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Dr Peter Boxall AO  
Chair  
Independent Pricing and Regulatory Tribunal  
Level 15, 2-24 Rawson Place  
SYDNEY NSW 2000

16 April 2018

Submission via website

Dear Dr Boxall,

**Solar Feed-in Tariffs 2018-19 - Issues Paper**

AGL Energy welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART)'s *Solar feed-in tariffs – The value of electricity from small-scale solar PV panels in 2018-19 – Issues Paper, March 2018 (Issues Paper)*.

AGL agrees with IPART's assessment of the key drivers in the wholesale electricity market such as the exit of Hazelwood, high gas prices and uptake of solar panels. IPART has noted the impact of the uptake of solar panels in NSW has contributed to a reduction in the system demand for electricity particularly during the middle of the day when solar generation tends to be the highest. This has important implications for the system load profile and will shift the times for peak demands. As the penetration of solar energy increases not only from residential rooftop installation but from larger commercial installations and grid scale solar farms, spot prices and system demand in the National Electricity Market will be significantly affected.

*IPART's overall approach*

AGL supports the approach to set the benchmark range based on the savings retailers are likely to make when they supply electricity from solar customers rather than purchase electricity from the NEM. A retailer which set its FiT at a value above this will incur higher costs and will eventually need to increase retail electricity prices or reduce the discount in market offers. AGL also agrees with IPART's approach to exclude other factors, for various reasons, such as the merit order effect, network related benefits and the social benefit of solar energy.

*Methodology*

IPART now has 8 years of data to model solar export profiles and has considered that there have been changes in demand and supply in the wholesale market which means that the prices in some of these years no longer remain indicative of the likely value of solar exports in the future. In AGL's view, due to recent changes in the wholesale market including the exit of coal-fired generation and growth in renewable generation, the use of older data is unlikely to be representative of future patterns. Therefore, AGL recommends that the data used should be no more than 5 years old.

Other than this, there is currently no imperative to amend IPART's methodology including the 40-day average of ASX electricity contract prices, 5% contract premium and 25<sup>th</sup> percentile of the solar multiplier



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distribution. The current methodology has been in place for a number of years and it is useful to maintain some consistency to track changes in the FiT. AGL supports the continuation of the current methodology for the purpose of setting a benchmark range of the solar feed in tariff in NSW. However, AGL considers that alternative approaches in methodology could also be appropriate when assessing wholesale costs for other pricing purposes.

In relation to Essential and Endeavour solar export data, one year of data is not sufficient for modelling purposes. AGL suggests at least 3 years of data will be necessary to provide a more robust result.

*General comments*

It is Important to bear in mind that the value determined by IPART is a benchmark range, not a mandatory value, to provide a guide on the value of electricity exported by solar customers in NSW. When setting the level of the FiT to offer customers, retailers take into account their own assessment of wholesale costs and other factors. Accordingly, while it is important to be accurate, having a considered approach which produces reasonable estimates is sufficient.

AGL's current practice of offering only a single all-time solar FIT is simple to understand and does not create complexity and additional costs to retail operations.

Should you have any questions in relation to this submission, please contact Meng Goh, Senior Manager Regulatory Strategy, at [mgoh@agl.com.au](mailto:mgoh@agl.com.au) or (02) 9921 2221.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux', is written over a light blue circular watermark.

Elizabeth Molyneux  
General Manager, Energy Market Regulation