are provided with clear and comparable information on all fees and charges associated with contracts containing a feed-in tariff payment component.

QCOSS recommends that clear, concise and transparent information be provided to consumers to detail the potential costs and benefits of different market offers providing feed-in tariff payments. Retailers should be required to outline their product offers in a clear and standardised manner to ensure customers are not disadvantaged by being enticed to take up a market contract that provides a higher feed-in tariff rate alongside additional fees or other undesirable conditions that diminish the real net value of the offer.

Given the added complexity that varying solar feed-in tariff rates would add to the market, it is important that Queensland customers have access to an adequate and up-to-date online price comparison tool that clearly identifies the costs and benefits of different offers, and allows consumers to weigh up all aspects of electricity contracts to make the best choice for their circumstances. This will require significant upgrading of the QCA price comparator, which is currently insufficient for this purpose. QCOSS notes that implementation of the National Energy Customer Framework would provide Queensland customers with access to the Australian Energy Regulator 'Energy Made Easy' website, which provides a price comparison that includes information specifically for solar customers³.

Equitably sharing the ongoing costs of the existing Scheme

QCOSS supports the proposal to share the ongoing costs of the existing Scheme more equitably by obligating retailers of Scheme customers to make a contribution to the 44 cents per kilowatt hour (c/kWh) feed-in tariff payment. While distributors are currently responsible for the cost of the Scheme, the benefits of solar PV for the network are highly dependent on the specific location of the solar PV connection and the capacity of the surrounding network. On the other hand, as the Issues Paper outlines, retailers derive a more direct and predictable financial benefit from the purchase of electricity through the existing Scheme. This benefit is evidenced by the fact that some retailers are voluntarily offering South East Queensland customers an additional tariff payment of approximately 4-8 c/kWh, on top of the 44 c/kWh provided through the distributor-funded Scheme. This means some South East Queensland customers are effectively receiving up to 48-52 c/kWh for their exported electricity.

Given some retailers are already making voluntary tariff payments to existing Scheme customers, it appears they are deriving a benefit from the electricity being exported by Scheme customers, and that they have the capacity to pay for this benefit. Based on this, it appears that spreading the cost of the existing Scheme to retailers could be feasible. It is also likely to be a more equitable approach in terms of reducing the future liability of the Scheme and mitigating the associated electricity price increases for consumers out to 2028.

QCOSS acknowledges that requiring retailers to make a contribution to the Scheme could reduce their willingness to offer Scheme customers the 'premium' tariff payment on top of the 44 c/kWh. It is highly likely they could cease their voluntary payments of 4-8 c/kWh to Scheme customers, meaning those that currently receive 48-52 c/kWh may only receive the 44 c/kWh subsidy going forward. While QCOSS recognises this is not an ideal outcome for those particular customers, we believe 44 c/kWh is still a sufficiently generous payment, and that the overall benefit for all Queensland consumers in terms of reducing electricity prices rises would outweigh the negative impact on any individual customers. QCOSS recommends that the QCA work with the Queensland Government and retailers to ensure these broader benefits are clearly communicated to affected customers.

³ <http://www.energymadeeasy.gov.au/>

QCOSS suggests the QCA should set the retailer contribution at the lower end of the benchmark feed-in tariff range to ensure Scheme customers do not become less desirable customers to retailers, which might disadvantage them in the market place. This is consistent with the approach recommended by the NSW Independent Pricing and Regulatory Tribunal⁴. While a retailer contribution to the Scheme in the order of 4-5 c/kWh is not overly significant, QCOSS believes it would be a step in the right direction to limit the significant future cost of the Scheme for Queensland electricity consumers.

Future review of tariff arrangements

QCOSS recommends that a review be undertaken after one year of operation, to assess whether the market has successfully provided accessible and fair payment rates to consumers with solar PV systems. This review should include an assessment of how electricity prices have been impacted by changes to the solar feed-in tariff arrangements, whether consumers have equitable access to feed-in tariff offers regardless of their location, and whether retailer offers that include a feed-in tariff component are acceptable in terms of providing adequate terms and conditions that are communicated in a clear manner.

We look forward to participating in any future consultation on this topic and representing the interests of Queensland consumers in all energy related matters. For further information, or to clarify any aspect of this submission, please contact Carly Allen, Team Leader Low Income Consumer Advocacy on 07 3004 6909 or email carlya@qcross.org.au.

⁴ IPART Solar Feed-In Tariffs, Final Report (Chapter 10), March 2012