How the NSW Government could help consumers

Dr Martin Gill

NSW consumers currently on the Solar Bonus Scheme wishing to continue maximising the financial value of their investment in a solar system should consider installing a new meter when the scheme ends on 31st Dec 2016. The following reviews options finding a need for the NSW Government to provide greater assistance to these consumers.

Motivation for the review

The author is affected by the end of the NSW solar bonus scheme. In late 2015 he started exploring possible options. Disappointingly at every turn he was faced with a lack of reliable information.

The following presents a summary of numerous discussions the author has held with Government agencies, retailers and distributors. The conclusion is the whole situation remains as clear as mud:

Consumer options are as clear as mud

Approached as a consumer

The author undertook most of the research presented in this article by contacting retailer call centres as "a consumer affected by the end of the NSW solar bonus scheme". With less than 6 months before the end of the scheme he was expecting to discuss available options. Instead he found most retailers are unprepared for the change resulting in a confusing mix of apathy and partial truths.

Summary of findings

The situation at the end of the NSW Solar Bonus Scheme is far from clear. At 30th June 2016:

- Many retailers have not yet decided on the options they intend to offer
- Not all smart meters are suitable and retailers are unable to confirm if the meters they intend to install are suitable
- The lack of transparency around the true price of retailer supplied smart meters is concerning
- The AER's Energy Made Easy tariff comparison website is of little assistance to affected consumers
- The NSW Government has not prepared any meaningful independent consumer advice on available options

While the NSW Government is well aware of the issues it has decided to side-step the problem by advising affected consumers to contact their retailer. Unfortunately this is poor advice since retailers have a commercial interest in the solutions they are offering. It is suggested the NSW Government should be taking a far more active role including the provision of consumer advice and transitional arrangements for consumers affected by the end of the NSW Solar Bonus Scheme.

The NSW Solar Bonus Scheme

In early 2010 the NSW Government offered a generous subsidised solar credit to NSW consumers able to afford the cost of a solar system. The NSW Solar Bonus Scheme offered consumers a credit of 60 cents for ***every kWh*** generated by the solar system. The scheme was fully subscribed by Oct 2010. The 20 cent/kWh scheme was fully subscribed by Apr 2011

The subsidised solar credits end on 31st Dec 2016. To continue maximising the financial benefit of their solar system almost 150,000 NSW consumers should install a Net meter.

What the end of the scheme means

The typical Sydney consumer on the NSW Solar Bonus Scheme has been receiving a subsidy of approximately $1100 per year. The subsidy has allowed many consumers to pay almost nothing for their electricity use. The end of the solar subsidy is likely to come as a shock for affected consumers.

NSW Department of Industry Advice

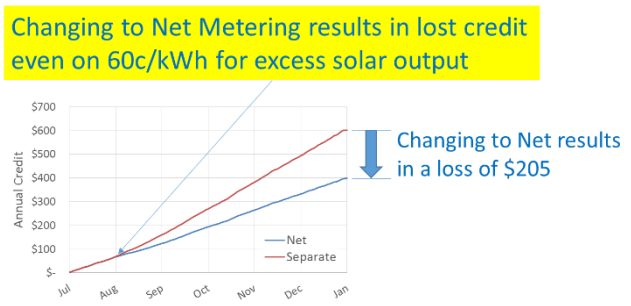
The NSW Department of Industry has written to NSW solar customers informing them of the end of the NSW Solar Bonus Scheme. The letter suggests consumers should consider changing to Net measurement of their solar system. The letter also suggests consumers contact their retailer for further advice.

Following the department's advice the author emailed numerous retailers listed on the Energy Made Easy website as offering solar tariffs in his local area. The email was very generic asking for their options at the end of the solar bonus scheme. Surprisingly only a few bothered to reply. Of those retailers who replied a significant percentage indicated they were still considering their options for the end of the NSW Solar Bonus Scheme.

Smart Meters to the rescue?

The NSW Government and Australian Energy Market Commission (AEMC) are firmly of the belief smart meters offer a solution. Both have rushed through regulatory changes needed to allow retailers to offer customers smart meters.

Encouragingly a couple of retailers offered to immediately install a new "net smart meter". The retailers emphasised they would continue to pay the solar bonus tariff of 60c/kWh until 31st Dec 2016. Unfortunately this response is ambiguous.



Net Metering with excess credit of 60c/kWh

The above figure compares solar credits for the remaining 6 months of the NSW Solar Bonus Scheme. The top curve shows the solar credits earned from Separate Measurement of solar system output. The bottom curve shows solar credits earned assuming a Net Meter is installed at the end July 2016. Importantly both curves assume the retailer continues to pay 60cents/kWh.

Installing a smart meter only making Net Measurements before the end of the Solar Bonus Scheme results in a loss of solar credits

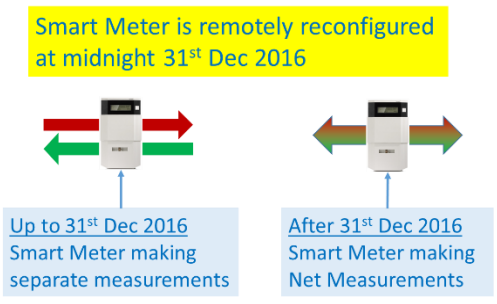
Changing to Net measurements before the end of the NSW Solar Bonus Scheme results in a loss of solar credits. The loss occurs because the net meter no longer pays the subsidised tariff of 60 cents for ***every kWh*** generated by the solar system.

It is emphasised while the NSW Solar Bonus Scheme supported Separate Metering it also allowed consumers to install Net Metering. While there are legal obligations on retailers to pay 60c/kWh to customers on the NSW Solar Bonus Scheme, these obligations do not clarify if separate or net measurements are used to calculate the credit.

A Smart Meter …

The term smart meter is used loosely to describe an electronic meter which can be read remotely. Exactly the same as smart phone manufacturers, meter manufacturers produce basic smart meters right through to advanced smart meters. The important point is consumers installing the wrong smart meter will lose financially.

To avoid losing financially the smart meter must continue to make separate measurements of solar output to the end of 2016. The meter must also allow remote switching to make Net measurements at midnight on 31st Dec 2016.



Required features of a suitable Smart Meter

Smart meters supporting the above features are available. The author has contacted a number of specialist smart meter installers confirming they are offering retailers these meters. Unfortunately for commercial reasons they are unable to say which retailers are choosing these suitable smart meters.

The specialist installers were unable to discuss if retailers were asking them to install basic smart

meters only making Net measurements. These meters are only suitable for NSW consumers on the 20 cent scheme. Consumers on the 60 cent scheme choosing a basic smart meter will lose financially.

NSW Department of Industry website

The NSW Department of Industry provides a website currently providing basic advice to consumers affected by the end of the NSW Solar Bonus Scheme. This website states:

> Smart meters can be switched over remotely from gross to net metering on 31 December 2016. Changing to a smart meter before the end of the Scheme will not impact the tariff rate that is received

Both statements are potentially misleading. As explained not all smart meters support separate measurements of solar system output. Further even if the retailer continues to offer a tariff paying 60 cent/kWh the consumer will lose financially if the smart meter only makes net measurements.

Why are retailers offering meters?

The AEMC recently modified the National Electricity Rules to encourage the rollout of smart meters to all Australian consumers. The AEMC hopes retailer competition will result in lower smart meter costs. Unfortunately smart meters only making net measurements cost less than remotely reconfigurable meters. Installing the cheapest meter is not the best option for consumers affected by the end of the NSW Solar Bonus Scheme.

The AEMC also choses to overlook the fact that retail competition places the onus on the consumer to pick the best retail tariff. Picking the right tariff results in lower electricity bills, however picking the wrong tariff results in the consumer paying more.

The AEMC also provides legislation protecting electricity consumers. While most Government consumer protection legislation requires industries to provide clear labelling of prices the same cannot be said for the electricity industry.

Energy Made Easy Tariff Comparison Website

The Australian Energy Regulator (AER) is obligated to provide a tariff comparison website. At the simplest level the website allows consumers to find details of available tariffs. Consumers prepared to enter some basic information about their electricity use (taken from recent electricity bills) will be presented with estimates of the annual cost of electricity on each of the available retail tariffs.

A major deficiency of the Energy Made Easy website is it does not support the 1.5 million Australian solar customers. Specifically the presented annual costs do not include solar credits.

While preparing this article the author contacted the AER asking about their plans to add solar support to the website. On the third attempt he finally received a reply "we have no plans to upgrade the website at this point".

The lack of solar support is a major blow to the 150,000 consumers affected by the end of the NSW Solar Bonus Scheme (and to all NSW solar customers after the 10% jump in the retail price of electricity applying from 1st July 2016).

In passing it is noted the Victorian Government's SwitchOn tariff comparison website fully supports solar customers. Unfortunately the website does not work for NSW consumers.

Lack of Transparency – Retail Tariffs

It is emphasised there is a big difference between providing a meter "free of charge" and providing a meter "at no cost to the consumer". While retailers are offering smart meters with "no upfront charges", a review of some tariffs reveals the consumer ultimately pays for the smart meter in other fees.

For example one retailer offers a new smart meter with a new tariff offering:

- an above average credit for excess solar output
- a sizeable discount on the per kWh usage charge
- a daily charge **50% higher** than the market rate

The above tariff provides two attractive "headline" figures and lower electricity bills for large energy users. Unfortunately the high daily charge would increase electricity bills for the majority of consumers.

Without a Government provided independent tariff comparison website solar consumers must carefully

check all terms, conditions and fees when selecting any retailer tariff (not just the "headline" figures).

Lack of Transparency – Meter Cost

Until 1st Dec 2017 consumers can still choose to purchase a meter from their local distributor rather than choose a retailer provided smart meter.

It is noted the AER requires consumers choosing this option to pay an up-front fee "to provide transparency for the cost of the meter". Strangely no such rules apply to retailer provided smart meters, with the true cost of the meter potentially hidden in other terms, conditions and fees. Why the Government treats the two meter providers so differently is an unanswered question.

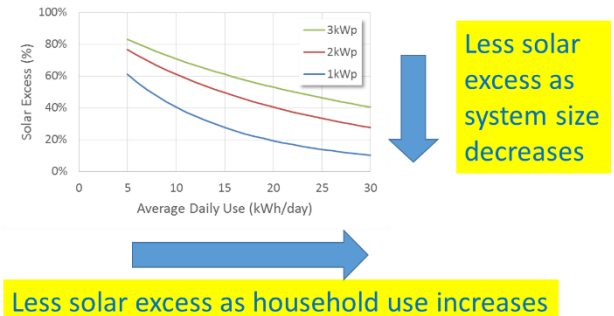
Comparing Retailer Tariffs

The majority of consumers on the NSW Solar Bonus Scheme separately measure solar system output and household electricity use. This presents a major problem when they try to compare retailer tariffs.

Affected consumers cannot use information shown on their current electricity bill to compare different retail tariffs

Changing to net metering results in the household using *SOME* of the solar system output and sending less *EXCESS* electricity to the network. To compare retail tariffs consumers need to estimate how much of their solar output they will use.

It is possible to broadly estimate how much of their solar output a typical consumer will use. This figure is required to compare different retail tariffs. For example the following simple graph estimates the Solar Excess for different solar system sizes and average daily household use.



Estimating Percentage Excess against household use

In the absence of a Government provided tariff comparison website the NSW Government should be providing an improved version of the above figure.

What else could the NSW Government do?

The NSW Government should accept some responsibility for the current confusing situation facing affected consumers. Basic consumer rights indicates they should provide assistance to affected consumers through the transition. Here are some suggestions:

Clarify who is affected

Some solar customers have been led to believe they must install a smart meter to continue receiving credits for their solar system. This is incorrect.

Only customers currently on the NSW Solar Bonus Scheme are affected!

Solar consumers not on the NSW Solar Bonus Scheme will continue to receive credits for their solar system without any meter changes. This may not be made clear when consumers follow the NSW Department of Industry advice and contact their retailer.

Work with retailers

The author sent emails to over a dozen retailers listed on the Energy Made Easy website. He received replies from less than half. Not all consumers will be as understanding of the high level of apathy and partial truths currently available from retailers.

The NSW Government website lists retailers intending to provide solar tariffs. What is missing is any useful information about the retail tariff, for example the up-front fee for the meter, daily charge or even if they intend to install a suitable smart meter.

Provide consumer guidelines

The NSW Government's failure to provide NSW solar customers with a suitable online tariff comparison tool (c.f. Victoria's SwitchOn) at this time is disappointing. At a minimum the NSW Government should prepare advice allowing engaged consumers to manually compare available retail tariffs. The guidelines should show consumers how to use their existing bills to estimate electricity costs at the end of the scheme.

Support transitional arrangements

Experience suggests it is unlikely 150,000 domestic electricity meters can be replaced before the end of 2016. The NSW Government should clarify arrangements for consumers who cannot (or do not) accept a retailer smart meter before the end of 2016.

Clarify the 'Do Nothing' Option

It is unclear what happens to consumers who are unable (or choose not) to install a new meter before the end of 2016.

Most retailer call centres refused to discuss separately measured solar tariffs with the author. The implication was consumers would receive no credit for their solar output. The author did find one retailer prepared to state they would continue to offer solar credits into 2017 when the solar system was separately measured.

The NSW Government should be negotiating with retailers to ensure consumers unable to obtain a new smart meter before the end of 2016 will continue to receive some solar credit.

Transitional Ausgrid Solution

Recognising not all consumers will be able to access a new smart meter the local distributor Ausgrid has proposed an alternative solution. Consumers in the Ausgrid distribution area can use their existing meters to calculate net values.

Using this solution Ausgrid Consumers continue to receive the Solar Bonus to the end of 2016 with Ausgrid providing Net values to the retailer from Jan 2017. While Ausgrid have offered the solution to all Australian retailers the author was unable to find any prepared to offer this solution to their customers.

The NSW Government should be negotiating with retailers to provide a transitional arrangement based on the Ausgrid solution.

Ombudsman to the rescue

The author wishes to acknowledge the assistance of the Energy and Water Ombudsman NSW (EWON) while researching this article. Consumers who feel they are not receiving answers from their retailer should contact EWON who may be able to provide assistance or escalate the issue with the retailer.

Conclusion

This review of consumer options reveals the extent to which the NSW Government has side stepped issues arising from the end of their subsidised Solar Bonus Scheme. Despite investing considerable time and effort the author, an acknowledged energy expert, is unable to determine which retailers are offering the best smart meters and tariffs to NSW consumers affected by the end of the Solar Bonus Scheme.

The NSW Government should not be suggesting consumers seek advice from their retailer. Retailers have a commercial interest in the outcome leading to questions about the independence of their advice.

The lack of transparency and independent sources of information means the NSW Government needs to take a more active role on behalf of affected solar consumers. This advice should start with the preparation of guides allowing affected consumers to meaningfully compare available options. The NSW Government should also hold discussions with retailers presenting a summary of exactly what they intend to offer (as a consumer the author found this information virtually impossible to extract from retailers).

The suggestion is not without precedent. On behalf of consumers the Victorian Government has negotiated access to relevant information needed to support their SwitchOn website. The SwitchOn website gives Victorian solar consumers access to accurate and impartial information (not available via the AER Energy Made Easy website)

With only 6 months until the end of the NSW Solar Bonus Scheme there is a degree of urgency to the provision of this impartial consumer advice.

Citation

Comments or Questions?

The author is happy to receive comments or questions. He can be contacted at martin@drmartingill.com.au.

References

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Energy & Water Ombudsman NSW (ewon.com.au)

About Dr Martin Gill

Dr Gill is an independent consultant specialising in the provision of advice and data analysis to the energy industry. He has provided this advice to government regulators, distributors, retailers, consumers, asset operators and equipment vendors.

Dr Gill has a broad technical background having personally developed advanced communication modems, burglar alarms, electricity meters, high voltage fault monitors and power quality analysers.

Dr Gill is a metering expert. His innovative products have been recognised with the Green Globe Award, NSW Government's Premier's Award and Best New Product by the Australian Electrical and Electronics Manufacturers Association.

Points of Clarification

Comparison of Separate and Net Measurements

The presented comparison of Separate and Net measurements assumes an average Sydney household using 15.9kWh/day with a 1.5kW solar system. Both calculations assume excess electricity earns a credit of 60cents/kWh. The Net curve assumes the cost of electricity used by the household during daylight hours averages 20 cents/kWh.

Battery Storage

In addition to suggesting affected consumers contact their retailer the NSW Department of Industry also suggests Battery Storage could be a solution. The NSW Government advice is concerning since several retailers currently offer Battery Storage systems. It is strongly recommended affected consumers seek independent advice before choosing to install any Battery Storage system. The author is particularly concerned the average size of affected solar systems is only 1.5kW. This is too small to produce sufficient excess electricity to charge the storage battery.