



30 September 2010

Mr Warwick Anderson
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By e-mail: aer inquiry@aer.gov.au

Dear Mr Anderson

EnergyAustralia's Pass through application: NSW Solar Bonus Scheme

PIAC welcomes the opportunity to respond to EnergyAustralia's pass through application to recover administration and implementation costs arising from the NSW Solar Bonus Scheme. PIAC recognises that the Australian Energy Regulator (AER) will examine the costs claimed by EnergyAustralia. This letter highlights aspects of EnergyAustralia's application where PIAC has key concerns and is seeking very careful consideration before approval is given to pass on costs to all EnergyAustralia customers.

Administration Costs-Metering and Inspection

EnergyAustralia is seeking to pass through \$43.7 million for meters and \$20.1 million for inspections.¹ PIAC contends that these costs should be charged to individual customers who are set to gain substantial benefits from the generous feed-in tariff of 60-cents per kilowatt-hour, payable under the NSW Solar Bonus Scheme.

As EnergyAustralia notes in its application, the Independent Pricing and Regulatory Tribunal's (IPART) 2004-2009 distribution price determination defined customer specific services as excluded distribution services.² This means that the cost of these services places no pressure on network tariffs that include distribution use of system (DUOS) costs and transmission costs. EnergyAustralia also notes that IPART's distribution services classifications and exclusions have been carried over into the current 2009-2014 regulatory period.³

PIAC asserts that the installation of hardware to enable a customer to access the NSW Solar Bonus Scheme should be seen as a customer specific service and all costs of the meter, installation and safety inspections should be charged to the customer. Under this arrangement the costs would be fairly apportioned to those who gain a financial benefit from the NSW Solar Bonus Scheme.

PIAC urges the AER to be vigilant in assessing any claims that seek to spread the costs of the NSW Solar Bonus Scheme over the broad customer base, rather than applying a fee for service approach. Accessing the NSW Solar Bonus Scheme is particularly difficult for low-income households and those in rented accommodation. The scheme has been designed so that all electricity consumers in NSW, including those who gain no benefit from the scheme, bear the cost of the feed-in tariff. Any network price increase will place further pressure on low-income and vulnerable households already struggling to stay connected to an essential service. In PIAC's view it is particularly important that any costs that can be attributed to the customer gaining a benefit under the scheme should be recovered from that customer.

EnergyAustralia's pass through application suggests that obligations to connect complying generators under the NSW Solar Bonus Scheme should be viewed as a generic type 5 and 6

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meter installation activity.⁴ PIAC contends that the installation of type 5 and 6 meters to allow customers to access electricity is vastly different from the installation of meters to allow customers to access a financially beneficial scheme.

In their application, EnergyAustralia refers to the 2004 determination made by IPART and the fact that classifications of distribution services included in this determination have been adopted in the 2009-2014 regulatory control period.⁵ PIAC asserts that the paragraphs below, taken from IPART's 2004 price determination, show that long before the Solar Bonus Scheme was introduced, IPART built in some contingencies with regard to payments for meters that may also be useful in the current period.

The Tribunal's decision will not prevent metering services for types 5-7 meters from becoming contestable during the regulatory period. If this occurs, the charges for metering services would need to be made transparent and separated (or 'unbundled') from the existing network charge to enable competition. The Tribunal has included a clause in the determination to this effect. Any such charge would be treated as a new tariff and included within the weighted average price cap, as a prescribed distribution service.

It should be noted, however, that a service does not need to be contestable for the DNSP to levy a separate charge for it. If the DNSP wishes to make the cost of the service transparent, including the cost of installing an interval meter, it may charge separately for it, provided it can demonstrate these costs are not being recovered elsewhere, such as through the general distribution charge.⁶

PIAC requests that the AER carefully investigates whether the NSW Solar Bonus Scheme related meter and inspection costs should be smeared across EnergyAustralia's customer base or charged to individual customers. PIAC believes that the above paragraphs may be useful in informing decisions around whether a user pays approach could be applied to meters that enable a customer to access the NSW Solar Bonus Scheme.

Transparency

PIAC notes that EnergyAustralia has based its cost projections on a report forecasting the uptake of the Solar Bonus Scheme. Unfortunately, as this report is marked confidential, PIAC is unable to make an informed comment on these forecasts or their impacts on the cost of the scheme. Any move by the AER to encourage applicants to make significant information publicly available, would be most welcome.

Thank you again for the opportunity to comment on EnergyAustralia's pass through application. Should any further information be required please contact Carolyn Hodge, Policy Officer, via email chodge@piac.asn.au or via telephone on (02) 8898 6520.

Yours sincerely



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- ¹ EnergyAustralia, *Pass through application: NSW Solar Bonus Scheme* (2010) 31
<<http://www.aer.gov.au/content/item.phtml?itemId=739766&nodeId=9c80159687f5bd2361d5fcce5780f0c&fn=EnergyAustralia%20application.pdf>> at 29 September 2010.
- ² Independent Pricing and Regulatory Tribunal NSW, 'NSW Electricity Distribution Pricing 2004/05 to 2008/09: Final Report' (2004) 12.
- ³ Energy Australia, above n 1, 12.
- ⁴ Ibid 13.
- ⁵ Ibid 12.
- ⁶ Independent Pricing and Regulatory Tribunal NSW, above n 2, 174.