



30 January 2012

Mr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

Dear Mr Boxall

Solar feed-in tariffs: Setting a fair and reasonable value for electricity generated by small scale solar photovoltaic (PV) units in NSW

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to provide comment on the Independent Pricing and Regulatory Tribunal's (IPART) Draft Report *Solar feed-in tariffs: Setting a fair and reasonable value for electricity generated by small-scale solar PV units in NSW* (the Draft Report).

PIAC is an independent, non-profit, law and policy organisation. PIAC works for a just and democratic society by taking strategic action on public interest issues. PIAC has, as a key area of work, energy and water policy. The Energy + Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in NSW.

PIAC's comments in this submission concentrate on two issues:

- the option of requiring Standard Retailers to offer a feed-in tariff they set themselves as part of their Standard Contract and
- requirements for retailers and marketers to provide information to consumers, including options to inform consumers about the existence and nature of these requirements.

PIAC also wishes to state its support for requiring retailers to contribute to the cost of the Solar Bonus Scheme. As IPART's Draft Report notes, this requirement would 'reduce future electricity prices by reducing the amount...that needs to be recovered from electricity consumers'¹ to fund the scheme. While this measure would ultimately benefit all consumers through lower prices, PIAC notes in particular that such an arrangement would deliver a welcome benefit to low-income consumers, for whom paying their electricity bill represents a proportionally greater financial burden. This group were less able to access the Solar Bonus Scheme,

¹ Independent Pricing and Regulatory Tribunal, *Solar feed-in tariffs: Setting a fair and reasonable value for electricity generated small scale solar PV units in NSW – and reasonable value for electricity generated small scale solar PV units in NSW – Draft Report* (2011), 6.

due to factors including the initial capital investment involved and the fact they are more likely to live in rental accommodation.

In addition, PIAC recognises that this Review's Terms of Reference state that the recommendations should not result in any 'increase in electricity prices in NSW'.² PIAC is very supportive of this requirement. However, PIAC contends that the NSW Government will need to carefully consider how upcoming changes to NSW energy policy will impact on any recommendations that are implemented as a result of this Review. These changes include the implementation of the National Energy Consumer Framework (NECF) (which is understood to be coming into effect on 1 July 2012) and the possibility that NSW may not continue to have regulated retail electricity prices once the present determination period ends on 1 July 2013. PIAC urges the NSW Government to consider the impact of these policy changes now in order to reduce the risk of necessitating short term and high cost changes to retailers' systems, which may ultimately lead to costs being passed through to consumers, particularly in a retail market that no longer has price regulation.

Determining a feed-in tariff and requiring Standard Retailers to offer a feed-in tariff as part of their Standard Contract

PIAC supports the option discussed by IPART that Standard Retailers be obliged to 'offer a feed-in tariff they set themselves, so that customers can remain on a regulated price and access a feed-in tariff'.³ PIAC supports this proposal for two reasons.

Firstly, Standard Contracts offer customers security that the cost of their electricity will only increase in line with price determinations by IPART. This certainty can be extremely important for consumers with low levels of disposable income, giving them some surety about this essential household cost. Requiring Standard Retailers to offer a feed-in tariff as part of their Standard Contract would mean consumers avoid having to choose between the regulated price and receiving a feed-in tariff. PIAC takes the view that consumers should not have to choose between accessing a feed-in tariff and the security of a standard contract. PIAC supports allowing Standard Retailers to set the feed-in tariff they offer themselves. This approach would guard against the rate being set too high, which could result in Standard Retailers incurring costs that they may ultimately seek to recover from consumers.

Secondly, PIAC doubts whether market competition will result in feed-in tariffs being offered to all consumers, as IPART argues would happen if a non-binding benchmark range for feed-in tariffs were published and supported by effectively informing consumers.⁴ This assessment is based on the fact that a de facto benchmark currently exists, in the form of the feed-in tariffs offered by some retailers, but only five of 12 retailers (and one of the three Standard Retailers) in NSW currently offer a feed-in tariff.⁵ While providing information more effectively to consumers about different feed-in tariffs may increase the number of providers who choose to offer a feed-in tariff, PIAC is not convinced that such an arrangement alone would see all retailers offer a solar feed-in tariff. This is another reason why PIAC believes Standard Retailers should be required to offer a feed-in tariff as part of their Standard Contracts.

In addition, recently released research commissioned by PIAC on consumer awareness and market behaviour in regional centres of NSW shows that customers in these areas are less

² Ibid 109.

³ Ibid 37.

⁴ IPART, *Solar feed-in tariffs: Setting a fair and reasonable value for electricity generated small scale solar PV units in NSW – Draft Report* (2011) 78.

⁵ Ibid 135.

exposed to competition between energy providers than those in greater Sydney, the Illawarra and the Blue Mountains. The research found that consumers in surveyed regions are less likely to have been approached by alternative providers about switching to a market contract and are less aware of the option to do so than their metropolitan counterparts.⁶ As a result, there is a risk that consumers in regional areas may only have access to a PV feed-in tariff if one is offered as part of a Standard Contract. In the interest of equity, PIAC therefore recommends that Standard Retailers be required to offer a feed-in tariff at a rate they set themselves.

Recommendation

1. *PIAC recommends that Standard Retailers be required to offer a solar feed-in tariff that they set themselves as part of their Standard Contract.*

Availability of information to customers

PIAC believes that there is considerable scope for more effective information provision, including about feed-in tariffs, to help consumers make informed choices about their electricity supply. As IPART notes in its Draft Report, access to accurate, clear and concise information will 'increase competitive pressure on retailers' as consumers are more informed about electricity offers and feed-in tariffs.⁷ PIAC recommends that all necessary steps be taken to maximise the transparency of feed-in tariff rates offered under both Standard Contracts and market offers. Providing clear and concise information to consumers is especially important given that there have been a number of recent and well-publicised changes to the operation of the Solar Bonus Scheme. As a result, PIAC believes that consumers need to be provided with greater clarity about the current arrangements for solar feed-in tariffs and how these offers differ from the Solar Bonus Scheme.

The Australian Energy Regulator (AER) has developed a Retail Pricing Information Guideline (the Guideline) that serves as a framework for the provision of contract information, assists customers to understand and compare energy contracts, and specifies the standard for the manner and form in which contract information is to be presented.⁸ PIAC believes the Guideline would be the most effective way to provide consumers with information about solar feed-in tariffs.

Under the Guideline, the AER has developed a standardised table for the presentation of all energy contract information, known as an 'Energy Price Fact Sheet', for all energy contract information to be presented in.⁹ This approach ensures the information is clear and easy to read for consumers, and that retailers meet all minimum requirements. PIAC would like to see a requirement for retailers to inform consumers of:

- the size of the feed-in tariff under a particular retail offer;
- a clear statement that the feed-in tariff is paid by the supplier, rather than government and
- a clear statement about whether the feed-in tariff may be subject to change during the contract term, including moving to zero.

Including feed-in tariff information as part of the Energy Price Fact Sheet would give consumers more relevant information from a single source, maximising the transparency of offers to consumers. PIAC acknowledges that regulating the provision of this information to consumers is the responsibility of the AER and that achieving this outcome in NSW would require liaison and

⁶ Louis Schetzer, *Choice? What Choice?* Public Interest Advocacy Centre (2011), 18.

⁷ Ibid 4.

⁸ Australian Energy Regulator, *Retail Pricing Information Guideline: Draft Instrument* (2011) <http://www.aer.gov.au/content/index.phtml/itemId/734869> 2.

⁹ Ibid.

cooperation between the AER, IPART and the NSW Government. PIAC further notes that, as all jurisdictions in the National Energy Market offer some form of solar feed-in tariffs, including this information in Energy Price Fact sheets would benefit consumers in other jurisdictions in addition to NSW.

PIAC further believes that consumers need to be better informed about the requirements for retailers and marketers to provide price and other information to them. Increasing consumer awareness of these requirements before they are approached about a market offer would result in consumers making more informed decisions about their electricity needs. To achieve this goal, PIAC recommends that the NSW Government provide information to community organisations for their regular publications, through local councils and libraries and through media releases to local newspapers. Providing information through long established channels will effectively complement informing people via the internet, which while extremely useful relies much more on consumers actively seeking out the information in which they are interested. PIAC would be happy to work with IPART and the NSW Government to achieve this goal.

PIAC also supports IPART's recommendation that 'the NSW Government and solar industry provide information to customers about small-scale PV, including the potential financial consequences to households and small business customers who choose to install PV units'.¹⁰ However, given the interest the solar industry has in providing a favourable impression of its product, PIAC recommends that the NSW Government take responsibility for publishing such information. This approach would mean consumers are provided with more independent information about, for example, the likely output of a solar PV system, rather than the output that manufacturers have been able to achieve in ideal laboratory conditions, which are rarely replicated in practice.

Finally, PIAC would like to see a smooth transition and consistency between current or revised and new regulatory arrangements. PIAC intends to monitor this transition and calls on both government and regulatory agencies to remain mindful of any possible impacts on vulnerable consumers in these processes.

Recommendations

2. PIAC recommends that IPART and the NSW Government cooperate with the AER to facilitate the inclusion of feed-in tariff information in Energy Price Fact Sheets. The fact sheets should be amended to include:

- the size of the feed-in tariff being offered under a particular retail offer;*
- a clear statement that the feed-in tariff is paid by the supplier, rather than government; and*
- a clear statement about whether the feed-in tariff is subject to change, including moving to zero.*

3. PIAC recommends that the NSW Government publicise the requirements for energy retail marketers to provide price and other information regarding an energy offer to consumers. This should be done through providing information to community organisations for their regular publications, through local councils and libraries and through media releases to local newspapers, as well as on the internet.

¹⁰ IPART, *Solar feed-in tariffs: Setting a fair and reasonable value for electricity generated small scale solar PV units in NSW – Draft Report* (2011) 93.

4. PIAC recommends that the NSW Government produce fact sheets for consumers, which detail the potential costs and benefits to consumers of installing small-scale PV units.

Once again, PIAC thanks IPART for the opportunity to provide comment on its Draft Report. Should you require any further information, please contact Oliver Derum, Policy Officer, on 02 8898 6518.

Yours sincerely

A handwritten signature in cursive script that reads "Edward Santow".

Edward Santow

Chief Executive Officer

Public Interest Advocacy Centre

Direct phone: +61 2 8898 6508

E-mail: esantow@piac.asn.au