



Queensland Productivity Commission
PO Box 12112
George Street
BRISBANE QLD 4003

Dear Sir/Madam

Solar Feed-in Tariff Inquiry

I am writing on behalf of the Australian Solar Council to comment on the Queensland Productivity Commission's draft report *Solar Feed-in Pricing in Queensland*. The Australian Solar Council is the peak body for Australia's solar industry.

The Australian Solar Council welcomed the announcement by the Queensland Government of an inquiry into a fair price for solar. This seemed like a unique opportunity to get a balanced approach to assessing the benefits and costs of household solar.

The Solar Council was very disappointed to see the draft report from the QPC did not, however, provide a balanced assessment of costs and benefits, effectively confirming all the costs and effectively ruling out all the benefits of solar.

The Solar Council is also extremely disappointed to see the QPC has tried to redefine a "fair" price for solar as an "efficient" price for solar. This is a significant diversion from the task given to the QPC by the Queensland Government to "investigate and report on a fair price (or prices) for solar exports".

A fair price is not the same as an efficient price, as hundreds of thousands of Queensland families with solar would attest.

The Australian solar industry has suffered from the solarcoaster over the past decade, with Governments introducing unsustainably high solar feed-in tariffs followed by unsustainably low feed-in tariffs. This has had a detrimental impact on solar companies, solar jobs and investment in household solar. Nowhere has this been felt more than in Queensland.

That is why the Productivity Commission report was considered to be so important. Queenslanders deserve a fair price for their solar and Queensland solar companies deserve stability and fairness in government policy settings.

The Queensland Government continues to require solar families to negotiate with their power company on a price for their solar, a policy introduced by the Newman Government. This remains grossly unfair and must be changed.

Retrospective Cuts

The Solar Council is pleased to see there is no mention or proposal in the draft report for a retrospective cut in the solar feed-in tariff, as was proposed in the draft report of the QPC's inquiry into electricity pricing. The Solar Council welcomed the Queensland Government's prompt decision to rule out retrospective cuts to feed-in tariffs.

The Solar Council is fundamentally opposed to retrospective changes to contracts, without just compensation. Families made investments on the basis of government-guaranteed contracts and a retrospective change without just compensation would be unfair, unethical and a major sovereign risk, putting at risk all government contracts. This is a threshold issue for the Australian Solar Council.

Benefits of Solar

The Solar Council does not believe the following benefits of solar have been adequately addressed in the draft report and we would urge further consideration of these issues.

- general reduction of wholesale prices for all consumers through the merit-order effect;
- beneficial impact of household PV in reducing network losses and by effectively augmenting capacity by pushing electricity back into the grid;
- avoidance of the need to build additional power plant capacity to meet peak energy needs;
- provision of energy for decades at a fixed price;
- reduction of wear and tear on the electric grid, including power lines, substations, and power plants;
- further comparator for a market assessment of a fair export should be equivalent new renewable generation output on the NEM; and
- a value should be placed on the externalities of health and other social benefits when determining a fair export price.

In an earlier submission, the Australian Solar Council provided examples of reports that outline methodologies and factors to be considered when establishing a fair value for solar PV generation. The following reports appear to have been ignored by the QPC, a significant failing in the report.

- September 2014 report from the US National Renewable Energy Laboratory (NREL) [*Methods for Analyzing the Benefits and Costs of Distributed Photovoltaic Generation to the U.S. Electric Utility System.*](#)
- April 2014 report on [*Minnesota's Value of Solar*](#), produced by the Institute for Local Self-Reliance.



- June 2014 Michigan [Public Service Commission Solar Working Group](#) report and the [Commissioner's presentation](#).
- June 2015 report [Calculating the Value of Small-scale Generation to Networks](#), prepared by EY for the Clean Energy Council.

The NREL report outlines seven categories of benefits and costs for distributed generation:

- Energy
- Environmental
- Transmission and distribution losses
- Generation capacity
- Transmission and distribution capacity
- Ancillary services
- Other factors

The Minnesota's Value of Solar report notes in simple, but profound terms, that *"the basic concept behind the value of solar is that utilities should pay a transparent and market-based price for solar energy."* The Australian Solar Council agrees.

For the Institute for Local Self-Reliance, the value of solar energy is based on:

- Avoiding the purchase of energy from other, polluting sources
- Avoiding the need to build additional power plant capacity to meet peak energy needs
- Providing energy for decades at a fixed price
- Reducing wear and tear on the electric grid, including power lines, substations, and power plants.

Unfair price for solar

We are disappointed the QPC has simply dismissed the fact Queenslanders receive an unfair price for their solar - the current system where a home or small business owner has to negotiate with the utility on the rate of their feed-in tariff is demonstrably unfair and unjust given the power imbalance.

Whilst the QPC has been able to define 'efficiency' – "Economic efficiency is about maximising the aggregate or collective wellbeing of the members of the community" – the QPC believes 'fairness' is "inherently subjective" and seems to be unable to find a suitable definition.

Other issues

The QPC report failed to recognise the Small-scale Renewable Energy Scheme (SRES) is being wound back from 2016, leading to a significant decrease in the subsidy for solar systems.

The legislated reduction in the SRES is outlined below.

Period certificates may be created		
Item	Column 1 Year solar (photovoltaic) system installed	Column 2 Period in years
1	before 2016	15
2	2016	15
3	2017	14
4	2018	13
5	2019	12
6	2020	11
7	2021	10
8	2022	9
9	2023	8
10	2024	7
11	2025	6
12	2026	5
13	2027	4
14	2028	3
15	2029	2
16	2030	1

Conclusion

The Australian Solar Council urges the QPC to undertake the task requested by the Queensland Government – investigate and report on a fair price for solar exports – and to look again at the benefits of solar. We urge the QPC to look at the NREL report and other US studies that have outlined a framework for a fair price for solar.

Yours sincerely

John Grimes
Chief Executive

20 April 2016