



SUBMISSION TO THE QUEENSLAND PRODUCTIVITY COMMISSION ISSUES PAPER ON SOLAR FEED IN PRICING IN QUEENSLAND

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

23 November 2015

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1.0 Overview

- 1.1 The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a submission to the Queensland Productivity Commission (QPC) on the review into solar feed-in pricing in Queensland.
- 1.2 CCIQ is the voice for Queensland small business, advocating on behalf of 25,000 members to influence government policy to keep public debate focussed on business issues.
- 1.3 Small businesses make up 97 per cent of all businesses in Queensland. There are approximately 406,000 small businesses in operation employing over 1 million Queenslanders. Collectively these small businesses contribute 46 per cent of Queensland Gross State Product.
- 1.4 As Queensland's peak industry body, CCIQ wishes to work with Government bodies to achieve the best possible outcomes for businesses in this state. There is much to be done to realise the potential of the energy sector to enable Queensland small businesses to continue to grow and employ.
- 1.5 Queensland small businesses are strong proponents for renewable energy. This submission will detail small business concerns including:
 - Feed in tariffs – what should be regulated
 - A fair price for solar
 - Government subsidies
 - Metering arrangements

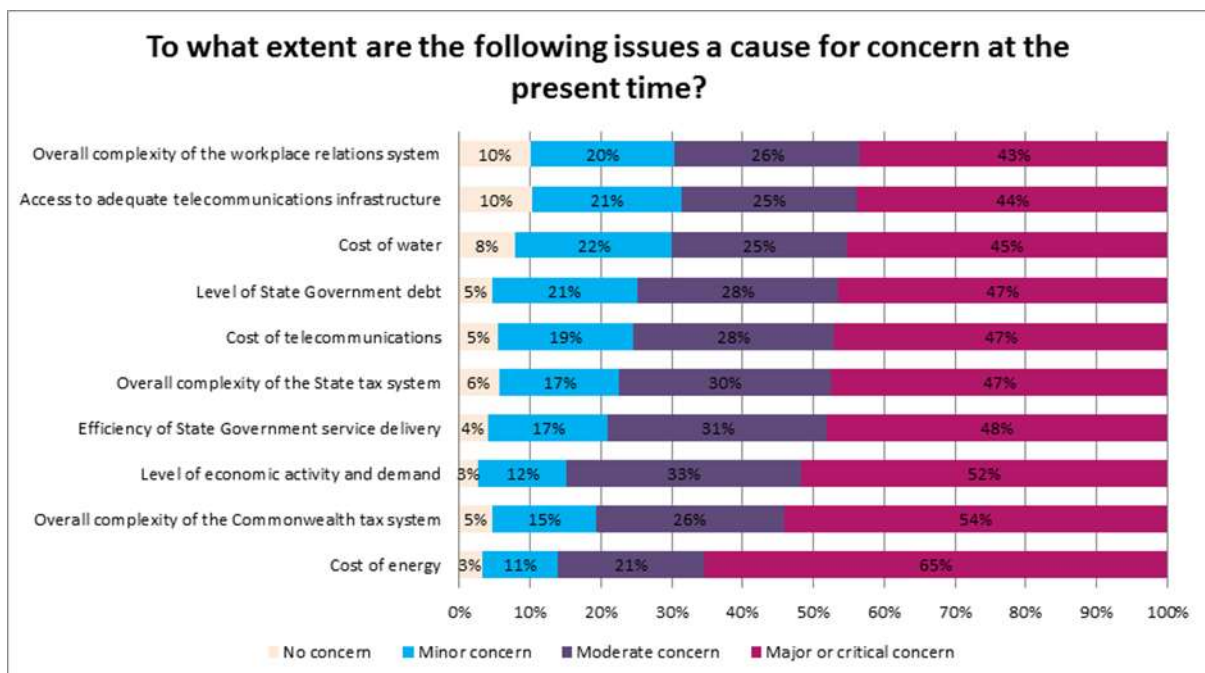
2.0 Renewable energy and small business

Queensland small businesses have been reticent in the past to adopt renewable energy sources due to the high costs associated with products and installation. However, the past several years have seen an increase in uptake due to the decreasing cost of renewable energy together with Government subsidies. Solar penetration in Queensland is extremely high with more than 396, 000 systems installed and 1 in 6 households in regional Queensland now have solar.

Small businesses across Queensland have a diverse range of views when it comes to renewable energy. Many small businesses are constrained by their situation depending on where they are located and whether they have flexibility and finances to explore alternative options.

CCIQ recently surveyed more than 1,100 small businesses across the state ahead of the Queensland state election at the beginning of 2015 to determine key issues. Of those businesses surveyed it was identified that increasing electricity prices was the most significant business issue with 65 per cent of Queensland businesses surveyed indicating a major or critical concern with the cost of energy.

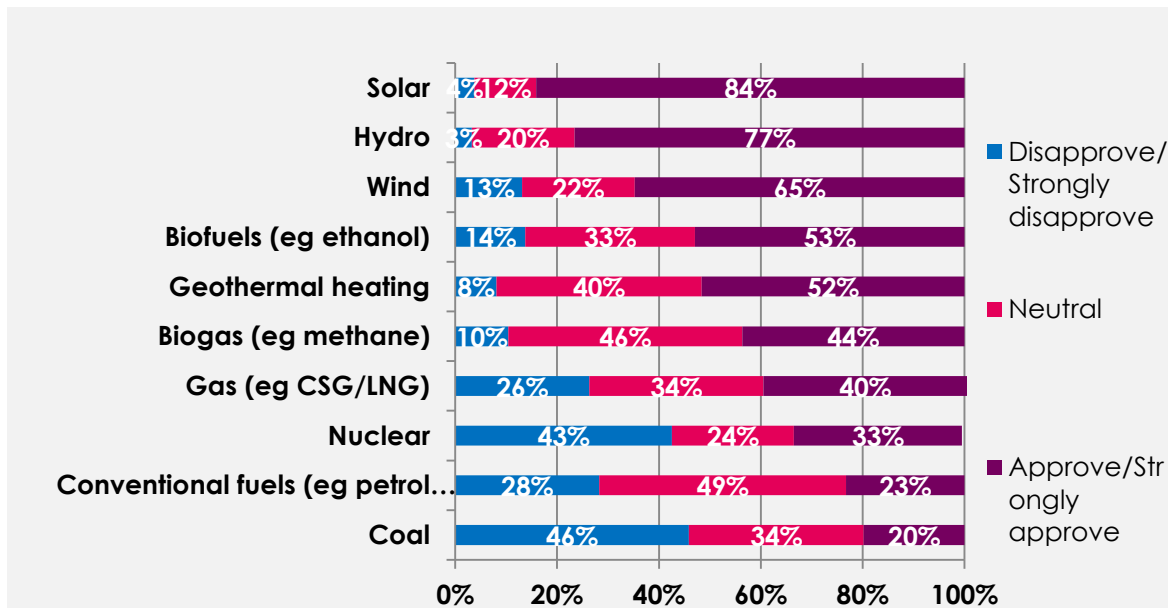
Level of impact on small business



Source: CCIQ 2015 election survey

A recent CCIQ survey also revealed that of those businesses who have adopted renewable energy sources, 73 per cent use solar in their business. Additionally, 84 per cent of businesses approved or

strongly approved of increasing the use of solar energy, and 46 per cent of businesses disapprove or strongly disapprove the use of coal as an energy source.



Source: CCIQ survey 2015

However, cost remains the most important factor in determining the appropriateness of adopting solar and other renewable sources into a business.

3.0 Feed in tariffs in Queensland

There has been considerable debate around whether solar PV owners are receiving a fair price for the electricity they export as well as whether non-solar customers are paying more than they should for electricity due to solar PV.

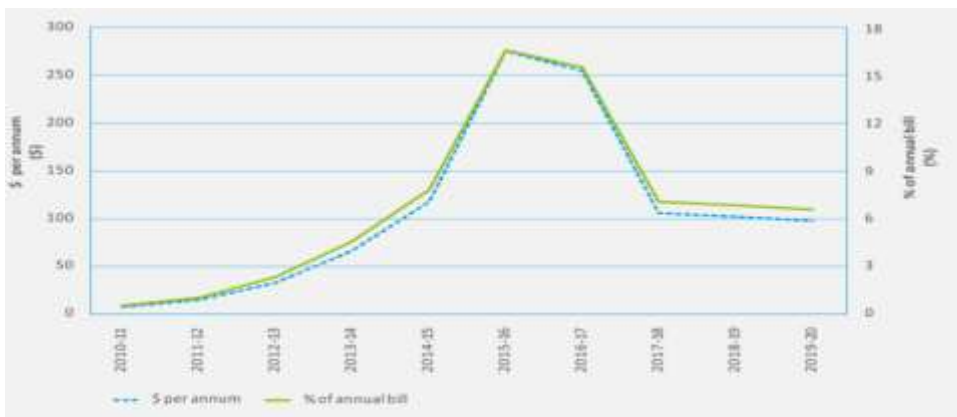
A feed-in tariff represents the price paid for electricity generated by a solar PV system and exported into the grid. This in turn underpins the incentive for households and businesses to adopt this renewable energy source.

In 2008 the Queensland Government introduced the Solar Bonus Scheme (SBS) as part of the *Clean Energy Act 2008* to incentivise the uptake of solar PV systems on homes and businesses using less than 100MWh per year. The SBS set an initial feed-in tariff of 44c/kWh to eligible customers. The scheme resulted in the total number of solar PV customers increasing from less than 1000 in 2008 to almost 400,000 customers as of June 2015.

In 2012 the 44c/kWh scheme was closed off and an 8c/kWh was introduced in place. In June 2014 the State Government closed off the scheme entirely. Customers remaining on the 44c/kWh will continue to receive this amount until 2028 provided they maintain their eligibility.

The SBS is funded by distribution companies Energex and Ergon Energy, with costs passed on to consumers through network charges. The legacy cost of the SBS will be an approximate \$2.6 billion cost to Queensland consumers by 2028. CCIQ strongly opposes this arrangement due to the significant lack of equity and cross subsidisation that occurs.

Impact of 44c/kWh feed-in tariff on network prices



Source: Queensland Competition Authority (QCA) 2013

Accordingly CCIQ recommends that the Queensland Government seek to remove the legacy cost of the Solar Bonus Scheme. Queensland small businesses should not have to continue to subsidise the cost of solar usage through their power bills. The removal of the Solar Bonus Scheme costs would see immediate price reductions for all energy consumers across Queensland. CCIQ urges the QPC consider preventing the distribution companies from recovering these costs from consumers and recommends that these charges be absorbed.

In applying a price going forward, regulation of prices should only occur where market failure exists. CCIQ does not believe there is evidence of market failure in the South East Queensland (SEQ) retail market. Many small businesses in SEQ have successfully negotiated feed-in prices with their retailers at competitive rates. CCIQ urges the QPC to consult current reviews of effective retail competition in SEQ. The Australian Energy Market Commission (AEMC) released their final report on retail

competition review on 30 June 2015 which detailed that competition continues to be effective in the SEQ retail electricity market, based on evidence gathered up to the first quarter of 2015.

However, the AEMC review purports that competition in regional Queensland is not effective in the electricity retail market with only one retailer. As most customers in regional Queensland are only supplied by Ergon retail, regulation may be necessary for solar export prices in these areas. CCIQ recommends feed-in tariff prices be left to the customer and the retailer to negotiate in SEQ. An efficient benchmark should be used to determine a regulated price for regional Queensland.

4.0 Payment of feed-in tariffs

The structure of payments and how they are designed will directly impact on consumer behaviour. This needs to be carefully considered when designing metering approaches specifically whether tariffs are paid under a gross scheme or a net scheme.

In a net metered arrangement, electricity generated by the solar power system can be fed into the customer’s electricity load to supply the home or business first. Excess electricity can be fed instantaneously into the grid. The meter records the amount of electricity exported to the grid, rather than the total amount of electricity generated by the solar system.

In a gross metered arrangement, all electricity produced by the solar PV system is exported to the grid and all electricity consumed in the house or business is taken directly from the electricity grid.

Gross versus net metering

Gross Scheme	Net Scheme
<ul style="list-style-type: none"> • Measure total electricity generation and in-home consumption independently • Customer paid for all generation • Customer charged for all consumption • Entire solar PV generation valued • Total consumption metered 	<ul style="list-style-type: none"> • Solar PV generation is first used on the premises • Excess generation exported to the grid • Import and Export metered separately • Export = generation minus consumption • Import = Consumption minus instant generation • Customer paid for exports • Customer charged for imports

Source: QPC solar issues paper

The QPC Issues Paper suggests that moving all solar PV customers onto a gross metering scheme would more accurately distribute network costs across the customer base. However, CCIQ believes that this solely benefits the network businesses in recouping the high costs associated with

maintaining a larger than necessary asset base. Small businesses who have invested in installing solar PV have done so to offset the high costs of electricity. Penalising small businesses for investing in solar PV would inevitably result in those customers turning to storage options and disconnecting from the grid entirely.

CCIQ is aware of many small businesses that are unable to install solar PV due to barriers such as being situated in a rental property or building restrictions (eg asbestos). CCIQ understands that there is a risk of electricity prices increasing for customers without solar as a result of customers with solar evading the full share of network costs. CCIQ does not believe the solution should be to penalise customers for installing solar. Rather CCIQ is a strong proponent for the State Government to first investigate options to write down parts of the network that are stranded or unused. This in turn would decrease the overall size of the Regulatory Asset Base (RAB) and thus the amount of revenue the network businesses would recover to maintain an excessive RAB.

5.0 Government subsidies

CCIQ acknowledges that the Palaszczuk Government has committed to achieving a target of one million solar rooftops or 3000 megawatts of solar PV in Queensland by 2020. CCIQ believes this is an ambitious target and warns against implementing any future rebates to incentivise reaching this goal.

Given that Government subsidies are eventually paid for through higher electricity bills, CCIQ is wary of the introduction of new rebates. CCIQ implores the state government to learn from past mistakes so Queensland small businesses are not further burdened with higher costs.

CCIQ would rather the State Government use other means to incentivise the uptake of solar, such as the removal of regulatory burdens or subsidising installation costs.

6.0 Conclusion

Queensland businesses generally support a transition away from conventional energy towards more renewable energy sources. A recent CCIQ survey showed that Queensland businesses indicated that cost was the most important factor. Given the cost of solar and batteries have decreased substantially, over time more and more businesses will increase the uptake of renewable energy.

Feedback from businesses suggests there is a role for government incentives to diversify the energy mix, provided it does not add to the already high price of electricity. CCIQ urges the QPC to

investigate all possibilities when developing options to the Queensland Government that improve outcomes for small business consumers.