

State feed in tariff programs to end - What happens next?

Next year at about this time, three states will terminate part of their feed-in-tariff programs:

- Victoria's Transitional and Standard Net metering programs end on 31 December 2016,
- South Australia's Customer Group 4 Net metering program ends on 30 September 2016 and
- New South Wales \$0.60/kWh and \$0.20/kWh Solar Bonus Scheme ends on 31 December 2016.

Victoria and South Australia are only ending some of their feed in tariff payments. This is not the completion of their entire feed-in-tariff program. Victoria's Premium Net metering program will last until 31 December 2024 and South Australia's Customer Group 1 Net metering program lasts until 30 June 2028. Furthermore, South Australia and Victoria have opted for net metering policies, which mean that, when the feed-in-tariff programs end, no metering changes are necessary. In these cases, the net meter can continue to operate as normal and customers can negotiate with their retailers to sell back exported energy at an agreed rate.

The situation is different however for New South Wales customers. Roughly 146,000 customers have taken up either the 60 c/kWh or 20 c/kWh gross feed-in-tariff. When the program ends, these customers

will be exporting 100% of the energy generated by their PV system directly to the grid, with no guaranteed financial return and minimum power to negotiate with retailers. A potential scenario, therefore, might see a customer selling their solar energy to the grid for ~6c/kWh, and buying it back (often simultaneously) at ~30c/kWh.

To switch from a gross to a net meter so that a customer is supplying their own loads first, the PV system's connection point must be physically changed and the meter may have to be replaced with a bi-directional net meter. The metering requirements for such systems have not yet been specified by the DNSPs. Further, the Australian Energy Regulator (AER) has just completed their 5-year regulatory determination and access arrangements with the NSW Distribution Network Service Providers (DNSP), which, in general terms, significantly increases metering charges from 1 July 2015.

“ In these cases (SA & VIC), the net meter can continue to operate as normal and customers can negotiate with their retailers to sell back exported energy at an agreed rate. ”

State	Type	Meter	Max Size	Rate Paid	Program Finish Date	Link
VIC	Transitional	Net	5kW	\$0.25/kWh	31/12/2016	http://www.energyandresources.vic.gov.au/energy/environment-and-community/victorian-feed-in-tariff-schemes/closed-schemes
	Standard	Net	<100kW	1:1 @ retail rate	31/12/2016	
SA	Group 4	Net	10kW (45kWh/day)	\$0.16/kWh + Minimum Retailer Payment	30/09/2016	http://www.sa.gov.au/topics/water-energy-and-environment/energy/rebates-concessions-and-incentives/solar-photovoltaic-systems/solar-feed-in-scheme
NSW	Solar Bonus Scheme	Gross	10kW	\$0.60/kWh	31/12/2016	http://www.resourcesandenergy.nsw.gov.au/energy-consumers/solar/solar-bonus-scheme
	Solar Bonus Scheme	Gross	10kW	\$0.20/kWh	31/12/2016	http://www.resourcesandenergy.nsw.gov.au/energy-consumers/solar/solar-bonus-scheme



GSES spoke to the NSW Department of Trade and Investment (NSW T&I) in order to understand how they plan to assist these customers in making the transition to net metering as simply as possible, and hopefully without any financial loss. The following is the question and answer session conducted with NSW T&I:

The NSW Solar Bonus Scheme (SBS) is coming to an end on 31/12/2016. How does NSW Department of Trade and Investment plan on communicating with the ~146,000 customers who currently partake in this scheme?

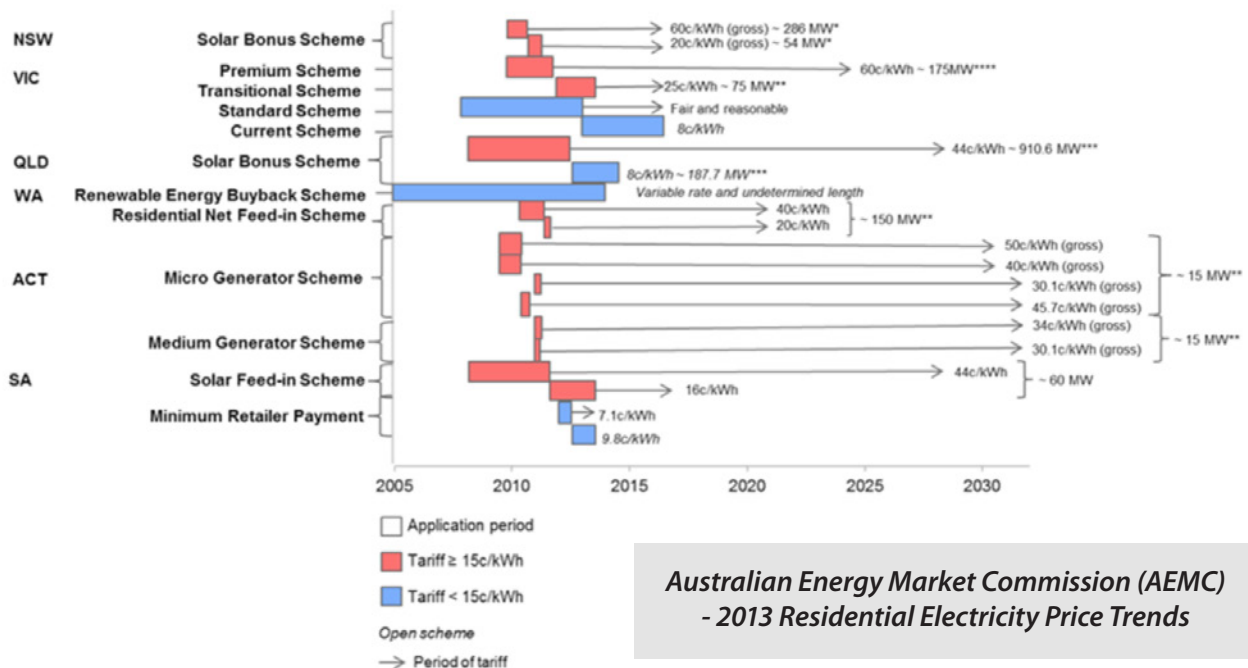
“Further information on planning for an orderly end to the Scheme will follow tabling of the Statutory Report into the Scheme’s operation by the Minister for Resources and Energy. At this stage it is likely that the Department will contact the ‘20 c/kWh’ customers first: the majority of these customers have gross meters. They will then be better off with a net meter. Wherever the retail usage charge exceeds the feed-in tariff, a customer is better off with a net meter. This is because the customer may consume their generator’s energy instead of being forced to export it for a feed-in tariff (as happens with a gross meter) that is lower than the usage charge. The situation for the ‘60 c/kWh’ customers is more complex.

They are unlikely to want to change their meter until the end of the Scheme.”

Who is responsible for bearing the meter change cost and are you able to indicate how much a customer should be prepared to spend for such a service?

“Customers may contact Level 2 accredited service providers (ASPs) to get a quote for meter change services. Meter change is a contestable service. The list of L2 ASPs can be found on the Resources & Energy website.

There are two components to the meter change cost: the meter itself and the labour for meter replacement. Until now DNSPs have supplied the meter to the Level 2 Accredited Service Provider (meter installer) for no charge and then ‘smeared’ the cost of meter provision across all customers. The AEMC push has been to make network charges more ‘cost reflective’ of the impacts that customers have on networks. There has been extended consultation and the AER’s recent determination for the NSW DNSPs means meter provision will become a contestable service. I think the DNSPs commence charging customers for the meter from 1 July, but customers may find their retailer is willing to make an energy offer that includes installation of an advanced (smart) meter.”



Is there any way a customer might be able to avoid bearing this cost, for example, with a digital or smart meter upgrade from the retailer/DNSP? And if so, what other factors might the customer have to consider, perhaps such as time of use metering?

“The costs of network services are always borne by customers whether smeared or individually. If retailers make energy offers that include a meter change then the customer may find there is no installation charge per se. This is analogous to mobile phone offers where the costs of handsets are recovered through phone or data/service plans.”

How does NSW Department of Trade and Investment plan to transition customers from gross to net meters and how are customers able to avoid meter change delays after the scheme end date?

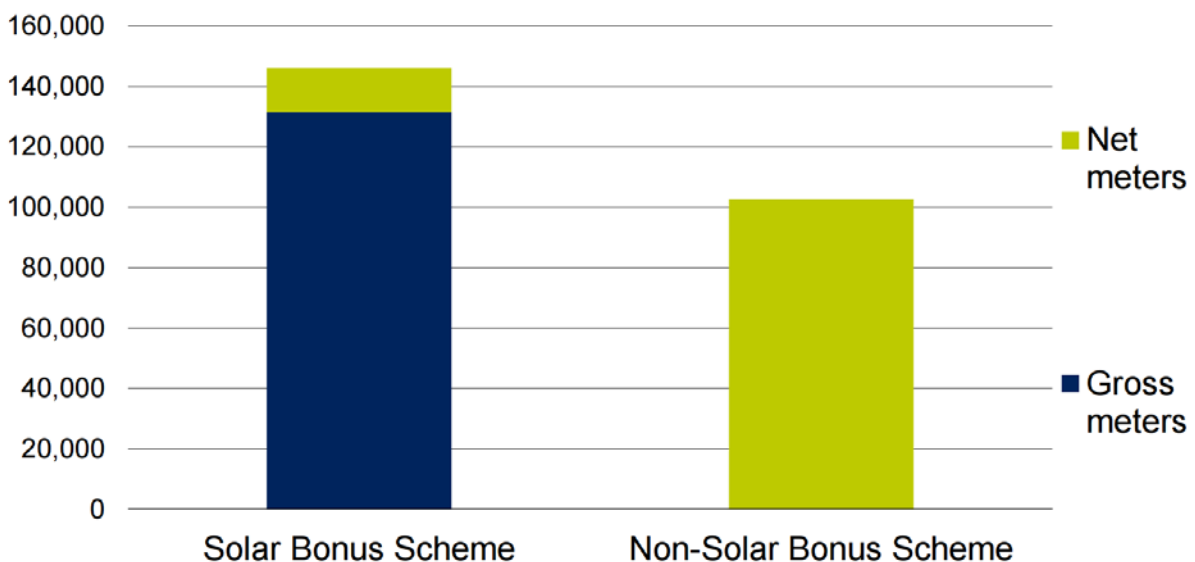
“Any customer may change to a net meter at any time. The NSW government will not force customers to change but will endeavour inform customers of their options. 20 c/kWh customers may wish to consider this now. However, they may wish to contact their retailer or competing retailers to determine whether they have plans to supply an advanced meter.

Some meter providers have meters that can be remotely reconfigured from gross to net. This would be attractive for customers who are on the 60 c/kWh rate as the switch over from gross to net billing would no longer be connected to the installation date. It is up to those metering providers to convince retailers to use their meters/service. For retailers that may be an attractive option for customer retention/acquisition.”

Does NSW Department of Trade and Investment plan to specify metering requirements, as this could be an opportunity to move customers to smart-interval meters as Victoria has done.

“No. No jurisdiction wishes to repeat the Victorian method of meter change. The NSW Government’s policy on advanced metering is that customers will not be compelled to install a smart meter. Customers may opt out. However, once an advanced meter is installed on a premises there will be no reversion. It is important to distinguish between smart meters and the ‘smart energy services’ that they facilitate.”

IPART - Final Report - Solar feed-in tariffs - The subsidy-free value of electricity from small-scale solar PV units from 1 July 2014



Data source: NSW Trade and Investment.



Is NSW Department of Trade and Investment working with any other state bodies to share knowledge about this transition?

“NSW T&I has had preliminary discussions with the DNSPs and will consult with retailers, meter providers, and customer advocates.

Some industry participants and observers perceive the end of the Scheme will trigger a huge number of inquiries about everything from storage to upsizing generating capacity. However, the size of Scheme generators is small by today's standards. The department's communications will provide guidance to help customers to make informed choices.”

In summary, the responsibility of meter changes for those customers whose gross FiTs are soon to expire will fall on the customers themselves. NSW T&I is likely to start contacting those customers affected some time in 2016, however solar customers will then be responsible for contacting a level 2 accredited service provider in order to change their system to net metering. Although the responsibility and costs for this ultimately lies with the customer, it is possible that offerings will be made from energy retailers that bundle these costs in energy contracts. As the storage market increases, it is also likely that any bundled offering from retailers will include the installation of battery storage systems. We are already seeing the beginnings of this from the large 'gentailers'.

The NSW T&I rightfully seem cautious about forecasting the end of the SBS as a boon for the energy storage industry. However, considering that most of these customers entered the market with a clear understanding of the benefits of the program, it can be assumed that they understand what they will be losing. It is also these customers who are the early adopters of new technology and will likely be the ones most interested in energy storage. Given that customers will have to engage an ASP2, either directly or through a retailer, this would be an excellent opportunity for them to increase the utilisation of their solar system and install storage.

The renewables industry is, by its nature a disruptive industry. The opportunity certainly exists

for a forward thinking retailer to create a packaged energy services solution to target this segment with metering upgrades, storage, and possibly an increase in their solar capacity. It is entirely possible that the end of 2016 will signal the beginning of the energy storage market boom in Australia.

GSES welcomes feedback on technical papers and other resources available on www.gses.com.au, please contact GSES by email at info@gses.com.au or by telephone on 1300 265 525.

