



Response to Queensland Productivity Commission Draft Report: Solar Feed-in Pricing in Queensland

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EXECUTIVE SUMMARY

Stanwell welcomes the opportunity to provide this submission to the Queensland Productivity Commission's Solar Feed-in Pricing Inquiry.

In recent years, electricity prices have increased considerably throughout Australia. This increase has been particularly felt by retail customers, for whom electricity costs have more than doubled in the past five years¹. This price increase has been driven by network costs and government subsidies for renewables, while energy costs have remained relatively stable.

This situation has the potential to be exacerbated by both the transition to renewable generation and associated new technologies, which will occur over coming years. In addition, there will be an increase in demand driven by the commissioning and operation of Queensland's liquid natural gas (LNG) plants. While the development of the LNG industry is an overwhelmingly positive development for the Queensland economy, as these LNG plants begin to export gas, gas-fired generation will no longer have access to the large volume of low cost 'ramp gas' associated with the emerging LNG industry. As the balance between supply and demand tightens, particularly during summer, wholesale prices will increase.

Higher wholesale prices as a result of higher demand (or energy constraints) are an essential part of the electricity market's design and assist in delivering average wholesale prices that support the viability of generators. In the absence of other external influences, sustained higher wholesale prices are the signal for new market entrants. This market signal has been lost through various subsidy regimes.

The most effective way to ensure the affordability of retail electricity during the transition to renewables is to allow market forces to drive the process, rather than seeking to drive the process of change through subsidies or regulation.

Queenslanders' own need to manage household budgets will motivate them to adopt emerging technology in order to benefit from cost reflective network tariffs. This technology will include solar PV, electric vehicles, smart meters, smart controllers and household battery storage systems. Stanwell agrees with the findings of the draft report that it would be an inefficient use of scarce funding if the government were to incentivise the adoption of products which already provide their own financial incentive for purchase and are readily available.

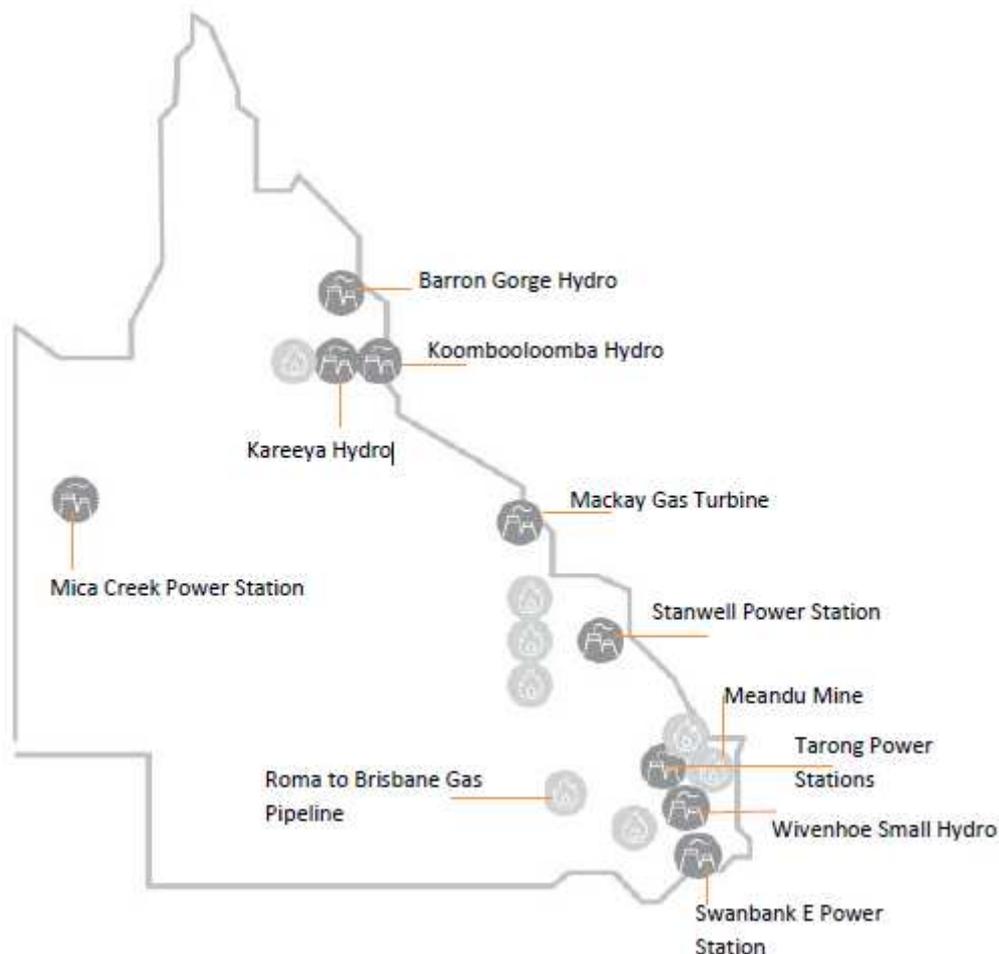
Where subsidies are provided, such as through renewable energy targets or solar feed-in tariffs, the costs of these should be visible on all retail bills.

¹ Queensland Productivity Commission Issues Paper: Electricity Pricing in Queensland

INTRODUCTION

Stanwell Corporation Limited (Stanwell) is a diversified energy business which owns and manages assets worth more than \$3 billion on behalf of the people of Queensland.

Stanwell owns coal, gas and water assets which it uses to generate electricity to either trade in the National Electricity Market (NEM) or sell directly to business customers. Stanwell also trades in gas and coal in their respective commodity markets.



With a workforce of approximately 700 people (excluding Meandu Mine which is serviced by Downer EDI and employs approximately 350 people) located at 10 sites across Queensland, Stanwell contributes to Queensland's prosperity:

- through the safe and responsible provision of energy; and
- by providing commercial returns from its business operations to shareholders.

As a Government Owned Corporation, Stanwell's activities are overseen by a Board of Directors that is appointed by its two shareholding Ministers; the Queensland Treasurer and the Queensland Minister for Energy and Water Supply.

Stanwell's independent Board oversees the operations of Stanwell so that it is compliant with the Government Owned Corporations Act 1993 (Qld), the Corporations Act and the relevant laws associated with operating within the NEM.

RESPONSE TO DRAFT RECOMMENDATIONS

A framework for assessing solar export pricing

Stanwell welcomes the Commission's assessment that:

"... a price for solar exports will be fair when solar PV owners are receiving an efficient price for the energy they generate - and remaining electricity consumers are not paying more (or less) than they should for solar PV generated energy."

Stanwell also supports the Commission's recommendation that fairness of pricing arrangements be evaluated with respect to efficiency and equity, and where regulated pricing exists this should be transparent, robust, simple and technology neutral.

Electricity Export Market: Competition assessment

Stanwell agrees with the draft findings that competition is effective in South East Queensland but limited in regional Queensland *"... which provides a basis for some form of continued regulation."* Stanwell also considers that if the proposals in the QPC's Electricity Inquiry are adopted (with respect to CSO payments and regional competition), this regulation may only be warranted as an interim measure.

Environmental benefits: Assessment

Stanwell agrees with the draft findings that existing subsidies provide *"... at least fair compensation for emissions abatement"*², and that any further subsidies in respect of environmental benefits by the Queensland Government would be poorly targeted. The resulting cross subsidies between consumers under such a regime are likely to be significant and recent experience suggests such cross subsidy would not be considered "fair". This is further supported by draft recommendation 7.1.

Other rationales: Assessment

Stanwell agrees with the draft recommendation that the potential benefits to industry development, wholesale price reductions and social benefits do not warrant additional subsidy. Stanwell also agrees that potential benefits in relation to network prices are best addressed through nationally consistent approaches, particularly given the existence of multiple existing mechanisms under the National Electricity Law.

² Draft report page 68