

Queensland Productivity Commission
Electricity Pricing Enquiry

Dear Commissioners,

The fundamental concern for this Inquiry, and the Solar Pricing Inquiry, is the engagement of ACIL Allen to provide economic advice to the Commission, given their track record of opposition to the growth of renewable energy.

Credibility and independence must be the hallmarks of the Queensland Productivity Commission's Inquiries. In that light the appointment of ACIL Allen brings a strong anti-renewables influence to both Inquiries. Not surprisingly, when the numbers in the draft report are subjected to scrutiny it is immediately evident that government election commitments that favour renewables are discouraged by inflated costs and/or by ignoring the benefits and/or by being strangely silent when it benefits the incumbent industry. For example:

1. The draft report absurdly proposes that a 45c/kWh FiT is needed to achieve the installation of 3000 MW or 1 million solar rooftops by 2020. The draft report cites a market barrier that no longer exists and uses that to propose a FiT that would cause a substantial community backlash if it was ever implemented.

Barriers to installation of solar PV in the residential (and the far larger) business rental markets have largely been overcome with the introduction of power purchase agreements between tenants and landlords. These agreements have opened a new and far larger market. Market saturation is unlikely to be a constraint on the installation of solar PV on rooftops for a very long time.

In order to achieve the target of 3000 MW or 1 million rooftops by 2020 the Solar Pricing Inquiry needs to deliver a fair price for solar exports that takes into account all of the benefits.

2. The draft report rules out an SBS buyback citing a miniscule risk, and instead, recommends winding up the SBS in 2020. However, the draft report is **strangely silent** about the windfall that has benefited the incumbent industry since July 2012 and continues to compound as the years pass.

The draft report fails to mention the reality that an estimated 44,000 households have already exited the SBS since the \$0.44/kWh premium tariff closed on 9 July 2012 but there has been no commensurate reduction in electricity bills. The result is a windfall for the distributors now running at about \$52 million per year (based on \$1,200 per customer) and compounding at about \$14 million per annum (based on 12,000 customers exiting the SBS each year).

This is a typical example of an abuse of market power by a natural monopoly that is under no pressure to pass on lower costs to its customers.

Refer to Solar Bonus Scheme Buyback Principles below.

3. The draft report's analysis of the QRET is unnecessarily constrained (to just wind power), small scale solar PV costs are ridiculously inflated, benefits of \$600 million per annum are not passed on to Queensland customers, yet by some miracle a fall in retail electricity prices of 3% is passed on to customers outside Queensland. The analysis should be redone from scratch. The Queensland Government should not abandon or water down its election commitment for a QRET based on the flawed analysis in the draft report.

If the QRET is abandoned, the draft report forecasts that burning carbon will contribute 96.5% to the State's electricity in 2035. If that occurs, it is reasonable to expect that Australia will be a pariah and subject to economy destroying punitive sanctions.

The draft report's estimated cost of \$10.8 billion through to 2030 for a QRET (a figure which does not stand scrutiny) pales into insignificance compared to the ongoing economic loss (and personal hardship) that would occur as a consequence of, for example, the destruction of the Great Barrier Reef. A study commissioned by the Department of Sustainability, Environment, Water, Population and Communities and the Great Barrier Reef Marine Park Authority estimates that the value-added economic contribution of the Great Barrier Reef World Heritage Area to the Australian economy in 2011-12 was \$5.68 billion and it generated almost 69,000 full-time equivalent jobs.

Solar Bonus Scheme Buyback Principles

The Queensland Government has already ruled out unilaterally terminating the SBS in 2020, as recommended by the draft report. However, it remains economically responsible for the Queensland Government to seek to reduce electricity prices via negotiation with SBS households. Hence, there is an opportunity for a conversation in good faith about the principles that could underpin an SBS buyback, and to put a real proposal on the table.

It is fundamental that the Solar Pricing Inquiry must result in a fair FiT for solar exports, otherwise any proposal to buyback the SBS would be untenable.

1. The resulting reduction in network charges must be returned to all householders and businesses.
2. The buyback must be voluntary.
3. It may be more electorally palatable to buyback the SBS in a way that drives down both short and long term electricity costs for all households and businesses. An investment in energy storage would lower night time peak loads, thereby re-invigorating the uptake of solar and the purchase of energy efficient appliances through lower network charges. The aim is to increase the acceptance of the buyback by both SBS households and the wider community.
4. The buyback should be open for a reasonable time to allow SBS households to raise any co-contribution.

An SBS buyback would support the government's election commitments by:

- Lowering electricity prices for all households now and into the future (through deferred / avoided investment in grid capacity upgrades).
- Reinvigorating the uptake of solar to achieve 1 million rooftops or 3000 MW of rooftop solar by 2020 (through lower network charges).
- Making a down payment on a QRET.

References

[“Farcical” start to Tony Abbott’s renewable energy review](#) – for an outline of ACIL Allen’s track record on renewables.

[Queensland inquiry’s big fail on rooftop solar and battery storage](#)

[Qld urged to ignore benefits of wind and solar and rethink renewables target](#)

[Economic Contribution of the Great Barrier Reef](#)

Yours faithfully

Andrew Ridout