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Queensland Productivity Commission
PO Box 12112
George St QLD 4003

Dear Sir/Madam

**RE: Submission on Electricity Pricing Enquiry - Draft Report**

Please find attached my submission in relation to the above.

I have no objection to this submission being available for public inspection.

Would you please be good enough to acknowledge receipt of this submission.

Yours sincerely

Mark Tranter
Convenor, Toowoomba Branch
Alternative Technology Association

## GENERAL COMMENTS:

1. **Cost increases**. The statement that in real terms electricity prices have increased 87% does not adequately tell the whole story. The network charge increase in Toowoomba in the period 2011 to 2015 was 258% while the tariff 11 increased only 29% in the same period.

2. **Rooftop PV electricity in-house use included in statistics**. While the contribution of household rooftop PV is measured for the purposes of the feed-in tariff (FiT) and characterised as 5% (1,045 GWh)[1], under the net metering system this does not reflect the actual contribution of rooftop solar. What is not measured is the amount used in households or businesses before the excess is fed into the grid. Installed capacity is 12% or 1,328MW[2] but, being solar and subject to down periods due to the absence of sunlight, this is not an accurate measure of the contribution of rooftop solar. The in-house use of solar energy in Queensland rooftop systems should be the subject of a study, or at the minimum a careful estimation and that figure, together with the feed-in amount, be used as the true representation of the contribution of solar to Queensland electricity consumption. See the comments in response to draft recommendation 9.

3. **The myth of the average bill**: The Queensland Competition Authority (QCA) has characterised the average bill as a household which consumes 4,053 kWh per year.[3] This does not take into account the bills of the 400,000 Queensland homes which have solar power. The real contribution of the solar bonus scheme (SBS) has been to reduce the electricity bills of thousands of households to very small amounts or indeed credits. The SBS needs addressing, as indicated below in my comments on draft recommendation 17, but the reality is that through rooftop solar and the SBS the "average" bill and average consumption from the grid is much less than the QCA characterises as average. It is simply not accurate to refer to an average bill when 25% of consumers are excluded from the calculation. This should be acknowledged in price calculations.

## COMMENTS ON DRAFT RECOMMENDATION

NOTE: Draft recommendations are deliberately omitted where no comment is offered

*Supply Chain Productivity*

**Draft Recommendations 1 & 2** – Not supported: The Government policy is to establish a 50% renewable energy target by 2030 and an expert panel has been appointed to investigate its achievement. The goal of market efficiency must be crafted so that renewable energy increases its share at the expense of fossil fuelled generation. Market intervention is a necessary tool of government to achieve its aims.

[1] Queensland Productivity Commission, *Draft Report: Electricity Pricing Enquiry* 3 Feb 2016 p39, & Queensland Productivity Commission, *Issues Paper: Solar Feed in Pricing in Queensland* October 2015 p1.
[2] ibid.
[3] Queensland Competition Authority, *Draft Determination: Regulated retail electricity prices for 2015-16* December 2014 p. vi.

*Generation*

**Draft Recommendation 4** – Qualified support: While it may be unpalatable as far as Government policy is concerned, I submit that both CS Energy and Stanwell should be sold. Electricity generation is clearly an area where the National Electricity Market and private industry have functioned efficiently for a significant time. There appears no community service obligation motive for retaining these assets.

**Draft Recommendations 5 to 8** - Supported: In the event that the sale of CS Energy and Stanwell is not immediately possible, then the stronger supervision of the corporations is supported.

**Draft Recommendations 9** Point 2 - Not supported: This - "*the merits of including small scale solar in a renewable energy target*" - is not a recommendation but a question. It should be a very positive recommendation. The Expert Panel Public Inquiry into a 50% Renewable Energy Target (QRET) already has this as part of its scope. The Commission should make a recommendation that small scale generation should be included. Small scale rooftop solar should be part of the measurement of the State's contribution to renewable energy. An holistic approach should be taken of this industry in transition. To be mired into considering the State's consumption of electricity only through what is recorded through metering of the poles and wires is a far too narrow approach.

Even though electricity generation is an industry in transition, it is clear that a significant contribution to energy generation is and will be rooftop solar, community wind and solar and micro-grids. This issue is developed further in submissions on draft recommendations which follow below.

The Commission's recommendation should be clear: **Small scale solar and other small scale renewable generation should be included in the QRET.**

**Draft Recommendation 10** - Not supported in its present form: Certainly co-operative work with COAG is necessary and essential but should not be used as a method of diluting or delaying the Government's objective on the QRET.

**Draft Recommendation 11** - Not supported: The recommendation is based on modelling by ACIL Allen. It found that the 3,000MW solar PV capacity target would not be achieved by 2020 but should be achieved by 2022. Modelling in this area is extremely complex especially given the imminent increase of uptake that may take place in response to the availability of more cost efficient and effective batteries for the household market. The ACIL Allen modelling, based on the summary contained in the Draft Report, limited its study of market intervention to differing FiTs. At the moment in Toowoomba (postcode 4350) the installation of solar PV since the termination of a FiT has declined from an average of 58 installations per month (July 2014 - June 2015) to 33 per month (July 2015 - Jan 2016).[4] The trend locally in the absence of a reasonable FiT is downward, a trend which it is believed would be reflected State-wide.

[4] Clean Energy Regulator < http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations#Postcode-data-files> accessed 8 March 2016.

The situation should be monitored in view of the manner in which technology may develop in the next year, and the possibility of market intervention should not be dismissed at this stage.

*Networks*
**Draft Recommendations 12 & 13** - Supported.

**Draft Recommendation 14** - Supported: Yes there should be effective ring-fencing of Ergon's competitive and monopoly structures and there should be a strategy of full structural separation.

**Draft Recommendation 16** - Qualified Support: Tariff related demand management strategies should be based on incentives rather than penalties.

Tariff related strategies should include ensuring that those who utilise solar PV/battery hybrid systems have incentive to remain connected to the grid at off peak times and at attractive rates. Those with electric vehicles should be considered for similar tariff strategies.

There has been reference to the grid as being in a "death spiral". The Government, through its corporations, should ensure the grid is part of the solution for new technologies, not a dinosaur trying to cling to a model that is becoming extinct.

*Solar Bonus Scheme*
**Draft Recommendation 17** - Supported: Consideration should certainly be given to the earlier termination of the Solar Bonus Scheme. The estimates given of the total cost of the scheme until termination are rubbery - between $3.4 and 4.4 billion.[5] These figures require further scrutiny given the diminishing efficiency of solar panels and the loss of entitlement rules of the scheme. A thoroughly researched business case should be prepared whereby a voluntary payout might be offered. This is essential for equity not only for late adopters of solar PV but to diminish the burden on all consumers.

**Additional Recommendation: The cost of the FiT should not be a cross subsidy imposed on all electricity uses but a payment made directly by the government.**

I can only endorse the COAG statement that governments should:

> *avoid policies resulting in cross-subsidies between consumer groups. Where governments wish to subsidise a particular group, subsidies should be provided directly through government expenditures.*[6]

Previously, those with the benefit of the solar PV FiT were misleadingly targeted as the major cause for rises in electricity costs while the major cause were network connection cost increases. While the FiT remains a factor in setting the standard tariff this allegation remains open.

[5] Queensland Productivity Commission, *Draft Report: Electricity Pricing Enquiry* 3 Feb 2016 p88
[6] COAG *National principles for Feed-in Tariffs 2008*

A clear recognition should be made by Government of the environmental and public good that results from a reasonable FiT. The cost of this should not be imposed on all electricity consumers but be a payment made directly by Government.

*Retail Markets and Consumers*
**Draft Recommendation 18 & 19** - Supported: While it must be stated that the Government does involve itself in the market through the Uniform Tariff Policy, there should be targeted concessions as discussed in later draft recommendations.

The role of the Energy and Water Ombudsman should be supported.

*Shareholder interests*
**Draft Recommendations 20 & 21** - Supported.

*Deregulation in SEQ*
**Draft Recommendations 22-28** - Supported but with the qualification that electricity supply is an essential of a basic lifestyle in Queensland. The consumer protection mechanisms require monitoring with stakeholder engagement to ensure their adequacy. The continued role the Energy and Water Ombudsman is important.

*Options for increasing competition in regional Queensland* and *Role of local service providers*
**Draft Recommendation 29-35 & 41-43** - These are dealt with together and qualified support is given to many of these recommendations.

The issue is the uniform tariff policy (UTP) and the solution may well be distributed and renewable generation to keep costs at a reasonable level for more remote areas. In 2014 the then Energy Minister gave a figure of $662 million as being the cost of the UTP community service obligation (CSO) which, I assume, is paid directly to Ergon as the only supplier in the vast majority of these regions outside SEQ.

The following strategies are recommended:

- **Opportunities should be identified to finance distributed and renewable generation subsidised from the UTP CSO payments.**
- **Local government and communities should be supported in their efforts to establish such localised renewable generation and barriers for such initiatives at State or NEM level should be investigated and removed.**

*Electricity concessions framework* and *Impacts of network tariff reform and impediments to participation*
**Recommendations 44 to 54** - Broadly supported.

With respect to Recommendation 45 which is the removal of the electricity rebate for Queensland Seniors Card holders, this is an recommendation that will affect the writer but is supported.

Tariff reform should proceed, especially time of use tariffs to ensure there are sufficient incentives for battery/solar PV hybrid customers and electric vehicle owners who may otherwise leave the grid.