

AUGUST 2013

TASMANIAN ENERGY REFORM

Feed-in Tariffs: Transition to Full Retail Competition
– Response to Consultation



BACKGROUND

The Tasmanian Government is reforming the Tasmanian electricity supply industry to introduce choice in electricity retailing for all customers. Further information on the Government's reforms is available at www.electricity.tas.gov.au

On 16 May 2013, the Minister for Energy and Resources released for public consultation an Issues Paper relating to the future of Tasmania's feed-in tariff arrangements. The main issues canvassed by the Issues Paper included:

- the transitional arrangements for existing customers who have installed, or who intend to install, a distributed generation system, including the appropriate feed-in tariff and the duration of the transitional period;
- a proposed process for the determination of the 'fair and reasonable' feed-in tariff rate for new customers and for existing customers following the cessation of the transition period;
- the matters the Tasmanian Economic Regulator should have regard to when determining the fair and reasonable feed-in tariff; and
- the requirements that should be placed on the retailers that purchase Aurora Energy's customer contracts in regards to offering a feed-in tariff.

The Issues Paper also set out a number of examples to demonstrate the potential impacts on customers, using a number of assumptions.

Following the release of the Issues Paper, a number of existing FiT customers contacted the Electricity Reform Project Team, stating that the assumptions used in the Paper to demonstrate the impacts on customers did not represent their situation, particularly in respect of the assumption regarding the amount of electricity that is used on-site versus that which is exported. As a result, a Supplementary Paper was released on 3 June 2013. The Supplementary Paper expanded on the impacts of a change in the feed in tariff rate across a broader set of customers and circumstances.

The consultation period for comment on the Issues Paper closed on 11 June 2013. A total of 131 submissions were received (including both formal written submissions and email correspondence/feedback).

This document provides the Government's response to the comments received as part of the public consultation process.

ISSUE	ISSUE RAISED BY	RESPONSE
Transitional Feed-in Tariff Arrangements		
<p>Maintain the 1:1 ratio permanently to recognise the private capital investment that has been made and encourage growth in the solar industry</p>	<p>Ms Virginia Cowie, Ms Estelle Ross, Mr Alan Rees (by introducing a cross-subsidy), Mr and Mrs Gray (or maintain above 20c per kWh), Mr Ian Bowie, Dr Anne Watson, Mr Denis Cooper, Mr Geoff Bell, Mr Chris Beechey, Ms Rita Richter, Mr Tony Graddon, Mr Allan de Weys, Mr Pete Barter, Ms Angela Hawkes, Mr Jon Deeprose, Mr Chris Wisniewski, Mr Paul Turvey, Mr Russell Hanson, Mr Bob Loone, Deputy Mayor, Mr Greg Rubock, Mr Mike Wilson, Ms Midj Jones, Mr Troy Robertson, Mr Anthony Clifford, Dr John Todd, Mr Peter Norris, Mr Warren Hastings, Professor Pam Sharpe and Dr Derek Pennington, Mr Rob Manson (I Want Energy), Mr Tim Johnson, Mr Andrew Webber, Mr Roger Luttmer, Mr Patrick Johnson and Ms Maree Brady, Dr Guy White and Ms Belinda Kendall-White</p>	<p>The Issues Paper clearly stated, as its central policy position, that the Government intends to establish a new legislatively mandated minimum ‘fair and reasonable’ rate that reflects the true market value of exported energy to retailers. The rationale for this position was articulated in the Issues Paper and is further reinforced in the Final Position Paper.</p> <p>Once the new FiT arrangements have been determined and customers are aware of them, customers can make an informed decision as to whether to invest in a solar system. It is therefore not necessary to maintain a 1:1 FiT to protect future investment decisions.</p> <p>With regard to protecting investments already made under the current scheme, the Government recognises that existing FiT customers should be afforded fair treatment, notwithstanding that these investments have been made in the absence of any legislative, regulatory or contractual support for the ongoing payment of the voluntary 1:1 tariff. This issue will be dealt with via the transition arrangements for existing customers.</p> <p>In response to stakeholder feedback, the Government has decided to extend the transition period from three to five years. This means that all existing Net Metering Buyback Scheme (NMBS) customers (as well as intending customers who meet certain requirements) will be entitled to continue to receive their current FiT under the NMBS until 1 January 2019. This will be known as the ‘legacy’ feed-in tariff.</p> <p>In terms of legislating for a mandated 1:1 FiT to encourage growth in the solar industry, there are two reasons why it could be in the public interest to promote the solar industry through subsidies:</p> <ul style="list-style-type: none"> • it results in an especially significant amount of economic activity, and therefore employment, per \$1 000 expended by government; or • it is an efficient way of reducing carbon emissions and there is a market failure that prevents the development of this industry through market forces. <p>As is further discussed in the Position Paper, there is no evidence that either test is satisfied.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>The 1:1 ratio should be maintained regardless of whether a person changes electricity supplier. To not allow people to switch is contrary to the Government's FRC policy</p>	<p>Ms Louise Moore</p>	<p>The Government's initial position was that eligibility to receive the 'legacy' FiT would only hold for so long as the customer remained on their standard contract. However, after further considering stakeholder feedback, the Government has determined that eligible customers may continue to receive the legacy rate even if they move to another contract offering after 1 January 2014. This will give customers with distributed generation systems an additional level of choice without having to worry about losing access to the legacy FiT.</p>
<p>The right to the 1:1 ratio should attach to the premises so that if a property is sold the new owner receives the 1:1 ratio for the balance of the five year period</p>	<p>Mr Philip Harington for and on behalf of Climate Action Hobart</p>	<p>The Government's position is that customers will only remain eligible for the legacy FiT where they continue to reside at the premises where their current system is installed – eligibility will not be transferrable between premises. This also means that customers who move into premises with an existing solar system will not be able to 'inherit' any legacy FiT eligibility held by the previous owners. Linking eligibility to premises so that it could be transferred to move-in customers would be administratively complex (and therefore costly), and it is important to remember that the transition arrangements are principally to ensure that customers who have already invested in systems under certain payback period assumptions – which are typically based on continuing to reside at the premises at which the system is installed – are not treated unfairly.</p>
<p>The transitional arrangements should apply for five years from the date of installation of the customer's system, therefore providing a payback period of five years for all customers on an ongoing basis</p>	<p>Tasmanian Climate Action Council, Mr Philip Harington for and on behalf of Climate Action Hobart, Dr Nick Towle</p>	<p>The Government's decision to extend the legacy period to five years from the start of FRC – that is, until 1 January 2019 – recognises the considerations made by individuals when installing distributed generation systems and provides all existing customers with significant additional price certainty with regard to their FiT. The legacy period will close for all customers on 1 January 2019, irrespective of the connection date of a customer's system.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>Maintain the 1:1 ratio for a period of five years from 1 January 2014</p>	<p>Ms Louise Moore, Mr Rudolph van't Hoff, Mr Michael Rayner, Mr Phillip Austen, Dr Charles Connor, Mr Graeme Fenton, Ms Jodi Harrison, Ms Alice Kaushal, Mr Philip Walch, Ms Jennifer Thorn, Ms Lorraine Perrins, Mr Brian Walker, Mr John Greenhill, Ms Lynette Taylor, Mr Nathan Bindoff, Ms Jackie Grimsey, A/Professor MI Chuah, Mr Robert Vincent, Ms Sharyn Copp, Mr Heinz Gleich, Mr Graham Kefford and Ms Dyan Cameron, Mr Paul and Mrs Susan Buckless, Ms Angela Rogers, Mr Steve Trice, Ms Gaye Mallison, Mr Roy Jackson, Mr Russell Hanson, Mr John Greenhill, Mr and Mrs T Byard, Ms Brigitte Stoddart, Mr and Mrs K and S Clark, Mr Rick van den Enden, Clean Energy Council, Mr Steve Devlin, Ms Di Elliffe, Mr Paul Andrew, Ms Kirsty Sharp and Mr Robin Petterd, Mr Marc Northrop, Mr David Woolfe, Mr Julian Scott, Sustainable Living Tasmania, Save our Solar and Alternative Technology Association</p>	<p>It was revealed during consultation that a significant number of customers have made capital investments - and in some cases taken out finance packages - in the belief that the current '1:1' NMBS FiT is enshrined in a five year contract with Aurora Energy. The reality, however, is that the five-year connection contract that customers have deals only with the technical specifications of customer solar systems, and not the FiT rate that is to be paid to the customer.</p> <p>Notwithstanding this, a number of submissions made apparent that some solar installers may have adopted sales strategies focussed on selling solar PV systems with finance packages to retirees and pensioners and appear to have represented that the five-year connection agreement included a guaranteed 1:1 rate for at least this period.</p> <p>In response to this feedback, the Government has decided that it is appropriate to extend the duration of the period, during which existing customers will continue to receive the legacy FiT, from three to five years.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>Maintain the 1:1 ratio for a period greater than five years, with or without a sliding scale thereafter</p>	<p>Mr Chris Tomes, Mr Geoffrey Francis, Mr Ralph Rallings, Mr Craig Hardman, Mr Tony Graddon, Mr Shane Greig, A/Professor MI Chuah, Ms Miriam Connor, Ms Penny Cocker</p>	<p>On balance, the Government has determined that a fixed five year transition period for existing customers, with a fair and reasonable rate for new customers, is fair and appropriate.</p>
<p>The feed-in tariff rate should not be less than tariff 42 rate (16.757 c/kWh) and should move in line with increases in this tariff rate</p>	<p>Ms Bev Moore, Mr Andrew Wickham, Mr Russell Hanson, Ms Penny Cocker, Mr Rob Manson (I Want Energy)</p>	<p>The Government's position is that, in order to prevent subsidies, the legislatively mandated FiT should be no greater than the market value of the exported energy to the retailer – that is, a fair and reasonable rate as determined by the Regulator. There is no merit in constraining the scope of the Regulator to set this rate by referring to any current tariff.</p> <p>It is also important to note that all current tariffs include an allowance for network costs. It would not be expected that these costs are reflected in the fair and reasonable rate as customers with solar systems do not provide network services to retailers or provide any substantial savings on network costs to retailers, according to studies in mainland states.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>The 1:1 ratio should be maintained for those who have installed, or paid a deposit to install, a system as at 31 December 2013</p>	<p>Ms Jennifer Thorn, Mr Nathan Bindoff, Ms Jackie Grimsey, A/Professor MI Chuah, Mr Robert Vincent, Ms Sharyn Copp, Mr Heinz Gleich, Ms Angela Rogers, Mr Steve Trice, Ms Gaye Mallison, Mr Roy Jackson, Mr Shaun Caris, Ms Brigitte Stoddart, Mr and Mrs K and S Clark, Mr Rick van den Enden, Clean Energy Council, Ms Di Elliffe, Mr Paul Andrew, Ms Kirsty Sharp and Mr Robin Petterd, Mr David Woolfe, Save our Solar and Alternative Technology Association</p>	<p>As noted above, NMBS customers as at 30 August 2013 will be eligible to continue to receive their current FiT until 1 January 2019, subject to certain conditions.</p> <p>Existing feed-in tariff arrangements under Aurora Energy's NMBS will be closed to new customers at midnight (AEST) 30 August 2013. All existing NMBS customers at this date will continue to receive their current feed-in tariff (the 'legacy' feed-in tariff) until 1 January 2019, subject to maintaining an electricity account in their name (or their spouse's name) at their current premises. Customers who upgrade the capacity of their systems will cease to be eligible for the legacy rate on all of their generating capacity.</p> <p>Customers who have not yet installed or connected a system will have until midnight (AEST) 30 August 2013 to lodge with Aurora Energy a completed application form for embedded generation to be eligible to be included as an NMBS customer, which must include evidence of a signed contract and a deposit paid to an installer. These customers will have until 30 August 2014 to install and connect their systems to remain eligible for the legacy feed-in tariff. The legacy period closes for all customers on 1 January 2019, irrespective of the connection date of a customer's system.</p> <p>Customers who have already submitted a valid application for embedded generation with Aurora's network business will be processed under the rules that were in place prior to the Government's announcement on 18 August 2013.</p> <p>Customers applying to install an eligible embedded generation system from 31 August 2013 will be entitled to a 'transitional' feed-in tariff of 8c per kW/h.</p>

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In addition to the 1:1 ratio being maintained for those who have installed, or paid a deposit to install, a system as at 31 December 2013, a person should also have to provide evidence that the system was installed and capable of generating electricity on or before 30 June 2014	Clean Energy Council, Mr Rob Manson (I Want Energy)	As noted above, intending customers will need to have installed and connected their systems to the grid by 30 August 2014 to remain eligible for the legacy rate. The legacy FiT will close for all customers on 1 January 2019, irrespective of the customers' system connection date.
The 1:1 ratio should be maintained for three years with a gradual reduction thereafter	Mr Steve Hyde	The Government has adopted a fixed five year transitional period, after which time the legislatively mandated fair and reasonable FiT set by the Tasmanian Economic Regulator will apply to all FiT customers.

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<p>The 1:1 tariff should apply for a 12 month period, with any excess (after offsetting against 31, 41 or 42) after 12 months to the end of September each year being paid at the whole-sale energy price. This provides opportunities for the owner to maximise the use of the energy generated over the year (effectively allowing the owner to “store” the energy) and would limit people installing oversized systems that generate more energy than is required for self consumption</p>	<p>Mr Darren Cooper; Mr David Tucker, Mr Steve Devlin, Mr David Woolfe, Mr Ron Barber, Mr David Lenthall, Mr Chris Brown and Mrs Caroline Brown</p>	<p>The Government wants to ensure that the benefit to customers of being able to use their instantaneous on-site generation to reduce their power bills is maximised. Currently, the way in which most customers' meters are configured means that electricity generated by a customer on-site can only be used to off-set consumption under the light and power/general supply tariff, before the installation starts to export 'excess' electricity to the grid. This means that the majority of customers cannot use their systems to off-set consumption under other additional tariffs, including hot water and heating (Tariffs 41 and 42). Given that the NMBS currently offers its 1:1 feed-in tariff at the highest tariff (light and power/general supply), customers actually benefit from being able to 'export' at this rate, rather than receiving a lower effective rate via an off-set to their consumption under their other tariffs. However, where the prevailing feed-in tariff is lower than all retail tariffs under which a customer consumes electricity, customers benefit from the ability to use their instantaneous on-site generation to off-set their other retail tariffs before their system begins exporting to the grid. The Government has instructed Aurora's network business to investigate and implement, as soon as practicable, a technical metering solution that provides small customers who connect a distributed generation system with the option of off-setting their on-site electricity consumption for hot water and heating – in addition to light and power – before any electricity is exported to the grid. Existing customers, however, will be better off under the existing metering arrangements for so long as they remain eligible for the legacy FIT rate.</p>
<p>The transitional 1:1 period should allow for a sliding scale depending on the cost amortisation of each individual system</p>	<p>Mr Peter Cooke</p>	<p>This would be extremely difficult (and costly) for retailers to administer as there are in excess of 15 000 small scale distributed generation systems in Tasmania. The Government considers that a single five year transitional period for all existing customers strikes the right balance between fairness for customers and administrative simplicity for retailers and the network business.</p>

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<p>Solar users should be able to offset their consumption against all tariffs, including tariff 41, before any energy is exported into the grid and meters should be configured, or reconfigured, to permit this to occur</p>	<p>Mr Craig Hardman, Mr Russell Hanson, Tasmanian Climate Action Council, Mr Shaun Caris, Clean Energy Council, Mr Philip Harington for and on behalf of Climate Action Hobart, Ms Di Elliffe, Dr Nick Towle, Professor Pam Sharpe and Dr Derek Pennington, Sustainable Living Tasmania, Save our Solar and Alternative Technology Association, Mr Chris Brown, Mrs Caroline Brown, Save our Solar and Alternative Technology Association</p>	<p>The Government agrees that the benefit to customers of being able to use their on-site generation to reduce their power bills should be maximised under the new FiT arrangements. As discussed above, the Government has instructed Aurora's network business to investigate and implement, as soon as practicable, a technical metering solution that provides small customers who connect a distributed generation system with the option of off-setting their on-site electricity consumption for hot water and heating – in addition to light and power – before any electricity is exported to the grid.</p>
<p>Solar credits should be permitted to be carried forward to the next billing cycle, up to a maximum of 12 000 kWh, above which the credits should be paid at the wholesale energy rate</p>	<p>Mr Shaun Caris</p>	<p>The Government does not support this kind of carry-forward arrangement on the basis that it would be too administratively complex. However, as noted above, Aurora has been instructed to investigate a technical metering solution.</p>
<p>The feed-in tariff should be a percentage of the electricity price to keep up with price increases</p>	<p>Mr David Tucker</p>	<p>The Tasmanian Economic Regulator, as part of the process for determining the fair and reasonable feed-in tariff rate, will be required to undertake an annual review of the rate. It need not necessarily always move in line with variable charges as these variable charges cover some costs that may not apply to the feed-in rate, such as network costs.</p>
<p>The feed-in tariff rate should be set at half the retail price, after a transition period of three years</p>	<p>Mr Brian Frankcombe</p>	<p>It is the Government's position that to prevent subsidies, the feed-in tariff rate should be no greater than the market value of the exported energy to retailers – that is, the fair and reasonable rate as determined by the Regulator. There is no merit in constraining the scope of the Regulator to set this rate by referring to any current tariffs or an arbitrarily-set percentage of those tariffs.</p>

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Information Presented in the Paper		
<p>There is no detailed costing or analysis for the “likely” cost of \$3.4 million for 2012-13 “potentially” rising to \$10 million in 2013-14 and appears to be overstated</p>	<p>Ms Lynette Taylor; Tasmanian Climate Action Council, Mr Gerard Castles, Mr Bob Loone, Deputy Mayor; Mr Gerard Kutzner; Save our Solar and Alternative Technology Association</p>	<p>The calculations in the Issues Paper were based on the current number of installations and the installation trends at the time of publication. The 2012-13 cost estimate is based on installations of between 11 500 and 12 000 connections and the estimated kWh generated over the 12 month period. The estimate also assumes a value to Aurora Energy of exported energy in the order of 8c/kWh, but does not include the foregone revenue to Aurora Energy from lost sales.</p> <p>Aurora’s end of year financial data now shows that the actual cost of the NMBS for 2012-13 was approximately \$4.2 million, assuming that the value of purchased energy during this period was 8c/kWh. The cost of the scheme would continue to grow significantly with the installation of new solar PV systems. Aurora’s figures show that there are currently over 15 500 customers with distributed generation systems. Aurora estimates that, if current rates of installation were to continue, this figure could potentially grow to over 19 000 installations by the end of the 2013 calendar year.</p>

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Disputes costs for retailer/ distributor associated with solar power	Mr Bill van Ommen, Ms Virginia Cowie, Mr Rudolph van't Hoff	<p>The Issues Paper noted that increased penetration of distributed generation can increase network charges for customers who do not have distributed generation systems. This can happen because customers with distributed generation can use the electricity they produce themselves and hence avoid paying the full retail price, which under current tariff structures includes a contribution to the cost of providing network services through the variable charge.</p> <p>The consequence is that the largely fixed cost of providing the network is spread across a smaller level of consumption, increasing per unit costs for customers without distributed generation systems who cannot avoid paying the full retail price. Distributed generators still need to access the grid, for both their imports and exports, but make a smaller contribution to the cost of providing this system.</p> <p>The Energy Supply Association of Australia (ESAA) has examined this issue in some detail and has recently released its <i>Distributed Generation: Implications for Australian Energy Markets</i> Report, which discusses the need to look at the way consumers are charged for the cost of the networks to ensure everybody pays their fair share. There are also potential costs to the distributor where localised reinforcement of the network is required in areas of very high rooftop solar penetration.</p>

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<p>The paper gives very little detail on the solar industry in Tasmania, including the number of businesses, employment figures, value of the industry to Tasmania and the level of financial benefit the State Government receives by way of direct and indirect taxes, charges and spending from solar industry businesses and the businesses they support</p>	<p>Mr Gerard Castles, Mr Gerard Kutzner, Save our Solar and Alternative Technology Association, Tasmanian Climate Action Council</p>	<p>The solar industry in Tasmania consists of the installation of solar PV systems. There is no PV system manufacturing industry in Tasmania, and therefore the benefit to the economy is principally through the wages paid to employees engaged in installation. Estimates of employment in the solar industry for Tasmania are difficult to quantify. Many solar installation services are offered by air conditioning and heating businesses. As at the last Census, the air conditioning and heating services sector employed 289 employees, an unknown share of which could be categorised as working in the solar installation industry. There would also be some solar installation employees who would be categorised as working in electrical services (1,857 employees). The current cost of the FiT scheme is effectively a subsidisation of the solar industry, borne by the Tasmanian Government through lost revenue from Aurora. The current effective subsidisation of the solar industry is relatively high, given the likely low level of direct employees.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>The paper should contain detail regarding: the economic value of small scale renewable energy in climate change abatement versus alternative policies; the economic value of small scale renewable energy to the wholesale electricity business; the economic value of Tasmania's "clean green" branding; and the level of private capital investment in renewable energy infrastructure and the leveraging of renewable energy certificate funds</p>	<p>Tasmanian Climate Action Council</p>	<p>The Australian Government's carbon pricing scheme and Renewable Energy Scheme already create incentives to develop renewable energy projects, with incentives to stimulate innovation and investment in the sector. A premium FiT is essentially an additional distortion in the market, with systems with a high cost of production subsidised without ongoing incentives to reduce the costs of producing renewable energy. Rooftop solar does not necessarily produce the lowest cost renewable energy and a subsidy in the form of a premium FiT is therefore an inefficient allocation of resources.</p>
<p>The paper only deals with solar generation systems and Basslink in the context of the systems' inability to totally replace Basslink in supplying electricity at peak times and ignores the export of electricity during the summer peak of the NEM</p>	<p>Mr Philip Northeast, Mr Mark Dudding, Mr John Greenhill</p>	<p>The principles that the Regulator will be asked to consider in determining a fair and reasonable FiT will be based primarily on the value of exported energy to the retailer, which captures avoided costs such as the avoided cost of purchasing electricity from the NEM and avoided line losses. Where the Regulator can identify quantifiable wider benefits or costs to the market – generation, transmission, distribution – the Regulator will be asked to consider how these are best captured.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
Disputes “assumption that there is little difference between net and gross metering for FiT”	Mr Ron Barber; Mr David Lenthall	The Issues Paper explained the significant differences between gross and net metering arrangements, but noted that where the FiT is paid at exactly the same rate as the retail price of electricity, these differences largely disappear. Under all other scenarios – where the FiT is either lower or higher than the retail price of electricity – metering type will of course significantly affect how customers are paid for the energy they produce. The Issues Paper explained, using examples, why this is the case.
The paper does not provide analysis or comment in relation to what monetary value solar power has in respect of avoiding the need to import energy over Basslink and avoiding the need to use Hydro water storages	Mr Gerard Castles, Ms Penny Cocker, Mr Barry Abbott, Mr Tim Johnson, Mr Bob Pearson and Ms Lindi Wall, Mr Gerard Kutzner	The Paper outlines the number of solar installations that would be required to offset imported energy via Basslink and the very high cost of investment that would be required.
The 70/30 example set out in the paper is misleading and greatly overstates the amount of solar-produced electricity that is consumed	Mr Peter Haberfield, Ms Louise Moore, Mr Jack Gilding, Mr Bob Watson and Mr Steve Watson, Mr Rob (no surname provided), Save our Solar and Alternative Technology Association, Mr Russell Hanson, Mr Gerard Castles, Dr John Todd, Mr Bob Watson and Mr Steve Watson	The Supplementary Paper released on 3 June 2013 provides additional examples using a range of assumptions and highlights the costs and savings across a range of difference export/import scenarios. Of course, the amount of energy consumed or exported from a system will always depend on such things as the size of the system and the consumption patterns of the customer.
The paper states that Aurora Energy imported 291 GWh over Basslink in April 2008, but does not outline the reasons why or where that energy went	Mr David Tucker	The Paper states that Hydro water storage levels were at extremely low levels during April 2008. Hydro Tasmania must balance the use of water for electricity generation with other uses.

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<p>The cross-subsidisation argument is weak given the cross subsidies that already exist in electricity pricing, for example, rural households are subsidised by urban households, including low income urban households and the heating tariff (tariff 42) is heavily subsidised by households that consume little electricity on that tariff</p>	<p>Dr John Todd, Ms Penny Cocker, Mr Andrew Webber, Ms Michelle Towle, Save our Solar and Alternative Technology Association</p>	<p>In mainland jurisdictions where full retail competition is already implemented, the cost of FiTs is borne by customers through higher general tariffs. This effectively results in households that cannot afford to install solar PV systems, or renters who are unable to install systems, subsidising the cost of FiT to higher income households that can afford the costs of installation. The retention of an inefficient cross-subsidy is not justified by the existence of other cross-subsidies.</p>
<p>Solar customers are “paying” for the poles and wires through their quarterly fixed charges that cover network costs and therefore it is not true to say that there is a disproportionate burden on non-solar customers</p>	<p>Mr C Miller, Mr Andrew Webber, Mr David Woolfe</p>	<p>The Issues Paper noted that the variable charge for electricity also includes a network component and made the point that, to the extent that solar customers avoid paying these charges by generating their own electricity – yet still rely on the network for both import and export – means the largely fixed cost of providing that network is spread across the rest of the customer base. This issue has been examined in some detail by the Energy Supply Association of Australia in its April 2013 Report, <i>Distributed Generation: Implications for Australian Energy Markets</i>.</p>
<p>The paper does not discuss climate change impacts of renewable energy generation</p>	<p>Ms Penny Cocker</p>	<p>The Issues Paper noted that it is important to consider the cost per tonne of carbon abatement when examining this issue. The Paper noted that if the objective of the FiT is to encourage renewable energy generation and reduce emissions, it is clear that rooftop solar PV does not necessarily produce the lowest cost renewable energy (and therefore lowest cost abatement). As noted above, the carbon pricing scheme and Renewable Energy Scheme already encourage investment in lower carbon generating technologies, while a premium FiT is an inefficient complementary scheme.</p>

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The 'Actual Electricity Bill' column in the supplementary paper does not take into account the credit received for exported electricity	Mr Bob Watson and Mr Steve Watson	The 'Actual Electricity Bill' column did not reflect the amount that that the customer would actually have to pay after credits for exported energy were applied. However, the adjusted bill amount is easily calculated by deducting the 'total financial benefit' from the notional electricity bill in each example.
There is no evidence in the paper to support the claim that the largest benefit to installers of distributed energy is the power used onsite to offset consumption	Mr Bob Watson and Mr Steve Watson	The Issues Paper notes that customers who have installed systems to reduce their power bills retain this benefit regardless of the FiT rate. Whether this is the largest benefit in terms of value to a particular customer depends on the size of the installation, the customer's consumption patterns and the prevailing FiT. However, under the current 1:1 rate, customers with small to average size systems who consume more of their energy on-site than they export to the grid (the majority of customers) clearly derive the greatest benefit from their avoided purchases, which is shown in a number of the examples in the Supplementary Paper.
The paper is incorrect in that exported energy can offset tariff 41	Ms Louise Moore, Mr Jack Gilding, Mr Andrew Wickham, Mr Bob Watson, Mr Steve Watson	Following feedback from customers, the Supplementary Paper was released which included additional customer impact calculations that take into account customers' meters that are configured in such a way that they can currently offset light and power consumption only.
Process for setting a fair and reasonable rate		
The Tasmanian Economic Regulator should be required to make an assessment of the "saved power" value from solar customers, specifically the saved water value-add component to Hydro Tasmania	Mr C Miller, Mr Russell Hanson, Tasmanian Climate Action Council, Mr Philip Northeast, Mr and Mrs K and S Clark	As noted above, the principles that the Regulator will be asked to consider in determining a fair and reasonable FiT will be based primarily on the value of exported energy to the retailer, which captures avoided costs such as the avoided cost of purchasing electricity from the National Electricity Market and avoided line losses. Where the Regulator can identify material and quantifiable wider benefits or costs to the market – generation/wholesale, transmission, distribution – the Regulator will be asked to consider how these are best captured.

ISSUE	ISSUE RAISED BY	RESPONSE
<p>The terms of reference for the Tasmanian Economic Regulator in determining a fair and reasonable feed-in tariff rate should require the Regulator to take into account the impacts on customers, particularly low income households and households that have installed solar systems</p>	<p>Ms Carol Bristow, Mr Bob Watson and Mr Steve Watson</p>	<p>The principles that the Regulator will be asked to consider in making the FiT determination include consideration of the impact on electricity customers, in particular the avoidance of cross-subsidies between customer classes. The determination will not take into account 'pay back' periods for customers with solar systems – the Government is addressing this issue via its five year transition period for existing FiT customers.</p>
<p>The terms of reference for the Tasmanian Economic Regulator in determining a fair and reasonable feed-in tariff rate should require the Regulator to quantify all financial benefits and costs where possible</p>	<p>Clean Energy Council, Mr Philip Harington for and on behalf of Climate Action Hobart, Save our Solar and Alternative Technology Association, Mr Bob Watson and Mr Steve Watson</p>	<p>The principal component of a fair and reasonable FiT will be the financial benefits and costs to the retailer that is purchasing exported generation. However, as noted above, where the Regulator can identify material and quantifiable wider benefits or costs to the market of distributed generation – including for wholesale, transmission and distribution – the Regulator will be asked to consider how these can best be captured.</p>
<p>Any process to set a feed-in tariff rate should take into account the wider benefit to electricity consumers and Tasmania, including job growth, and not just the direct cost savings for retailers</p>	<p>Mr Nathan Bindoff, Ms Jackie Grimsey, A/Professor MI Chuah, Mr Robert Vincent, Ms Sharyn Copp, Mr Heinz Gleihc, Ms Angela Rogers, Mr Steve Trice, Ms Gaye Mallison, Mr C Miller, Ms Brigitte Stoddart, Mr Jason Garard, Mr and Mrs K and S Clark, Mr Rick van den Enden, Ms Di Elliffe, Mr Paul Andrew, Ms Kirsty Sharp and Mr Robin Petterd, Mr Adrian Mapley, Save our Solar and Alternative Technology Association, Mr and Mrs T Byard</p>	<p>This assumes that the purpose of the FiT should be to support the solar industry and to stimulate jobs. The current system is effectively subsidised by the Government through reduced revenue from Aurora Energy. The cost of the subsidisation increases over time as the number of installations grows, with jobs in the industry dependent on new installations and not ongoing maintenance. This is effectively a high subsidisation per job. If the aim of the scheme was to stimulate employment in the industry, it should be judged on its merits against other industry proposals by the Department of Economic Development, Tourism and the Arts. However, on the face of it there is no evidence to suggest that there is especially high activity in the industry per \$1000 effectively spent by the Government.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>Determination of the fair and reasonable rate should take into account any economic, social and environmental costs and benefits of solar installations</p>	<p>Ms Jennifer Thorn, Tasmanian Climate Action Council, Mr Gerard Kutzner, Mr and Mrs T Byard</p>	<p>Again, where the Regulator can identify quantifiable wider benefits or costs to the market of distributed generation – including for wholesale, transmission and distribution – the Regulator will be asked to consider how these can best be captured.</p>
<p>The Tasmanian Economic Regulator should set a non-mandatory benchmark rather than a minimum. If a mandatory minimum rate were to be implemented, it should only be on a temporary basis, with a move to a benchmark value once the retail market becomes more competitive</p>	<p>Energy Supply Association of Australia</p>	<p>The Government notes that this is the approach adopted in New South Wales, however most jurisdictions provide for a minimum mandated FiT to ensure customers can receive a guaranteed fair and reasonable rate. It is not clear at this stage if the level of competition at market start in Tasmania will be sufficient to deliver fair and reasonable FiTs to all distributed generation customers. The Government therefore supports a legislatively mandated minimum FiT to provide customers with a 'safety net'. As with retail price regulation, the ongoing need for a regulated feed-in tariff can be monitored over time against the effectiveness of competition in the market.</p>
<p>The Tasmanian Economic Regulator, in its draft report and final report, should be required to publish all assumptions and report all data sources</p>	<p>Sustainable Living Tasmania</p>	<p>The Tasmanian Economic Regulator will be transparent in the assumptions it makes and data that it uses to make its FiT determinations. The Regulator will also be required to undertake consultation as appropriate in determining the fair and reasonable FiT.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>That the Tasmanian Economic Regulator should be required to factor in technical meter configuration arrangements when making a determination as to the fair and reasonable feed in tariff</p>	<p>Aurora Energy</p>	<p>The Regulator will take into account the Tasmanian market context, including metering arrangements, where relevant, when making FiT determinations.</p>
<p>The fair and reasonable rate</p>		
<p>The fair and reasonable price should be the wholesale price that the retailer pays for power</p>	<p>Mr Jeff Findlay</p>	<p>While the avoided wholesale cost of energy to retailers will form a component of the fair and reasonable rate, the Regulator will also be required to consider other potential costs and benefits of distributed generation, including, for example, avoided line losses.</p>
<p>General comments</p>		
<p>The feed-in tariff paid to Tasmanian solar consumers should not be modelled on any mainland state figures as it does not recognise: the export feed-in tariff applied against one tariff only; and Hydro Tasmania's ability to store energy at all times of the day</p>	<p>Mr Denis Cooper, Tasmanian Climate Action Council, Mr Philip Northest, Mr Bob Loone, Deputy Mayor, Mr Peter Cooke</p>	<p>The Tasmanian Economic Regulator will be required to consider approaches, methodologies, findings and recommendations from other jurisdictions, where they are relevant to Tasmania. The Regulator will necessarily take into account the wider Tasmanian market context.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>The feed-in tariff should apply to projects up to 100 kW to support commercial, community and on-farm projects</p>	<p>Ms Jodi Harrison, Ms Alice Kaushal, Ms Jennifer Thorn, Mr Nathan Bindoff, Ms Jackie Grimsey, A/Professor MI Chuah, Mr Robert Vincent, Ms Sharyn Copp, Mr Heinz Gleich, Ms Angela Rogers, Mr Steve Trice, Ms Gaye Mallison, Tasmanian Climate Action Council, Ms Brigitte Stoddart, Ms Midj Jones, Clean Energy Council, Mr Philip Harington for and on behalf of Climate Action Hobart, Ms Di Elliffe, Mr Warren Hastings, Mr Paul Andrew, Ms Kirsty Sharp and Mr Robin Petterd, Professor Pam Sharpe and Dr Derek Pennington, Mr Marc Nothrop, Ms Michelle Towle, Sustainable Living Tasmania, Save our Solar and Alternative Technology Association, Mr Peter Cooke</p>	<p>The Government has determined that the regulated FiT will only apply to small customers (those who use less than 150MWh) with distributed generation systems of 10kW or less. Customers with installations larger than 10kW will need to negotiate their arrangements with their retailer. This closely mirrors existing arrangements, where Aurora Energy negotiates purchase agreements with its larger distributed generation customers. Customers investing in large systems are better placed to negotiate a favourable outcome with a retailer and should not need to be protected by the regulated FiT 'safety net' that is provided to small customers.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>All transitional and ongoing feed-in tariff costs should be paid by the network business and transparently reported as a non-commercial activity</p>	<p>Energy Retailers Association of Australia, Aurora Energy</p>	<p>Where retailers are required to pay eligible customers the 'legacy' FiT during the transitional period, they will be entitled to recover from the State-owned network business the difference between this rate and the fair and reasonable rate set by the Regulator. One-off transitional costs to establish the new FiT arrangements will also be borne by the network business. The Government will ensure that these costs are not passed onto electricity customers through higher network tariffs. The cost to the network business will be explicitly reported to ensure transparency.</p> <p>It is generally preferable for non-commercial activities of Government businesses to be delivered as a community service obligation and paid for by the level of government that seeks to provide the service. However, in this instance, the legacy costs of the NMBS arise from a commercial decision taken by Aurora Energy. Responsibility for these costs will pass to the merged network business, as part of taking responsibility for previous decisions of the businesses that will merge.</p> <p>In this regard, responsibility for the NMBS costs is not substantially different to other decisions of the current network businesses that will be inherited by the merged network business and which will affect its financial position, such as network pricing strategies.</p>
<p>Concern regarding the "independence" of the Tasmanian Economic Regulator</p>	<p>Mr Jon Deepprose</p>	<p>The <i>Economic Regulator Act 2009</i> established a three-person Tasmanian Economic Regulator board. Under the Act, the Regulator is not subject to the control or direction of the Minister for Finance or any other Minister in respect of a monopoly provider investigation, prescribed body inquiry, complaint investigation, taxi fare methodology inquiry, report or recommendation.</p> <p>The Regulator acts with independence within the frameworks established for it by legislation with regard to a range of functions and this will be the case when it makes FiT determinations.</p>
<p>The current scheme should be closed immediately to limit the impact on taxpayers and avoid creating a rush of installations</p>	<p>Energy Supply Association of Australia</p>	<p>As noted above, eligibility to receive the legacy rate will coincide with the closure of the NMBS, in order to avoid issues associated with a 'last minute' rush of installations.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>A feed-in tariff regime should ensure that there are no cross subsidies of customers who cannot afford solar panels (thereby making electricity more expensive for non-solar customers)</p>	<p>Anglicare, TasCoss, Mr John Daniels and Ms Maree Waters, Sustainable Living Tasmania</p>	<p>One of the key tenets of the 'fair and reasonable' approach is that a FiT should be subsidy-free. The Issues Paper highlighted the Government's concerns regarding the tendency for premium FiTs to result in regressive cross-subsidies over time, whereby those who cannot afford to install solar effectively subsidise those who can, and do. The principles that the Regulator will be asked to consider in making the FiT determination include consideration of the impact on electricity customers, in particular the avoidance of cross-subsidies between customer classes.</p>
<p>The Government should continue to install solar hot water in Housing Tasmania properties and should consider installing solar generation systems</p>	<p>Anglicare, Mr Marc Nothrop, Mr Mark Dudding</p>	<p>The replacement of electric hot water systems with solar hot water systems is a very effective way of reducing energy consumption and for this reason the Tasmanian Government is funding the installation of these systems in public housing and other properties. This financial year, for instance, Housing Tasmania is investing \$1.3 million to install solar hot water in more than 100 supported accommodation and neighbourhood houses, which is expected to reduce energy consumption for hot water by up to 70 per cent. Other programs providing energy savings for Housing Tasmania and low-income private tenants include:</p> <ul style="list-style-type: none"> • Energy Champions Program (Housing Tasmania) – \$6 million over the 2012-13 and 2013-14 budgets, reaching about 4,000 households (including insulation top ups, draught-proofing and heating upgrades). • Energy Efficiency Strategy Action Plan (Housing Tasmania) – \$5 million in 2010-11, reaching about 3,000 households. • Housing Tasmania general maintenance program – \$2 million in 2012-13, benefitting about 600 households. • Housing Tasmania planned maintenance program – \$1.5 million in 2012-13, benefitting about 200 households. • Power Saving for Tenants (TCCO) – \$1 million in 2011-12, reaching more than 800 households. • "Stay Warm Save Money" Housewarming (Social Inclusion Unit) – \$800,000 in 2012-13, benefitting about 700 households.

ISSUE	ISSUE RAISED BY	RESPONSE
		<ul style="list-style-type: none"> • No-Interest Loans Scheme (Social Inclusion Unit) - \$180,000 in 2011-12, benefitting almost 80 households. <p>The Government's position – which is reflected in current policy initiatives – is that while solar PV can provide cost savings to customers through reducing their demand for electricity from their retailer, such systems should only be considered after other measures to improve the thermal efficiency and comfort of concession customers' homes have been taken. For instance, the evidence shows that ceiling insulation is the most cost-effective means of improving thermal efficiency (and therefore energy efficiency), whereas solar PV is relatively expensive and, while it may reduce bills, does nothing to improve the thermal performance of a dwelling.</p>
<p>Consideration should be given to allow either the retailer, distributor or generator to offer low interest loans to low income customers to allow them to invest in solar generation</p>	<p>Ms Lynette Taylor, Ms Miriam Connor, Mr Bob Watson and Mr Steve Watson</p>	<p>Currently, the NILS Network of Tasmania (funded by Tasmanian Community Fund, Aurora Energy, the Federal Group, and support from Westpac) gives low income earners the opportunity to improve their standard of living through access to reliable and efficient whitegoods, heating appliances, medical equipment and other household goods. As noted above, the Tasmanian Government also currently funds a number of programs aimed at improving the thermal efficiency of low-income Tasmanians' homes but would not, at this stage, consider any loans schemes for solar systems, due to greater gains in energy efficiency available for significantly lower up-front cost – e.g. insulation, draught-proofing etc. There would be nothing to prevent a private sector retailer from offering this type of scheme, but it would need to be offered on the basis of realising a commercial return.</p>
<p>The distribution business should invest in ways to allow for storage or more effective use of solar generated electricity</p>	<p>Mr Shane Greig</p>	<p>It is appropriate that it is the renewable energy industry – and not state-owned electricity entities – that invests in research and development of new technologies for on-site energy storage (batteries). There is a significant amount of research and development into these technologies underway in Australia and overseas.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
<p>Transitional arrangements should be put in place to ensure the solar industry does not halt after 31 December 2013</p>	<p>Ms Jackie Grimsey, A/Professor MI Chuah, Mr Robert Vincent, Ms Sharyn Copp, Mr Heinz Gleich, Ms Angela Rogers, Mr Steve Trice, Ms Gaye Mallison, Mr John Greenhill, Ms Brigitte Stoddart, Mr Rick van den Enden, Ms Di Elliffe, Mr Paul Andrew, Ms Kirsty Sharp and Mr Robin Petterd, Save our Solar and Alternative Technology Association</p>	<p>The Government acknowledges that the winding up of the NMBS and transitioning to a new fair and reasonable feed-in tariff may have some short-term impact on the local solar installation industry until the new market environment is bedded down - including what, if any, voluntary feed-in tariffs retailers may decide to offer under their market contracts on top of the regulated 'fair and reasonable' rate. However, the evidence suggests that the existing NMBS is only one of a number of incentives for domestic-scale solar installations. The fact that the NMBS has been available since 2000, yet installations have only increased significantly since 2009 suggests that the scheme is not the main investment driver for customers installing solar PV systems. Other important drivers include the dramatic reduction in the cost of PV technology, access to Commonwealth incentive schemes and rising electricity prices (which has increased the value of household demand met by solar PV). Depending on their consumption patterns and other factors, customers will still be able to realise significant savings on their power bills by installing solar systems. For example, an average customer with a 1.5kW system who uses only half of the electricity they generate could still realise a saving in the region of \$300-\$400 per year on their power bill even where they received no payment for the net energy they exported.</p>
<p>Aurora's feed-in tariff can be viewed as a de facto government policy incentive for households and small businesses to invest in solar power and removal of this incentive represents a regression of State Government climate change policy</p>	<p>Tasmanian Climate Action Council</p>	<p>As noted above, there are already Australian Government schemes designed to encourage investment in lower carbon generating technologies over time. A premium FiT is effectively an industry subsidy and does not necessarily produce the lowest cost renewable energy, and is therefore an inefficient allocation of resources.</p>

ISSUE	ISSUE RAISED BY	RESPONSE
The Government should take into account the Government's "Low Carbon Tasmania" plan to reduce Tasmania's CO2 emissions by 60 per cent 2050	Mr John Greenhill, Ms Michelle Towle, Mr Bob Watson and Mr Steve Watson	See response above.
The Government should invest a portion of the revenue from the sale of Aurora Energy to encourage the installation of small scale renewables in low income communities	Tasmanian Climate Action Council	The Government does not intend at this stage to make any policy announcements about how revenue derived from the sale of the retail customer book will be utilised. However, as noted above, solar PV installations for low income households sits relatively low in terms of the merit order for reducing customer's power bills at the lowest cost and would only make sense where other less costly improvements have been made to improve the thermal efficiency of properties.
The Government should stimulate growth in renewable energy to increase the value of the 'clean, green' Tasmanian image	Ms Miriam Connor, Mr Russell Hanson, Tasmanian Climate Action Council, Ms Di Elliffe, Mr Maurice Oldis, Save our Solar and Alternative Technology Association	It is difficult to see how encouraging rooftop solar installations through a subsidy to the rooftop installation industry does anything to materially increase the value of Tasmania's brand in its key export and/or tourism markets. Strong branding relies to a large extent on the possession of a natural advantage over one's competitors. Hydro and wind energy are more closely aligned than solar to Tasmania's brand for this reason.
Any feed-in tariff policy should be reviewed at least every five years, and not more than 10 years, to ensure incentive structures remain appropriate over time	Mr Philip Harington for and on behalf of Climate Action Hobart	The proposed feed-in tariff arrangements will be subject to ongoing review.

ISSUE	ISSUE RAISED BY	RESPONSE
The Government should not discourage households from reducing their greenhouse gas emissions and, if a lower feed-in tariff rate were to be implemented, the Government should invest in other measures that would allow households to reduce their emissions (such as improved insulation, more efficient heating including solar hot water heating, and lighting)	Dr Nick Towle, Ms Kirsty Sharp and Mr Robin Petterd, Ms Michelle Towle	<p>The decision to discontinue an existing subsidy does not mean the Government is discouraging greenhouse gas abatement measures. The Commonwealth's carbon pricing scheme provides the appropriate incentives for carbon reduction and investment in renewable energy, without inefficient complementary schemes. With regard to household energy efficiency, the Government is already investing in programs to help vulnerable Tasmanians improve the performance of their homes and reduce their bills, as noted above.</p> <p>For those Tasmanians who can afford the up-front cost of efficiency improvement measures, the incentive to do so is the return on investment in the form of reduced power bills.</p>