



15 June 2012

Feed-in Tariff Arrangements and Barriers to Distributed Generation Inquiry
Victorian Competition and Efficiency Commission
GPO Box 4379
MELBOURNE VIC 3001

By email: feedintariff@vcec.vic.gov.au

Dear Ms Cope

Re: Victorian Competition and Efficiency Commission: Feed-in Tariff Arrangements and Barriers to Distributed Generation Inquiry - draft report

Thank you for the opportunity to further comment on the Victorian Competition and Efficiency Commission (VCEC)'s Inquiry into Feed-in Tariff Arrangements and Barriers to Distributed Generation (the Paper).

As an industry-based external dispute resolution scheme, the Energy and Water Ombudsman (Victoria) (EWOV) provides alternative dispute resolution services to Victorian energy and water consumers by receiving, investigating and facilitating the resolution of complaints.

In making this submission, EWOV's comments are based on our experience in dealing with complaints about solar feed-in tariffs (FiTs) that come to us after the customer has been unable to resolve their complaint directly with their electricity retailer or distributor.

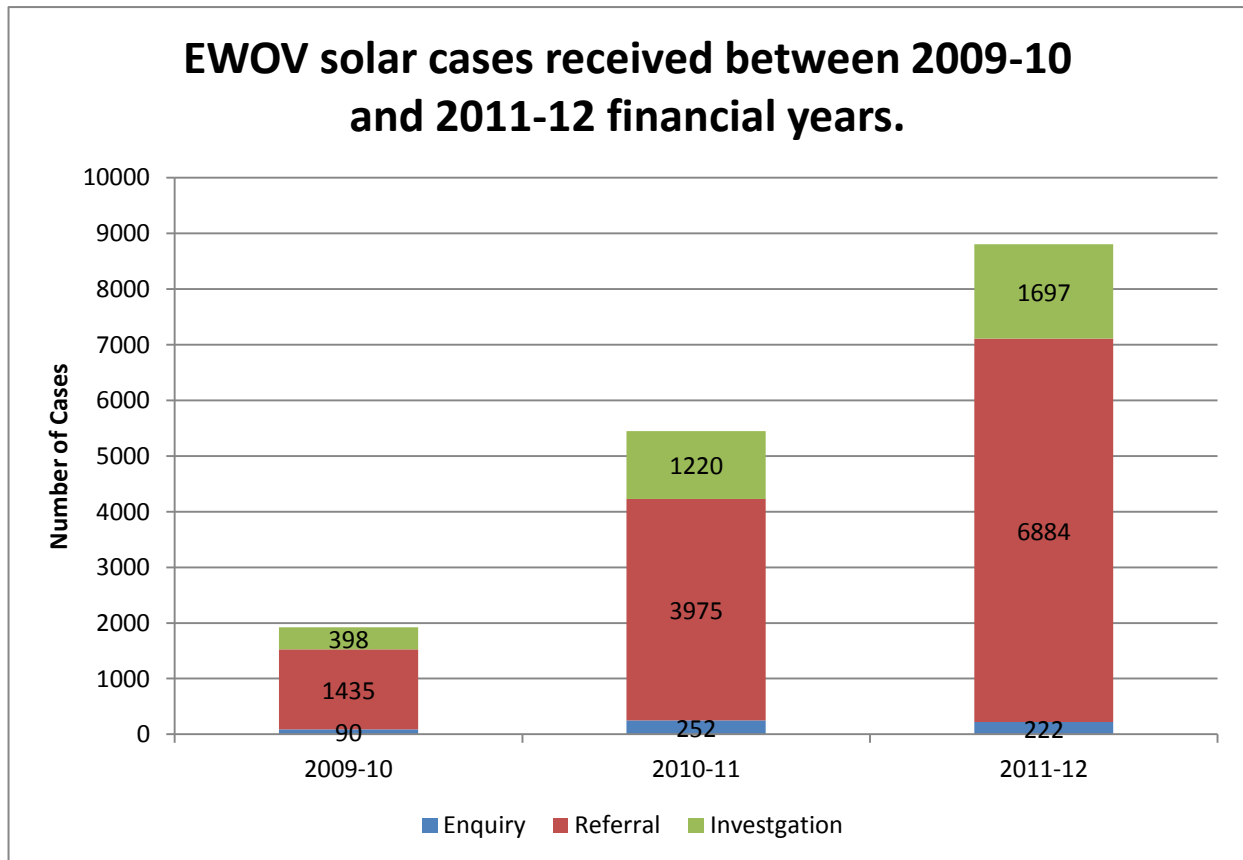
EWOV Solar Cases

EWOV has experienced year-on-year growth in cases that involve solar issues (as shown in Graph 1). A 357 per cent increase in these cases was experienced between the 2009-10¹ and 2011-12² financial years, with a total of 16,173 cases received during this period.

¹ This period covers 1 July 2009 to 31 May 2012.

² This period covers 1 July 2011 to 31 May 2012.

In the current financial year alone³, EWOV received 8,803 solar cases and registered 17,743 solar case issues. Over 16 per cent of these cases relate to the solar implementation process and a further 22 per cent of all issues relate to the applications of FiTs⁴.



Based on our case handling experience, EWOV offers the following responses to the questions put forward in the Paper.

Question 4: A preliminary view is that the TFiT cut-off should be based on the lodgement of relevant paperwork with the retailer by a specific date. Are there other options that the Commission could consider to ensure orderly and fair phase-out of the TFiT?

EWOV agrees with VCEC's view that the TFiT cut-off should relate to the customer's lodgement of the relevant paperwork. As previously stated, some customers experienced issues about receiving the PFiT on their accounts, at the time of closure, even though all paperwork was submitted prior to the closure. This is why EWOV supports a change in FiT eligibility criteria. It ensures customers who have submitted all correct paperwork by a nominated cut-off date are

³ This period covers 1 July 2011 to 31 May 2012.

⁴ Including Premium Feed-in Tariff (PFiT), Standard Feed-in Tariffs (SFIT) and Transitional Feed-in Tariffs (TFiT).

still eligible for their nominated FiT when the process has not been completed by the retailer or distributor.

Question 5: What information should be provided by DPI about transitional arrangements, when should it be provided, and how should the information be disseminated?

EWOV suggests that DPI provides:

- regular updates to stakeholders about the progression of the capacity cap (75mW) for TFiT
- ample warning prior to the closure or change of any FiT scheme
- an explanation about how the cut-off to a closing scheme will apply including:
 - the date the scheme closes to new customers
 - the timeframes for completing the process
- information about whether an allocation for late entrants with special circumstances will be available.

EWOV recommends that DPI continues to use its current forms of communication to provide this information, including:

- updates on its website
- information in electrician newsletters
- digital updates
- industry briefings (with the Solar FiT Working Group)
- newspaper advertisements
- community magazines.

Question 6: Are there any SFiT, TFiT or PFiT contractual issues that the Commission should be aware of on its consideration of transitional matters? What are they?

EWOV notes that currently there are different eligibility criteria between FiT schemes and that this is one of the contractual transitional issues that VCEC will need to consider.

Question 10: Feedback is requested regarding how the connection process for household-scale distribution generation can be improved, and what is required to give effect to such improvements.

In the 2011-12 financial year, 24 per cent of EWOV solar cases involved customer service issues. Specifically, these cases involved issues about the quality of service and information provided by the electricity retailers, and in many cases, the lack of responses customers received.

Therefore, EWOV suggests that improved communication occur between electricity retailers, their customers and/or the solar installer. This could involve:

- Notification that the Certificate of Electrical Safety (CES) and the Electrical Works Request (EWR) forms have been provided by the electricity retailer to the distributor.

- Advice about timeframes for distributors to review and approve the CES and EWR, and for the process to be completed, once all forms are accepted.

Question 13: To what extent do current billing and payment practices by Victorian retailers impact on customers' ability to access fair and reasonable value for the electricity supplied by their distributed generator?

During the 2011-12 financial year, 52 per cent of all solar cases EWOV received involved a billing issue. This is consistent with the proportion of billing cases for all EWOV cases⁵. However, several billing issues relate specifically to solar. These include the application of GST and concessions to solar credits, and the tariff increase as a result of the customer requiring a solar contract.

As illustrated in Case Study 1, below, customers are confused and dissatisfied with increases to their tariffs as a result of entering into a solar contract.

Case Study 1: Increased tariff as a result of solar installation

The customer's tariff per kW increased from 0.2006 to 0.2522 after he signed his PFIT contract. The customer did not believe that he should have been penalised with a higher rate by switching to a greener energy option. He was told by his electricity retailer that it was caused by the added expenses of the new meter. Dissatisfied with the response, the customer made a complaint with EWOV.

During EWOV's investigation the electricity retailer confirmed that the rate provided was correct and in line with its charges for Premium Feed-In Tariff customers in the customer's distribution area. The electricity retailer did acknowledge the inconvenience the matter has caused the customer and provided a \$40.00 credit to the customer's account in recognition. *The customer accepted the electricity retailer's information and credit provided. (C/2011/10312)*

Customers are also confused about the correct application of GST to their solar credits, as illustrated in Case Study 2, below.

Case Study 2: Application of GST for solar credits

The customer contacted EWOV dissatisfied that her electricity retailer did not have meter readings on her electricity invoices, and was concerned about whether the application of the Premium Feed-in Tariff was correct.

⁵ For the 2011-12 financial year, 51 per cent of all EWOV cases received involved billing issues.

After the registration of EWOV's investigation, the electricity retailer advised that it was unable to put meter readings on its invoices because there was an interval meter in place and consumption figures were being used. However, to ensure that the customer was correctly billed, it cancelled all previous bills and reissued them with the correct PFIT applied.

As a result of the re-billing that occurred during the investigation, the application of GST to the bills was incorrect. The electricity retailer advised that it broke down the PFIT GST instead of applying it as a whole credit, and acknowledged that this may have led to the customer to believe that the credits were inaccurate. However, it also advised that it had reviewed the invoices and was satisfied that the GST component was correct on each bill.

While GST matters are normally better dealt with by the Australian Taxation Office (ATO), EWOV reviewed the GST applied to the reissued invoices and confirmed that GST should be applied to both the electricity usage and the solar credits received for solar generation, and that the electricity retailer's billing of the GST appeared inconsistent with the information on the ATO website. The electricity retailer acknowledged the issue was caused by a system error, and that by re-billing the account for a second time the error was corrected.

EWOV is uncertain whether the application of GST to the solar credits is isolated to this complaint as a result of the re-billing that has occurred during the investigation. EWOV is also currently reviewing this matter as a possible systemic issue. (C/2011/47165)

Additionally, some customers are not receiving their concession entitlements due to system limitations, as shown below in Case Study 3.

Case Study 3: Application of Concessions on solar accounts

A customer was dissatisfied that his electricity retailer had not applied his concession entitlements to his electricity account. His electricity retailer advised him that because his account was in credit (after the application of FiTs) it was not required to apply the Annual Electricity Concession. His electricity retailer also advised that it was unable to apply his concession rebate before his FiTs had been applied to the account.

The customer was dissatisfied with this response and contacted EWOV. EWOV identified that it is common industry practice that the Department of Human Services (DHS) concessions are applied to consumption prior to the application of any credit for solar energy returned to the grid under a FiT.

As a result of EWOV's investigation, the electricity retailer apologised for the inconvenience caused. In light of this industry practice, the electricity retailer agreed to apply all relevant concessions to the customer's account. It also advised that, its systems

were not set up to apply these concessions automatically in these situations, and in future it would occur manually. *The customer accepted the electricity retailer's information and the \$12.35 credit provided.* (C/2011/45992)

EWOV recommends that clear, concise and transparent information is provided to customers as early as possible. EWOV also recommends that further clarification is provided to industry regarding the correct application of GST and concessions to solar accounts - to prevent unwelcomed surprises on customer's bills.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Belinda Crivelli, Senior Research and Communications Officer, on (03) 9672 4460 or at belinda.crivelli@ewov.com.au.

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)