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## Draft DPI 'Fair and Reasonable' Criteria

ATA congratulates DPI on their work to establish fair and reasonable price, terms and conditions for the connection of small-scale renewable energy to the electricity grid, and welcomes the opportunity to provide comment on the proposed criteria.

As Stage One of a two-stage process to establish feed-in tariffs in Victoria, the establishment of fair and reasonable terms and conditions provides greater clarity and certainty, enabling renewable energy proponents to shop around to determine the most suitable and favourable offer, and is a welcome interim step on the path to mandated tariffs.

We welcome the intention of, and the majority of clauses contained within, the draft criteria; however we have some concerns with a couple of the provisions, and what we see as some minor omissions.

**Criterion 3 (a) – *An offer must identify all additional costs related to the feed-in contract which the customer will pay and, for each cost, must either state the amount or specify that the retailer will inform the customer of the amount on request prior to entering the contract***

We believe that all additional costs related to the feed-in contract should be open, transparent and published, not 'on request' as specified in criterion 3 (a). The purpose of the Energy Legislation Amendment Bill (2007) is to provide clear and transparent information to customers in order to enable them to make informed decisions. The requirement to only provide information 'prior to entering the contract' is insufficient, as it places no firm time constraints on the provision of this information.

There are no apparent reasons why there should be any variable costs for the retail contract component of the connection agreement. Whilst it is acknowledged that there may be differing connection and metering costs related to connection with the distribution network, these costs are standard within each of the five distribution regions in Victoria, and indeed the distribution businesses readily publish these costs on their websites. Given that these should be the only variable components of the cost for grid connection, there appears no reason why each retailer could not publish all prices, with five variants for different district in the state corresponding to the distribution regions, where variation in costs exists.

With 21 electricity retailers holding retail licences in Victoria, the withholding of information relating to costs present a potentially obfuscatory barrier to the ability of a small generator to access the most suitable purchase offer. We see no reason why cost information could not be readily published along with all other terms and conditions of the offer.

**Criterion 3 (b) – An offer must state whether any Renewable Energy Certificates relevant to the feed-in contract are part of the feed-in contract offer**

ATA believes it is completely unacceptable that the ownership of Renewable Energy Certificates (RECs) should be in any way tied to the feed-in contract. Whilst we acknowledge that the intention of this provision was to create clarity on the issue of RECs, we firmly believe that opening the door to the possibility of linking RECs with the purchase of electricity from small renewable generators creates significant potential to disadvantage renewable energy proponents.

The decision to surrender, sell or hold on to the RECs created by Small Generation Units (SGU), as defined by the Office of the Renewable Energy Regulator (ORER), is a personal decision for individual households. A considerable number of ATA members decide to not claim the available RECs from their system in order to obtain the full greenhouse benefit from their system. In the absence of a decent feed-in tariff for micro-generation, the majority of individuals installing small renewable energy systems are doing so for the environmental benefits. However, by surrendering or selling the RECs from a system, the system owner is effectively offering the avoided greenhouse gas emission to a third party, typically for a price or a reduced cost on system installation. Many of ATA's members choose not to do this, wishing to retain the credit for avoided greenhouse gas emissions themselves.

Further, many renewable energy system providers offer discounts on the purchase price of an installation, via claiming and retaining the deemed RECs from that system upon installation, as a means of marketing differentiation. For people happy to surrender the RECs in order to receive the lowest price possible for a system, this provides an avenue to slightly reduce the large upfront investment costs – a small financial benefit available to proponents in the absence of a mandated feed-in tariff.

It would be fair to say that the majority of current renewable energy system owners would fall into one of these two categories – those either having surrendered RECs for a discount on their installation, or those not willing to surrender their RECs for ethical reasons. By allowing retailers to link the surrender of RECs to buy-back offers, these system owners may be excluded from taking up those offers which contain this requirement, and as such they could potentially become severely disadvantaged in the market.

Indeed, there is no reason to anticipate that all retailers would not include such a clause in their terms and conditions. (What incentive exists for a retailer to forgo the opportunity of the additional financial benefit RECs represent?) As such, the potential scenario of all 21 licensed retailers in Victoria requiring the surrender of RECs as a condition of their offers presents a situation whereby those who have already surrendered or sold their RECs would not be able to obtain a retail contract, and those not willing to surrender their RECs forced into a compromising situation. This would be most unsatisfactory.

Finally, it should be noted that, at present, with at least one retailer offering one-for-one buyback on the standing offer retail tariff, without the requirement to surrender RECs, a future scenario resulting from this provision could be such that renewable energy proponents are actually worse off than they are at present. Again, this would be most unsatisfactory.

As such, linking the surrender of RECs to a feed-in tariff offer severely limits the ability of individuals to either retain the greenhouse benefit of their renewable energy system, or to obtain the best price for the installation of a renewable energy system. This is neither fair nor reasonable. We strongly oppose any linking of RECs with contract offers and urge the guidelines to be re-written to prohibit any requirement to surrender RECs with feed-in offers applicable under this law.

**Criterion 4 (a) – An offer must specify that the retailer will pay or credit the customer, for electricity supplied by the customer under a feed-in contract, at a rate not less than the rate the customer pays to buy electricity from the retailer**

As proposed, there is no indication in the draft criteria as to whether the retailer is able to link the buyback contract to a specific purchase agreement or market offer. That is, will a customer wishing to take up a buy-

back offer under the legislation be forced on to an unfavourable retail contract or fixed-term market contract? Or, alternatively, will these provisions apply to the full range of retail contracts, including the regulated standing offer and all market contracts electricity retailers have available?

We firmly believe that, for a customer to receive the benefit of the feed-in offer covered by this legislation, that customer must still have access to the range of retail electricity products available, and should not be forced to accept a specific market contract or fixed term. This needs to be specified in the fair and reasonable criteria. The absence of this provision will mean that small renewable energy generators will be significantly disadvantaged in relation to other retail electricity customers.

Indeed, given the breadth of retail offers currently available, if the feed-in tariff offer is only able to be linked to a specific market retail contract, a customer may find that, after installing a renewable energy system and connecting to the grid, a customer is worse off due to being shifted to an unfavourable market contract for the supply of electricity.

For example, a typical customer on the standing offer (GD/DR tariff), may be shifted onto a time-of-use market contract following grid-connection, as has happened in a number of cases reported to the ATA. This customer will find themselves at a significant disadvantage, relative to where they would have been had been able to remain on their former contract. Consider the case outlined below, constructed by applying two gazetted tariffs offered by AGL – the GD/GR (flat rate) tariff and the GH/GL ('winner') tariff.

<b>Flat (AGL)</b>	<b>\$ per kWh</b>	<b>Usage in kWh</b>	<b>Quarterly charges</b>	<b>Less PV</b>	<b>TOTAL</b>
Supply charge			\$38.05		\$38.05
Flat electricity charge	0.14729	1460	\$215.04	867.4	\$127.76
<b>Quarterly bill</b>			<b>\$253.09</b>		<b>\$165.81</b>

<b>Winner (AGL)</b>	<b>\$ per kWh</b>	<b>Usage in kWh</b>	<b>Quarterly charges</b>	<b>Less PV</b>	<b>TOTAL</b>
Supply charge			\$40.03		\$40.03
Peak electricity charge	0.2028	949	\$192.46	525.7143	\$106.61
Off-peak electricity charge	0.0743	511	\$37.97	341.6857	\$37.97
<b>Quarterly bill</b>			<b>\$270.45</b>		<b>\$184.61</b>

This customer, with an average consumption of 16kWh per day, would find themselves over \$87 per quarter better off on the flat rate tariff structure, following the installation of a 2kW system. However, if this tariff were not available for a buy-back contract and the customer was forced onto the 'winner' tariff, the saving following their investment would be reduced to \$68 per quarter. This amounts to a loss to the customer of \$75 per year.

In addition, the use of inflated up-front supply charges as a way of increasing the costs to low consumption households is well-known. This practice also unfairly disadvantages renewable energy system owners, as the introduction of tariff structures with lower consumption charges and increased supply charges reduces the ability of a system owner to capture the full value of their investment, as the electricity fed back into the grid is further devalued.

It must also be remembered that, with increasing deregulation of retail tariffs, the types of tariff structures available to retail customers may become significantly more varied than those presently available, and as such, limiting buy-back to a single market contract could potentially significantly disadvantage renewable energy proponents.

For the range of reasons outlined above it is essential that buy-back offers be made available on the full range of retail tariffs. This will ensure that renewable energy proponents are not disadvantaged by being forced onto unfavourable tariff structures which hinder the ability to obtain even the relatively low buyback rates available under Stage One of this process.

**Criterion 5 (i) – *The customer’s explicit informed consent is required to vary from these core provisions listed in this Criterion number 5;***

Whilst we welcome the requirement for the customer’s informed consent in order to vary any of the core provisions listed under Criterion 5, we have concerns about the implications for Criteria 1 to 4. Does this imply that Criteria 1 to 4 cannot be varied at all, or that no explicit informed consent is required for variation of these core criteria? We believe that, to avoid any confusion, it needs to be explicitly stated that, under no circumstances can criteria 1 to 4 be varied.

**Criterion 5 (l) – *the retailer will give the customer notice of any variation to the retailer’s tariffs that affects the feed-in contract with the customer. The notice will be given as soon as practicable and in any event no later than the next billing and payment cycle***

It is unclear how this provision can exist in relation to criteria 5 (h), which states *‘the tariff and terms and conditions of the feed-in contract between the customer and the retailer may only be varied by agreement in writing between the customer and the retailer’*. We seek clarification on which of these two provisions would take precedence.

**Energy Retail Code**

Initial consultation and earlier drafts of the proposed criteria clearly stated that “the retailer must specify that the Energy Retail Code published by the ESC applies to the feed-in agreement to the greatest extent possible and with minimum changes” (Feed-in Tariff Forum, 28th September 2007). However a considerable number of provisions of the retail code are not covered in the draft criteria, and as such may potentially leave the customer significantly exposed.

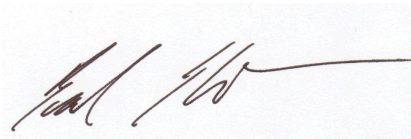
Whilst we acknowledge that many of the major protections of the Energy Retail Code may be retained by virtue of the customer’s retail contract, we have some concerns about the failure to explicitly state this. ATA believes that the criteria needs to explicitly state that a retail feed-in contract offer needs to be linked with an offer to supply electricity, and that all provisions contained within the Energy Retail Code applicable to both supply and consumption of electricity (such as termination, liability, privacy and confidentiality to name a few) which are currently not provided for in the draft criteria, be equally applicable to the customer’s supply offer.

ATA calls for an additional criterion to be inserted, stating: *“Any offer must specify that the offer is linked to a retail electricity purchase contract, with the full protection of the Energy Retail Code applying to that retail contract, and, where applicable, to the buy-back offer”*.

**Further Contact**

ATA would welcome the opportunity to discuss any aspect of this submission. Please direct any questions or further correspondence to Brad Shone, Energy Policy Manager, on 9631 5406 or [Brad.Shone@ata.org.au](mailto:Brad.Shone@ata.org.au)

Yours sincerely,



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