

Does the SEA advocate for the reimplementation of WA's Residential Feed-in-Tariff?

SEA supports a fair price to be paid for consumers' exported electricity. The provision of a fair price will create greater certainty and restore the confidence of solar installers to invest in growing their businesses, and consumers the confidence to buy.

On the matter of a specific Feed-in-Tariff, SEA sees that the Renewable Energy Buyback Scheme ("REBS") can be as effective as a FiT scheme in supporting the industry and consumers wishing to switch to green energy and hedge against future energy price increases. The trick is to have the right REBS price to reflect the fair value of exported energy for consumers to ensure that the payback costs for the system are appropriate.

SEA recognises there are limits to Government spending on these programs and it accepts that the Government is unlikely to reintroduce a similar scheme in the short term. To push against this would likely create unnecessary conflict between the industry and the Government.

What was the scheme costing and was it too expensive?

The FiT had a budget of \$127 million over its life. The 2011-2012 State Budget has an estimated cost for this year of \$6.7 million.

Over 10 years the cost of \$127 million for the 150 MW capacity it provides has helped establish renewable energy as a viable option for WA consumers. However, assuming an average price of \$4 per Watt as the installed cost over the FiT's operation, WA householders have invested \$600 million in the same period. As such, SEA considers it to have provided good value. This is helped by the fact that distributed energy provides an overall net benefit to the operation of the grid as well as reduced investment in future energy capacity.

What is the impact to consumers with the suspension of the Feed-in-Tariff?

In most cases, the change to the FiT is unlikely to have a significant impact on the economics of small scale systems under 1.5 kW, for the average consumer, as the greatest benefit of these systems will be the offsetting of consistently rising energy prices. The majority of these smaller systems are still able to be cost effective for households, but the payback period may be slightly increased.

The end of the FiT means the price being offered for electricity exported from domestic solar generation falls to \$0.07, paid under REBS, for people who enter contracts to install Solar PV after 31 July 2011.

This creates different classes of consumers who install Solar PV systems on the South West Interconnected Network (known as the SWIS):

- Those with existing systems and those signed up between 1 August 2010 and 30 June 2011 (\$0.47);
- Those who signed up between 1 July 2011 and 31 July 2011 (\$0.27); and Everyone else (\$0.07).

The cost structure of Solar PV has changed markedly over this period, and the commitments made by consumers differed greatly over time.

Residents in WA who are not part of the SWIS and who are customers of Horizon Power may receive a higher rate under the REBS scheme, however as Horizon Power faces much greater generation costs for remote power provision, it is appropriate that the payment be different.

Is the current \$0.07 REBS co-payment a fair price to receive?

SEA does not agree with the proposition that the \$0.07 REBS payment reflects fair value to the consumer for exported energy based on the previous analysis of the value of exported distributed energy.

An independent report in 2007 by the Australian Photovoltaic Association (APVA) for the Office of Energy (then the Sustainable Energy Development Office) gave a fair price of between \$0.13 and \$0.16 per kWh for exported energy. This was reflected in the Office's Report to the Minister in 2008. This report is available from www.energy.wa.gov.au/cproot/2177/2/pvwg_report.pdf

SEA is seeking an immediate review of the REBS, with the objective of establishing a dynamic pricing setting method for all energy exported by distributed energy, regardless of technology.

Solar panel costs are dropping rapidly, so what is the problem?

Even with a falling wholesale and retail price point for panels, other costs associated with a full solar PV system have not fallen in a similar fashion. These costs, commonly known as the balance of system costs include installation, labour, inverter, wiring and other costs.

While overall costs of fallen, the rate at which these are dropping is less than the rate at which the cost of panels alone have fallen. Looking at only panel cost reduction is (literally) only half the story.

In addition to this, the Federal Government reduced its Solar Credits rebate as of 1 July 2011, and combined with consistently low prices for the tradable Small Technology Certificates (STC) that residential Solar PV creates, this has had an impact on the up-front cost of systems. While the STC can be sold in the "Clearing House" run by the Regulator at a guaranteed \$40, currently there are over 5 million STCs in the system, with the oldest dating back to February 2011. This is an issue for businesses providing rebates for Solar PV based STCs.

All of these factors need to be considered in looking at system affordability, and how long it takes consumers to recoup their investment.

What is the likely impact for businesses in the solar industry?

Based on our discussions with affected businesses, we expect a significant downturn in the solar PV industry. We anticipate job losses and potentially some rationalization of the supply market. It's not only Solar PV installers who will be affected but also PV equipment wholesaler and distribution business, electrical contracting businesses and other suppliers of goods and services as well.

While the limited scope of the feed-in-tariff was well understood by the industry, limited transparency of the uptake of solar systems under the scheme and the lack of consultation with the industry has resulted in unnecessary short term impacts.

Will the introduction of the carbon price help?

In SEA's opinion, while energy price increases from the carbon price will improve the economics of installing renewable energy, the impact is likely to be relatively small; in the order of \$120 per year for the average consumer in 2012-13. This is unlikely to act as a major driver for people to make the large up-front investment in domestic renewable energy systems such as solar PV.

A couple of years ago, the Government said it may look at a FiT for small business users, what has happened there? Simply put, there is unlikely to ever be a commercial FiT. SEA's position is that the current regulations need reform to allow business customers to export to the grid at times when they are not using any embedded generation to offset their business consumption (e.g. weekends). They should also receive a fair price for that energy. Currently larger systems are prevented from exporting. If they can export, they receive nothing for that energy.

Reform of the regulations and operation of the energy market rules need to address this issue and reduce barriers to businesses engaging in the uptake of renewable energy.

Has SEA spoken to the Minister about these issues?

SEA has met on multiple occasions with the Minister for Energy The Hon Peter Collier over recent months to voice industry concerns and to seek a longer-term solution to the issue of a fair price for electricity from renewables and the Minister has willingly agreed to consider ways of working with the industry to resolve the impacts rapid policy change such as the FiT has had on the industry.