

How the 'twitter-sphere' is misleading NSW Solar consumers

Dr Martin Gill

The end of the NSW Solar Bonus Scheme is generating often heated debate on various online forums. Unfortunately well-meaning advice may be misleading affected consumers.

The Twitter-sphere ...

As an energy expert I am constantly alarmed at the comments posted in online forums. Well-meaning advice may lead consumers to choose more expensive energy options.

This article examines a common online misconception suggesting consumers with a solar system should always choose the retail tariff offering the highest solar feed-in credit.

Lowest price of petrol

Australia's petrol price cycle means the price of petrol varies from week to week and suburb to suburb. So:

[How far out of your way are you prepared to drive to purchase cheaper petrol?](#)

At first glance this is a simple question with a majority of car owners admitting to choosing the cheapest petrol station to save a couple of cents per litre.

Choosing the highest solar feed-in credit is exactly the same as deciding to purchase petrol from the cheapest petrol station, *regardless of where that petrol station is located*.

Choosing to purchase the cheapest petrol regardless of the extra distance ignores other costs including the amount of petrol used to drive the extra distance. An accurate calculation requires a comparison of:

- The price of petrol
- The amount of petrol to be purchased
- The fuel economy of the car
- The distance to get to the petrol station

In exactly the same manner consumers with a solar system should compare the total cost of the retail tariff and not select a tariff based only on the offered feed-in credit.

(Deliberately) misleading labelling

Australian Government legislation enforces strict price labelling requirements. This legislation ensures retailers clearly label the cost of products allowing consumers to easily compare prices.

Some electricity retailers keen to capitalise on consumer confusion at the end of the NSW Solar Bonus Scheme are advertising higher than average solar feed-in credits. Unfortunately the majority of consumers choosing these tariffs will pay (significantly) more for electricity.

The total cost of electricity comprises four major components. Broadly these are:

- Solar feed in credit (c/kWh)
- Electricity usage charge (c/kWh)
- A daily charge (c/day)
- A discount (usually for pay on time)

Current Government legislation allows electricity retailers to advertise one attractive figure. To meaningfully compare the retailer offers consumers must consider all the components contributing to the yearly cost of electricity.

Existing Government labelling laws have already addressed this issue in the financial sector. Financial institutions offering loans must show a "comparison rate" allowing consumers to quickly compare the total cost of loans. The comparison rate includes the interest rate and all fees and charges associated with the loan.

The Government should consider introducing similar requirements for electricity retailers. A 'comparison annual cost of electricity' would include all the tariff costs. The figure would allow consumers to quickly compare the various retail offers reducing the potential for a single attractive figure to mislead consumers.

Know how much are you buying

When buying a new car many consumers admit to considering the advertised fuel economy. Most also realise potential fuel savings depend on the distance travelled each year.

When considering an electricity tariff offering a high solar feed-in credit consumers should consider how much electricity will be eligible for the credit. Unfortunately for the majority of customers affected by the end of the NSW Solar Bonus Scheme this figure is not shown on their current electricity bill.

The majority of NSW consumers on the Solar Bonus Scheme elected to have their solar credit calculated on the total amount of electricity generated by their solar system. Current electricity bills therefore show the total amount of electricity generated by their solar system and the total amount of electricity they have used.

Most affected consumers will find they can lower their annual cost of electricity by using their solar generation. This involves installing a new 'net' meter measuring the difference between household electricity use and solar system output. These net values are not shown on current electricity bills.

Importantly net measurements result in less electricity use and less solar electricity earning the feed in credit

Consumers should be aware using values shown on current electricity bills risks over-estimating the value of the solar credits.

Analysis of a retail tariff

While the typical solar feed in credit at the end of the NSW Solar Bonus Scheme is 6 cents/kWh, one retailer is offering a feed in credit of 12 cents/kWh. To qualify for this higher feed in credit consumers must pay an annual fee of \$240 (\$20 per month).

The average solar system size for consumers on the NSW Solar Bonus Scheme is 1.5kW. Assuming their solar system continues to operate efficiently they can expect to generate 1900kWh each year.

The higher feed in tariff is only paid on solar generation in excess of household electricity use. A typical Sydney household with a 1.5kW solar system

will use around 60% of their solar generation. This suggests 760kWh will receive the higher feed in tariff.

A solar credit of 6 cent/kWh is available from several retailers without an annual fee. Assuming all other charges are the same it is now possible to consider if paying an annual fee to receive a higher solar feed-in credit is justified.

6 c/kWh	12 c/kWh
Solar Credit : \$45.60	Solar Credit : \$91.20
Annual Fee : \$0	Annual Fee : \$240
Solar benefit : \$45.60	Solar benefit: -\$148.80

The typical Sydney household is \$194 worse off every year they choose the higher feed in credit

The typical Sydney household, currently on the NSW Solar Bonus Scheme, is almost \$200 a year better off if they choose **not** to pay the annual fee to obtain the premium feed in credit.

Even larger savings are readily available from retailers offering lower electricity usage charges.

Comparing Retail Electricity Tariffs

Government legislation ensures consumers have access to a tariff comparison website. Consumers considering selecting a new retailer tariff are encouraged to visit the Energy Made Easy tariff comparison website.

Unfortunately the legislation providing the tariff comparison website has a number of major failings.

- Not all tariffs are listed on the site
- Energy Made Easy does not include solar feed in credits in its calculations

From the perspective of a consumer representative the first failing is particularly disappointing. Legislation only requires retailers to publish generally available offers on Energy Made Easy.

The same legislation allows retailers to make 'special offers' which are not published. For example the retailer tariff considered above is not shown since it is only available to current customers affected by the end of the NSW Solar Bonus Scheme (estimated to be around 50,000 households).

This is not the first time the author has found a retailer's 'special offer' to be significantly worse than

the market average. The 'special offer' loop hole allowing retailers to avoid listing their tariffs on the Energy Made Easy website should be viewed as a major failing of consumer protection.

Conclusion

Online energy comparison websites offer a relatively easy to use means of comparing available retail electricity tariffs. Unfortunately the same cannot be said of many online forums where well-meaning advice could easily result in consumers making the wrong energy choices.

Of particular concern is online advice suggesting consumers affected by the end of the NSW Solar Bonus Scheme should select the tariff offering the highest feed in credit. Analysis of several of these tariffs reveals they are not the best tariff option for consumers affected by the end of the NSW Solar Bonus Scheme.

It is also suggested current Government legislation is failing to adequately protect consumers. In particular electricity retailers continue to use one attractive headline to entice consumers into accepting high cost tariffs. Requiring retailers to provide an estimate of the total cost of a particular tariff and ensuring all tariffs are listed on Energy Made Easy would be a useful start in protecting consumers.

Citation

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Comments or Questions?

The author is happy to receive comments or questions about this article. He can be contacted at martin@drmartingill.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.

References

Energy Made Easy (energymadeeasy.gov.au)

Customer Support 1800 [REDACTED] - "Call recorded for training and quality purposes" on 6th Oct 2017