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Queensland Productivity Commission
PO Box 12112
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Submission via website

Dear Commissioners,

## Solar Feed-in Pricing in Queensland – March 2016

AGL welcomes the opportunity to comment on QPC's Draft Report, *Solar feed-in pricing in Queensland, March 2016 (Draft Report).* AGL has previously provided a response to the Issues Paper in November 2015.

In this Draft Report, the QPC has found that solar PV owners are being fairly compensated for public and consumer benefits from solar exports from a combination of renewable energy programs (SRES), market contracts in SEQ and solar feed-in tariffs in regional Queensland. The inquiry has not identified significant barriers to solar PV investment and solar export pricing that could be cost effectively addressed by the Government. AGL considers the Draft Report to be well balanced and is consistent with reviews conducted by regulators in New South Wales, Victoria and South Australia.

Currently, in SEQ, the solar feed-in tariff is unregulated. The QPC has identified several options for establishing a fair solar price in SEQ – a voluntary benchmark tariff, price monitoring, mandatory minimum efficient price and regulated time-of-export tariff.

In AGL's view, regulatory intervention should be considered only where retail competition is not effective. There is no indication of market failure with the current regulatory approach. In the Draft Report, the QPC has assessed retail competition in SEQ to be effective in providing a range of tariffs and other options for solar PV consumers, and was providing a fair price for solar exports. With the energy industry in transition, it is important that the regulatory approach does not create costs to solar and non-solar customers or inhibit innovation in product development.

In relation to the options identified by the QPC, AGL notes that the Draft Report has concluded that competition assessment does not suggest there is a case to mandate feed-in tariffs to address market power. In the case of a voluntary benchmark tariff, as in NSW, it will involve regulatory cost in determining the benchmark. AGL considers price monitoring to be a reasonable option although as noted by the QPC, this will be also incur regulatory costs and will require an assessment of offers which have already been made. AGL considers that price monitoring conducted using publicly available information strikes the right balance between imposing regulatory costs and ensuring that solar customers are receiving a fair price for their solar exports.

A mandatory minimum price will create additional costs if it is set too high, which would ultimately be borne by non-solar customers, and could inhibit product innovation. With the energy industry in transition, it is important that the regulatory approach provides retailers with the flexibility to tailor energy plans that suit the customer's usage profile, such as whether customers would benefit from a higher feed-in tariff or a higher discount, or to package products. For example, for new solar installations by existing customers, AGL currently offers a Solar Savers Bundle Plan with a solar feed-in tariff of 12 cents per kWh, which is significantly higher than the regulated and benchmark feed-in tariffs in the NEM.

Retail electricity prices in SEQ will no longer be regulated from 1 July 2016. A strong rationale is required to regulate one segment of a market (solar feed-in tariffs) when there is no price regulation for the supply of electricity which is arguably a far more essential service – particularly as a market failure has not been demonstrated.

On balance, AGL does not consider that compelling factors exist to change the current regulatory approach for feed-in tariffs in SEQ. The range of solar feed-in tariffs offered in SEQ is broadly in line with the outcomes of the QCA's pricing methodology for regional Queensland which is also consistent with the approaches adopted by regulators in New South Wales, Victoria and South Australia over the past few years.

In regional Queensland, the QPC has recommended the adoption of a price approval process whereby the retailer, namely, Ergon Energy, will propose the solar export price which will be reviewed by the QCA. Under this approach, the onus is on the retailer to set the solar feed-in tariffs. Whilst there is a need to have a clear process for approval and an agreed pricing methodology, AGL supports approaches which will allow the retailer to innovate with pricing options and product packaging.

Whilst AGL agrees with the QPC that the solar export market is functioning well in terms of competition and design of feed-in tariffs, it is worth mentioning our serious concerns with the grid connections process in Queensland, particularly the connection standard and assessment process implemented by Energex Ltd and Ergon Energy for micro embedded generation connections. AGL supports the Power of Choice reforms[1] across the NEM and encourages the Queensland Government to play an active role in progressing harmonisation of the grid connection process. This will not only ensure that customers can obtain connection of their embedded generation in a simple, efficient, and transparent manner which allows them to obtain the full benefits of their investments, but will also support the Queensland Government's target of one million rooftops or 3000 megawatts of solar PV across the state by 2020[2].

Should you have any questions in relation to this submission, please contact Meng Goh, Manager Regulatory Strategy, at mgoh@agl.com.au or (02) 9921 2221.

Yours sincerely,

Beth Griggs
Head of Energy Market Regulation

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[1] Led by the Council of Australian Government's Energy Council (COAG EC) and the Australian Energy Market Commission (AEMC) as national rule maker.
[2] https://www.dews.qld.gov.au/electricity/solar/solar-future