

Independent Competition & Regulatory Commission
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Dear Sirs,

Solar Power Feed-in-Tariff (FIT) Review Draft Report of February 2010

Thank you for the opportunity to comment on your draft report.

I congratulate you on your openness and fair assessment of the tariff and its impacts.

Issues with your Draft Determination

One issue that seems obvious to me is that the original FIT act stated a tariff 3.88 times the base retail rate, or similar. Your proposed 37c/kWh to apply in 2010-11 appears to be a mathematical derivative of the costs of a 1.5KW system with a payback period of 10 years, with a range of costs included as per Section 2.3

These costs seem reasonable. However your 1,050kWh per KW of solar capacity seems very low. I just generated 1,318kWh per KW (1,700 metered kWh for a 1.29 KW system. My inverter actually said 1,835 kWh).

Issues are:

- There is no tie in to retail rates. Presumably if retail rates go up say 30-40% over the next 3 years (which is possible based on recent rises in QLD and NSW) and pv costs remain static then the FIT rate would remain as is. This might be mathematically valid but seems to devalue the benefit of the FIT. This highlights the problem of a gross tariff where you have to pay for everything you use, and then you get a payment for what you produce. Your model totally disconnects these.
- It appears that your calculations are going to be based on the current cost of a 1.5KW system every year you do your analysis? If so, and costs reduce then the payback period would reduce and to maintain your 10 year figure FIT rates would reduce. This might be fine for new installations but seriously disadvantage older installations some of which were very much more expensive.
- If those in the ACT who are impacted by the increase in tariffs due to the FIT are compensated through other means, this in itself is creating a burden on all taxpayers, whilst likely to be seen as equitable, is a consequence of the overall inefficiencies

of this FIT. As I stated before there are better and more efficient ways of generating solar and other renewable power.

I noted your comments on the costs of abatement, quoting the ACT Government figure of \$195-\$434 per ton. This figure seems extravagant compare to Federal CPRS figure of \$23, which is obviously low. British Parliamentarians recently used a figure of around \$153 AUD (100 EURO) as a more acceptable figure which might be more relevant. However this does not impact the results of your review.

Other Considerations

It's unfortunate that the ICRC, being an Independent body can't provide some advice to the Government on the effectiveness and appropriateness of a FIT, but it's outside your terms of reference for this enquiry.

There still needs to be some limits or caps on the ACT FIT regime as even the NSW Government has seen fit to adopt a cap of 50MW, whereby once they reach that limit no further installation can get their premium FIT. Also COAG in 2008 said that any premium rate FIT's should only be considered as transitional measure with clearly defined limits

This doesn't mean that residents here should not do their part to reduce emissions but there needs to be more emphasise put on a properly instigated approach to producing renewable power through the wind farms and solar thermal solutions now being adopted overseas. A method of residents investing in such schemes would be better for them and better for a long term solution. It would be a safer and less risky solution for residents.

Thanks for your great report and a logical approach to designing a sustainable FIT model

Regards

Greg Hutchison