SUMMARY OF KEY OUTCOMES FROM DPI'S FEED-IN TARIFF FORUM

A stakeholder forum was held by the Department of Primary Industries on 28 September 2007 regarding feed-in tariffs. The following organisations attended:

Industry:
- Electricity Retailers
- Energy Retailers Association of Australia
- Distribution business (Powercor)
- Alternative Technology Association
- Clean Energy Council
- BP Solar

Community organisations:
- Central Victorian Greenhouse Alliance
- Strathfieldsaye Community Enterprise
- Ballarat Renewable Energy And Zero Emissions inc
- Locals Into Victoria's Environment
- Mt Alexander Sustainability Group
- Environment Victoria
- Albury/Wodonga Environment Centre
- C4 Healesville (Communities Combating Climate Crisis)
- Moreland Energy Foundation Ltd
- Greenpeace

Government:
- Department of Primary Industries
- Department of Sustainability and Environment
- Sustainability Victoria
- Essential Services Commission
- Ministerial Advisers

SCOPE

The forum briefed stakeholders on the Government's initiative to ensure households and small businesses are offered a fair and reasonable price for electricity they supply to the grid from solar, wind, hydro and biomass sources. Stakeholder views were sought on implementation of this initiative (**Stage 1**).

The forum also sought stakeholder views on whether a **Stage 2** is required to further encourage households to install renewable energy generators.

The Department of Primary Industries (DPI) detailed the Government's renewable energy policy and outlined a range of initiatives to support its uptake, including the Victorian Renewable Energy Target scheme. Sustainability Victoria outlined technology and network benefits from renewable energy.

STAGE 1

Feed-in tariff expansion through recent amendment to the **Electricity Industry Act 2000** was explained. The "fair and reasonable" criteria to assess feed-in tariffs published by retailers were discussed in depth. The majority of stakeholders were supportive of the criteria proposed by DPI. Some stakeholders canvassed the following issues:

Community groups stated that :

- A 1:1 tariff (i.e. the price offered by the retailer for excess power is not less than what the particular customer pays for power) would be insufficient to encourage significant consumer installation or enough to give banks confidence to lend funding.
- A 1:1 tariff is currently offered by some retailers. A tariff greater than 1:1 is crucial to promote the uptake of renewable generation by households and businesses.
- More could be done to ensure that households and businesses are paid a fair and reasonable tariff for renewable power exported into the electricity grid.

DPI noted that the purpose of the Stage 1 was to broaden existing feed-in tariff provisions, providing clarity and transparency for small renewable generators that are currently less able to negotiate buy-back rates with retailers.

Retailers stated that metering costs are determined by distributors and are sometimes smeared across the customer base, so are not always itemised for each customer. Distribution costs were estimated at 40% of charges.

Stakeholders, including retailers, accepted the view that the calculation of feed-in tariffs should be on the basis of the entire customer bill (total volumetric charge), not just the energy component. However, it was pointed out that until such time as smart meters are rolled out, no offer based on time-of use (TOU) tariff would be made available.

Retailers noted that administering feed-ins would be complex (for example in coordinating with distribution businesses, record systems and payment arrangements).

DPI confirmed that retailers' standing offers would continue alongside feed-in tariff offers. Retailers were informed the intent is that customers would suffer no net disadvantage in taking up a feed-in agreement.

The new legislation will require retailers to offer fair and reasonable tariffs for feed-in power from 1 January 2008. The Minister is empowered to refer tariffs to the Essential Services Commission (ESC) for assessment. Stakeholders sought and were provided assurance that they could request the Minister to consider referring a tariff to the ESC.

It was confirmed that the loss of energy by rural feeders is included in the tariff structure.

Clarification was sought on the methodology used for meter reads in the event of a meter failing. It was considered that in the event of a meter failing then standard practices would be applied, as for when a standard accumulation meter failed.

It was said that customers would be liable for additional infrastructure and metering costs.

STAGE 2

DPI identified the key market drivers which may promote renewable generation, including:

- factors affecting the payback period of a system
- net vs. gross metering for a feed-in tariff
- capital subsidy

It was said that net metering provides no payback certainty, while gross metering does.

Stakeholders called for payback periods from 7 to 15 years.

It was noted that uniform payback periods are problematic across different technologies. For example:

- biomass electricity generators have a different operation and maintenance profile from PV systems.
- small wind installations were considered to have difficulty achieving payback. A threshold of minimum 250 kW was suggested, restricting installation to wealthy individuals and businesses.

Stakeholders expressed the view that the Stage 1 "fair and reasonable" tariff initiative could possibly help renewables such as biomass but did not go far enough to support solar PV technology.

The government was encouraged to take definitive environmental action, rather than incremental steps.

Stakeholders noted Germany has encouraged installation at commercial premises equally with residential premises.

Extension of Stage 2 to commercial premises was called for, with a suggested ceiling of 1 to 2 MW, rather than 100 kW.

Opportunities for community owned feed-in systems, such as a PV Park, were discussed. It was considered that under a 1:1 tariff, community shared feed-in systems would not be viable. Stakeholders also believed that eligibility should be expanded to include communities.

DPI advised that the Government believes there is no "silver bullet" solution to climate change and the issue requires a range of policies.

Stakeholders had no objection to the cost of feed-in tariffs being smeared across the entire customer base, though retailers cautioned that the Government should consider shielding the disadvantaged from this. The uptake of Green Power was cited as evidence that the community is willing to shoulder environmental costs.

Community groups emphasised the environmental benefit of a viable feed-in tariff and the necessity of such action. Concern was expressed that the Government did not appear to be prioritising the environment.

It was recommended that Government also review planning controls relating to renewable generators.

Possible barriers to take up of a feed-in system were considered to be avoided DUOS and TUOS issues, and uncertainty over a net vs. gross metering basis for tariffs.

Stakeholders noted there is no policy for avoided DUOS. The distribution business representative advised that there is not much benefit from avoided DUOS and TUOS cost that that distributors will find the process challenging, but are happy to engage.

Sustainability Victoria advised that avoidance of network augmentation is greatest in greenfield developments.

The anticipated rollout of advanced metering (AMI) was welcomed as it will assist demand management. It was noted that advanced meters capture figures for both gross and net electricity flows.

With the announcement of the Clean Energy Target (CET) by the Commonwealth, the future of the VRET scheme was queried. It was confirmed that while the CET is supported in principle, Victoria will seek assurances that the State's renewable energy industry will see the same or more growth under CET compared to the VRET scheme.

The key summary messages from stakeholders were:

- Gross metering gives necessary payback certainty;
- Net metering disadvantages smaller systems and users who are home during the day;
- More could be done to encourage a material increase in the uptake of renewable generation systems by households and businesses;
- A premium feed-in tariff is necessary to promote such uptake of small scale renewable technology such as PV;
- A payback period of not more than 15 years is necessary.