



3 March 2010

Feed-in Tariff Secretariat  
GPO Box 158  
Canberra ACT 2601

Email: [DECCEWfeedintariff@act.gov.au](mailto:DECCEWfeedintariff@act.gov.au)

Dear Sir/Madam

## **NATIONAL CAPITAL TO SOLAR CAPITAL - OPTIONS FOR AN EXPANDED ACT ELECTRICITY FEED-IN TARIFF SCHEME**

Origin Energy (Origin) welcomes the opportunity to comment on the Department of Environment, Climate Change, Energy and Water's (DECCEW's) consultation paper on options to expand the feed-in tariff scheme in the ACT.

Origin has previously made submissions on feed-in tariff policy development in the ACT and in other jurisdictions. As one of Australia's largest energy retailers and a leading supplier of solar photovoltaic (PV) systems, Origin is interested in the outcomes of the review of options in the ACT.

In relation to feed-in tariffs, Origin believes a number of guiding principles need to inform the design of policy:

1. To the extent possible, seek national consistency of feed-in tariff policies

To date, there has been limited consistency in feed-in tariff policy outcomes amongst the schemes implemented (with the notable exception of the South Australian and Queensland schemes for small solar PV systems). This has significantly increased the cost to industry and consumers of administering feed-in tariff policy and has led to inefficiencies and market distortions.

2. The larger the renewable energy system size, the greater the need for technology neutrality

Origin believes that where (renewable) embedded generation is supported by subsidies, such subsidies should:

- Decrease as system sizes approach commercial scale (that is, installed for the sole purpose of generating electricity rather than substituting local for remote electricity generation); and
- Should not favour one renewable generation technology over another.

This will ensure that the community achieves greenhouse gas abatement at least-cost and will minimise market distortions.



### 3. Investment certainty is critical

Programs designed to encourage investment in small-scale renewable generation (such as the Commonwealth's Photo Voltaic Rebate Program) have reduced investment certainty as targets are met and funding withdrawn. Such lack of consistent policy response (nationally) amplified this uncertainty for the renewable generation industry (manufacturers, installers) and consumers.

### 4. Establish subsidies based on reasonable willingness to pay

Any subsidy (direct, feed-in tariff etc) to particular stakeholders funded by the broader community needs to be set at levels that maximise returns on investment in that subsidy and have the objective of optimising the trade off between supporting the development of renewable generation and securing abatement at least cost.

Specific comments on the consultation paper are set out below. Origin would emphasise however that the principles described above inform our response and the stance we believe the Inter-Agency Committee should adopt to its current considerations.

#### General comments

On page 7 of the consultation paper, the DECCEW refers the net feed-in tariff scheme being "...considered to be only about 65% as generous as a gross scheme on a unit-for-unit comparative basis".

Origin seeks to understand the basis of how this 65 per cent figure has been derived.

The energy efficiency potential of net feed-in tariff schemes and their ability to make clear the opportunity cost of consumption versus embedded generation may have been overlooked in the DECCEW's discussion.

The comparison table itself is a generally a good summary of the various jurisdictional schemes currently in place. However it does highlight the piecemeal and inconsistent nature of schemes implemented to date and the lack of national harmonisation that inevitably reduces the effectiveness of feed-in tariff policies.

#### Capping the expanded scheme

Origin agrees that any expansion of the current scheme should be constrained by a cap on installed capacity. How this cap affects access to the scheme by smaller generators requires careful consideration however. An overall scheme cap would be preferable to an annual cap. The cost of administering an annual cap and the potential for it to detract from rather than enhance certainty should rule out this option.

#### Retail Price Cap

The DECCEW seeks stakeholder views on the appropriate retail price cap under the various modelled scenarios of the expanded scheme. Origin would make the point that the scenarios describe material increases in retail electricity bills required to fund



varying levels of installed capacity under the expanded scheme (even at the lowest level of \$50) when compared with the costs borne by consumers in other jurisdictions.<sup>1</sup>

Origin believes that in determining the appropriate retail price cap, the DECCEW needs to consider the optimal return implied by such community investment in relation to:

- The marginal cost per tonne of CO<sub>2</sub>-e abated;
- The equity of any retail price increases; and
- The extent to which electricity consumers in general are willing to subsidise the expanded scheme, where any subsidy may accrue to a narrow base of stakeholders (more narrow than the current scheme).

Origin does not have a view on what is an appropriate retail price cap, other than to note that increases of \$100 per annum are material and may not result in optimal investment in renewable generation if the objective is to achieve abatement at least-cost. Furthermore, any increase in delivered energy costs may be compounded by increases in network and transmission costs (which are increasing significantly across the NEM), any future Commonwealth emissions trading (or other) scheme and the impact of the Renewable Energy Target over time. These local and national sources of cost increases may affect the any level of retail price cap used to fund the expanded feed-in tariff scheme.

#### Proposed solar facility and interaction between expanded scheme and the NEM

The issues identified by the DECCEW in its paper demonstrate the importance of national consistency in developing feed-in tariff policy. Origin presumes that the DECCEW is seeking stakeholder views on whether the proposed facility contracted its output to a customer outside of the ACT and if this might make the facility ineligible under the expanded scheme. Origin believes it is unlikely that any output from such a facility would *physically* be sent out of the ACT, but acknowledges that its output could be contracted such that the power generated would be deemed to be consumed in (say) New South Wales.

#### Extension of scheme to community-owned generation sites

Origin cannot see why community-owned facilities should not have access to the scheme. Administration of jointly owned facilities are difficult matters, however, proponents of such facilities should have sufficient incentives to resolve a large number of the matters identified by the ICRC. Additional regulation in this regard should not be relied upon in the first instance unless obvious market value takes place.

#### Summary

Origin remains concerned that further jurisdiction-specific feed-in tariff policies are being developed with little regard to national harmonisation. While Origin understands the objectives of the expanded scheme as set out in the issues paper, assessment of the benefits and costs should be further analysed in order to establish the optimal policy

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<sup>1</sup> For example, the Victorian Premium FIT scheme is designed so that increases in consumer's electricity bills will not exceed \$10 per annum. See <http://new.dpi.vic.gov.au/energy/energy-policy2/greenhouse-challenge/feed-in-tariffs/faq>. Furthermore, it is not clear from the discussion in the options paper if the retail price increase thresholds are over one or a number of years. Origin is assuming that the retail price increases are on an annual basis.



settings to encourage the development of embedded renewable generation resulting in abatement at least cost.

Origin would caution against the use of arbitrary increases in network use of system charges to (small) end-use consumers designed to recover the cost of the required subsidy under any expanded scheme. We would strongly urge the DECCEW to seriously consider discussion with other jurisdictions in its development of feed-in tariff policies in order to avoid further ingraining the inconsistent legislative and regulatory environment facing stakeholders today.

Should you wish to discuss any issues contained in this response, please call David Calder (Regulatory Strategy Manager) in the first instance on (03) 8665 7712.

Yours sincerely

A handwritten signature in cursive script, appearing to read "B J Hughson".

Beverley Hughson  
National Regulation & Relationship Manager