



Submission by

Alternative Technology Association

On the

ESC Draft Determination – Victorian Feed-in Tariff 2014

4th July 2014

Emailed to: fitreview@esc.vic.gov.au

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1.0 Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to provide comment on the ESCs Draft Determination of the Victorian Feed-in Tariff (FIT) for 2014.

ATA is a national, not-for-profit organisation representing consumers and communities in the renewable energy and energy efficiency marketplace. The organisation currently provides service to 5,200 members nationally who are actively engaged with small, medium and large scale renewable energy projects, energy efficiency and the national electricity market (NEM).

A key specialist area of the ATA's in this regard is the economic impact, both at the customer level and with respect to the dynamics of the electricity market, of distributed generation (DG). Through our work as consumer advocates on broader issues within the NEM, ATA has developed a solid understanding of the optimal role of DG such as solar photovoltaic (PV) in the energy market.

2.0 Response to ESC Draft Determination

Electricity from DG has inherent value within the NEM based on a number of discrete components. That value exists whether the electricity is consumed within a household or premise, or fed directly into the grid.

It remains the case that economic evaluation of FiTs and the electricity supplied by DG in Australia (including in Victoria), is inadequate and without sufficient analysis of its full value in the NEM.

The ESC refers to history of Australian regulators mainly focussing on direct benefits to retailers only – and quotes specifically from Queensland (QCA) and NSW (IPART) examples.

This approach completely ignores the benefits of DG (and in particular solar PV) at the wholesale level (in particular at peak times), and in the transmission network. These are material benefits experienced by all electricity consumers, irrespective of whether they have DG installed. Recognising these component values for all consumers is the most accurate approach that accords with the National Electricity Objective¹ (NEO).

The material benefit to all consumers of DG in wholesale market is relatively straight forward – one need look no further than the recent modelling by ACIL Tasman for the Australian Government that places a wholesale market benefit of DG and large wind to all consumers in the NEM of \$15 per megawatt hour. Over the past five years, other analyses of the impacts of DG at the wholesale level have produced similar findings.

Aside from wholesale market benefits, the transmission benefits of DG to all consumers warrants greater attention.

Avoided TUoS charges are the costs avoided by Distribution Network Service Providers (DNSPs) as a result of DG during the daytime peaks – which are used for the calculation of transmission charges. This is a cost saving to DNSPs; in turn to retailers; and therefore to all consumers.

¹ The NEO prioritises, in law, the long term interest of consumers above all other market participants – including retailers.

The transmission load profile is heavily influenced by large industrial customers that use about 70% of the NEM electricity load, such as in Victoria for example, where most of the transmission network peaks at 4pm whilst PV is still predictably generating.

According to AEMO, PV has a material benefit here, providing about a third of its nameplate capacity during the highest demand period (maximum demand – MD). Importantly the charges that Victorian transmission businesses pass on to DNSPs, which DNSPs in turn smear across all consumers, are contingent on demand on these MD days.

It is reasonable that DG proponents should be partially remunerated for the material saving to the DNSP and other consumers of reduced transmission charges. This is not without precedent.

Examples of Avoided TUoS being paid to DG

SP AusNet, for example, currently pay consumers (technically speaking, they pay retailers who may or may not pass this through to consumers) a tariff of 4.1c/kWh for all PV energy exported to the network between November to March. This payment is in addition to any applicable Feed-in Tariff.

In addition, AusGrid in NSW have a specific methodology for calculating avoided TUoS, as outlined below:

ATUOS = TUOS without EG – TUOS with EG, where:

TUOS without EG = Demand Tariff X Transmission Peak Demand without EG

TUOS with EG = Demand Tariff X Transmission Peak Demand with EG or combining the above:

ATUOS = Demand Tariff X (Transmission Peak Demand without EG – Transmission Peak Demand with EG)

The ESC's Draft Determination states:

'With regard to network infrastructure costs, Australian regulators have generally found that there is an insufficient basis to allow for any avoided costs of this kind associated with PV electricity exports. When determining the 2014 minimum FiT, the Commission observed that electricity produced by small renewable energy generators is not carried on the transmission system, which might imply that potentially there are avoided transmission costs. However, the Commission concluded that any benefits of this kind had not been substantiated.'

Noting our previous point, and the published reports by AEMO that categorically state the transmission benefits of solar PV in particular, we do not understand how the Commission can arrive at this conclusion. Electricity produced by DG does not need to be 'carried' on the transmission network in order for a material benefit to be provided in this part of the supply chain. Clearly, the Commission has not reviewed the AEMO data that clearly outlines the synergies between solar generation and transmission peaks in Victoria.

Finally, the Draft Determination goes on to state:

'IPART of NSW suggested that if there are any network benefits (or costs) of small-scale PV generation, they should be directed to PV customers, but only where consistent with the 'direct retailer benefit principle' (IPART 2012). The Commission agrees that, if there are any network benefits, it would not be feasible to include them in the minimum FiT unless they were reflected in network charges.'

Again, and noting all of the commentary above, the avoided transmission network costs are reflected in avoided network charges. And the principle of ensuring 'direct benefits to retailers' is inconsistent, and potentially unlawful, in the context of the NEO.

3.0 Further Contact

Thank you for the opportunity to provide comment to this process and please do not hesitate to contact us at Damien.Moyse@ata.org.au or on (03) 9631 5417.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Moyse', with a large, stylized flourish at the end.

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