Queensland Competition Authority
GPO Box 2257
Brisbane, QLD, 4001

By email: http://www.qca.org.au/submissions

29 June 2017

Draft Report - Request for advice: Time varying solar price for regional Queensland for 2017–18

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Queensland Competition Authority Draft Report - Request for advice: Time varying solar price for regional Queensland for 2017–18.

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Queensland spot wholesale electricity price values

On 7 June 2017 Queensland Government published its strategy to guide the state through the short-term and long-term energy challenges. The Powering Queensland Plan directs Stanwell Corporation to undertake strategies to place downward pressure on wholesale prices.[1]

The QCA decision on the 2017–18 flat rate feed-in tariff was released on 31 May 2017, prior to the publication of the Powering Queensland Plan. This QCA decision provides for close to a 35 per cent increase in the 2017/18 fat feed in rate over the 2016/17 price[2]. This increase was driven primarily by increases in wholesale energy costs. [3]

The contract market in Queensland is in backwardation, and therefore future year prices are expected to be lower, and it is plausible that prices will be reduced Q1 & Q2 2018. This is particularly likely given the conclusions of AEMO's recent Energy Supply Outlook (published 14 June 2017) which proposes that the supply-demand balance is not as bad as originally projected.

Where Stanwell Corporation bidding practices in the National Energy Market are designed to achieve lower wholesale prices, then a review of wholesale pricing estimates prior to the Final Report required by 28 July 2017 is required.

Time varying solar pricing

We acknowledge that increasing intermittent generation will drive the need to accommodate and allocate the values of the network peak, and the energy peak. Dynamic price signals need to be seen so as consumers can respond accordingly, and further technology changes, and reductions

[1] Department of Energy and Water Supply, Powering Queensland Plan, May 2017
[2] Solar feed-in tariff for regional Queensland for 2016–17, May 2016
[3] QCA, Draft Report, Request for advice: Time-varying solar price for regional Queensland for 2017–18, June 2017

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

P +61 3 9205 3100
E info@energycouncil.com.au
W energycouncil.com.au

ABN 98 052 416 083

in cost of customer owned and operated storage, means that new approaches and incentives will be required to maintain system stability. In the future time varying pricing may, in conjunction with other tools, play a role but their immediate introduction seems premature.

Customer participation in the retail electricity market already includes their individually or collectively producing and consuming their own solar produced electricity. At present, and without storage, people cannot change their sunlight driven generation outputs in response to time varying pricing. A number may be able to change their consumption patterns in order to maximize export during the proposed peak periods, but not many. For example, the latest sunset in Cairns is 6.57pm in late January, and PV generation output would decline significantly as the sun sank lower in the sky.

The Energy Council supports a transition to flexible pricing regimes, but it is difficult to build a compelling customer benefit proposition exclusively upon the implementation of time varying solar pricing. Given that PV export isn't obtainable in many of the peak hours specified in the ACIL report it seems a marginal exercise.

Any questions about our submission should be addressed to David Markham, Corporate Affairs at email david.markham@energycouncil.com.au or on 03 9205 3111.

Yours sincerely,

Sarah McNamara
General Manager, Corporate Affairs

Level 14, 50 Market Street
Melbourne 3000
GPO Box 1823 Melbourne Victoria 3001

Phone +61 3 9205 3100
Email info@energycouncil.com.au
Website www.energycouncil.com.au

ABN 98 052 416 083