

Queensland Productivity Commission
PO Box 12112
George Street
BRISBANE QLD 4003
Via online submission

Dear Commissioner,

The Chamber of Commerce and Industry Queensland (CCIQ) thanks the Queensland Productivity Commission (QPC) for the opportunity to provide feedback on the draft report for solar feed-in pricing in Queensland.

Since the introduction of the Queensland Government Solar Bonus Scheme (SBS) there has been a significant uptake of solar PV systems in small business and residential properties across Queensland. There are now approximately 400,000 systems operating in Queensland, resulting in some of the highest penetration rates in the world. Many small businesses have taken the opportunity to install solar PV to offset the high cost of electricity that has impacted on business profitability over the last decade.

CCIQ supports with the findings and five recommendations made by the QPC, particularly in relation to:

- The Queensland Government should retain mandatory solar export pricing in regional Queensland; and
- The Queensland Government should not increase feed-in tariffs to induce industry development, wholesale market and network infrastructure effects or other social impacts.

Regulatory options for solar feed-in pricing

The QPC report found that there are multiple retailers competing for solar PV customers in South East Queensland (SEQ) and that due to active competition there is not a case to mandate feed-in tariffs in this area. Many small businesses in SEQ have successfully negotiated feed-in prices with their retailers at competitive rates. CCIQ is pleased the QPC report recognises that there is no evident market failure occurring in SEQ.

Competition in regional Queensland has been identified by the Australian Energy Market Commission (AEMC) as not effective due to the significant market power possessed by Ergon Energy (Retail). As such, CCIQ believes it is appropriate for some form of regulation to continue in regional areas of Queensland.

The QPC draft report recommends that there was a sound case for some form of mandatory solar export pricing in regional Queensland. The report found that despite some disciplines on regional retailers, they retained market power for solar export pricing, particularly once regional consumers have purchased solar

PV. CCIQ is satisfied with the QPC findings that a price approval regime would best address the potential for 'post purchase' buyer power from retailers.

CCIQ notes that the regulated prices apply to customers with solar PV systems with a maximum inverter capacity not exceeding 5kW; and those who consume less than 100 MWh of electricity a year. CCIQ highlights that many small businesses use over this threshold and therefore fall outside the remit of protections available against abuse of market power. CCIQ believes that eligibility should seek to take into account high energy using small businesses.

Solar Bonus Scheme

At present there is no mandated feed-in tariff in SEQ, as there is efficient competition in the retail market. However, the Queensland Government previously introduced the Solar Bonus Scheme (SBS) to incentivise the uptake of solar PV throughout Queensland. The SBS paid an initial feed-in tariff of 44c/kWh for net eligible electricity supplied to the network for consumers using less than 100 MWh per year. Despite the scheme being closed to new applications in 2012, Queenslanders will continue to pay the cost of the subsidy offered under the original scheme until 2028. The QCA estimated that the SBS added around \$89 to the average Queenslanders' annual electricity bill. The QPC draft report provides that the overall cost to electricity customers over the life of the scheme (until 2028) is estimated at \$4.4 billion.

CCIQ believes that this cost to Queensland small businesses is an excessive burden. Accordingly, the Chamber recommends that the QPC recommend that the Queensland Government seek to remove the legacy cost of the SBS. Queensland small businesses should not have to continue to subsidise the cost of solar usage through their power bills. The removal of the SBS costs would see immediate price reductions for all energy consumers across Queensland. CCIQ urges the QPC to consider preventing the distribution companies from recovering these costs from consumers and recommends that these charges be absorbed by shareholders of the network businesses.

CCIQ is pleased to see the QPC recommend that the State Government not introduce any new feed-in tariff schemes that burden electricity consumers further. CCIQ believes that any future feed-in tariff schemes should instead be determined and funded by electricity retailers.

Barriers to a well-functioning solar market

CCIQ provide that while there may not be any identifiable barriers to solar export pricing, there are still significant barriers to small businesses investing in solar PV. 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.

Small business 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. Cost remains the most important factor in determining the appropriateness of adopting solar and other renewable sources into a business. Many small businesses' ability to uptake solar PV are constrained by circumstances such as:

- location particularly in rental arrangements; and
- building restrictions such as asbestos.

It is important that the QPC acknowledge these barriers to solar PV investment for Queensland small businesses.

The emergence of new technologies in the energy sector will continue to have an impact on the regulatory framework under which the Government Owned Corporations operate.

CCIQ believe it is important for the Queensland Government to learn from past mistakes and resist the urge to implement policies that are detrimental to the long term interests of all electricity customers in Queensland. Overall CCIQ is pleased with the recommendations made by the QPC in relation to future feed-in tariff arrangements for solar PV customers. CCIQ will continue to work with the QPC to investigate all possibilities to develop options for the Queensland Government that improve outcomes for small business consumers. For further inquiries or information on this submission please contact me at nbehrens@cciq.com.au.

Yours Sincerely,



Nick Behrens

Director of Advocacy

Chamber of Commerce and Industry Queensland