



13 July 2015

Independent Regulatory and Pricing Tribunal (IPART)
PO Box K35
Haymarket Post Shop
NSW 1240

Via website: www.ipart.nsw.gov.au

To Whom It May Concern

Re: IPART Review of Solar feed-in tariffs 2015-16

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of sixteen municipal and city councils. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member Councils cover a population of over 1.6 million, or one third of the population of Sydney.

In order to make this submission within the timeframe of the review, it has not been possible for it to be checked with councils or to be endorsed by the ROC. Please therefore consider this submission to be a draft, and I will get in touch if any issues arise as it is reviewed.

SSROC strongly supports the development of the renewable energy sector, including the solar sector. The current National Energy Market (NEM) model was appropriate to its time, but it is premised on an assumption of ever-increasing power consumption from large fossil-fuel power stations. With the advent of decentralised power generation, energy efficiency initiatives, and the need to constrain carbon emissions, the NEM has become outdated. The existence of the solar feed-in tariff is a reflection of the need for reform of the NEM. While IPART is required to work within its terms of reference for the review, SSROC supports reform of the NEM, including its restructure to accommodate and potentially incentivise decentralised, low-carbon power generation and reward energy efficiency measures.

Recognising IPART's terms of reference and the necessity at this stage to work within the confines of NEM, SSROC's comments are confined to general principles only.

- 1. Do you agree with our proposed methodology for estimating the wholesale market value of solar PV exports, having regard to our terms of reference? If not, how could this methodology be improved?*

SSROC is not in a position to comment on the technical aspects of the wholesale market value method.

The wholesale market value method needs to factor in the full value of distributed energy received by the Distribution Network Service Provider (DNSP). The wholesale market value method fails to reward the energy input into the market for being renewable. It aims to compensate the seller (typically a household) only for the value that the DNSP receives under



the conventional model. It does not account for other values that the NEM fails to recognise. SSROC therefore supports factoring in a premium that:

- reflects the value of providing energy (in any form) to the market, at a rate comparable with any other power generator,
- recognises that solar PV energy is renewable, and not traditional energy coming from non-renewable sources,
- acknowledges that the additional power generation takes the pressure off electricity transmission and distribution networks, and offers cumulative long-term benefits in terms of reduced network augmentation, replacement and operational costs being significant, especially during network peaks.

Reflecting these additional values in the rolled-up feed-in tariff would have the additional impact of encouraging the use of solar PV energy as a cost-efficient alternative to traditional energy sources. That in turn would have a compounding effect, generating further investment in solar PV and greater benefits.

2. *Do you agree with our proposal to estimate a weighted average loss factor across the three network areas in NSW (Ausgrid, Endeavour Energy and Essential Energy) If not, why?*

SSROC is not in a position to comment on these matters.

3. *Do you agree with our proposed approach to set the retailer contribution having regard to the wholesale market value for gross metered customers and the benchmark range having regard to the wholesale market value for net metered customers?*

Giving regard to our comments on the wholesale market value method, yes.

This is the most sensible approach as a majority of customers who fall within the Solar Bonus Scheme (SBS) run on gross meters. It is logical to set the retailer contribution based on that. As customers who are not apart of the SBS are largely on net meters, it is logical that the benchmark range be set based on that.

4. *The terms of reference require that the retailer contribution be set so that the total contribution reflects the estimated total value to retailers of energy generated under the scheme. Should we have regard to either the 25th percentile, median or mean of the wholesale market value of PV exports at all times, or an alternative measure? Why is your preferred approach the best option?*

SSROC is not in a position to comment on this matter.

Do you agree with our proposed approach to continue to set the benchmark range based on the wholesale market value of PV exports during a 2-hour period when the solar premium is highest and during all other periods excluding the 2-hour period?

The wholesale market value method ought to be updated as per our comments in question one. SSROC notes that a “1 for 1” credit is outside the scope of the review, and indeed likely to be overly generous. However, the benchmark range needs to reflect the actual value that the retailers are getting from the solar PV exports. Some feedback we have received states that the benchmark range ought to be much higher in order to reflect this, with some suggesting the “1 for 1” credit is in fact appropriate.



5. *Do you agree with our proposal to release an annual market update with the benchmark range with the first update being in May 2016?*

SSROC is concerned that sufficient consultation will not be undertaken in setting the benchmark range through this method. As the renewable energy sector is a growing industry, technological development is growing at a rapid rate. Without undertaking consultation with stakeholders, some vital information which could impact upon the benchmark range could potentially be missed.

Thank you for the opportunity to comment on the issues paper. Should you wish to discuss these issues or need any clarification, please do not hesitate to contact me or SSROC's Program Manager, Helen Sloan on 9330 6455 or ssroc@ssroc.nsw.gov.au. I look forward to the results of the review.

Yours faithfully

A handwritten signature in black ink that reads 'Namoi Dougall'.

Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils