

Australia must see the light and embrace solar power

People love getting free electricity from their rooftops, but the top end of town is, not surprisingly, against it, writes **Paddy Manning**.

AN AMAZING 418,000 Australian households have installed 1.1 gigawatts of rooftop solar over the past two years, spurred by feed-in-tariffs introduced in most states. Whether the tariff is high or low, and whether paid on the net or gross amount of power supplied back to the grid by the household, these FiT schemes have been immensely popular.

While the people love solar, the big end of town doesn't. True, sometimes schemes have been too generous. Sometimes the installation is below standard and in a very few cases, there have been faults. But there's mounting evidence FiTs are helping to reduce energy demand, defer infrastructure spending and lower overall electricity prices — contrary to the idea that paying some home owners an FiT increases prices for everybody else.

A draft submission to a New South Wales government review of FiTs by Beyond Zero Emissions estimates wholesale electricity prices would have been much lower in 2009 and 2010 had there been from 1 GW to 10 GW of solar panels installed in Brisbane, Sydney, Melbourne and Adelaide. Assuming the panels were spread equally across these capitals, and generated a standard amount of power, and matching that to actual weather and historical demand in the national electricity market over the past two years, the submission shows lower wholesale prices due to FiTs for rooftop solar could have saved consumers between \$390 million (1 GW) and \$1.9 billion (10 GW) in 2009, and between \$169 million and \$1.2 billion respectively in 2010 (a milder year). As a proportion of the total market, across both years, 1 GW of installed solar PV reduces prices by 3 per cent, while 10 GW reduces them by 18 per cent. What's driving the

savings is the "merit order effect" — with no fuel bill, renewables bid into the market at a lower marginal cost, reducing the wholesale spot price. A similar study in Germany showed savings from this effect, on top of the value of the renewable electricity generated, exceeded spending on feed-in-tariffs. Everybody wins, whether you've got solar panels or not.

BZE found if the solar power generated was attributed on a gross basis the savings would justify a payment of 11¢ per kilowatt hour, which director Matthew Wright says would support a net FiT of up to 40¢ per kWh including the sale of electricity generated by the home owner.

"Significant amounts of installed PV would have significantly lowered wholesale power prices for all consumers," says Wright.

The NSW government sees it differently, announcing this week it would increase power bills by \$12 a year, to pay for the former solar bonus scheme. Australian Solar Energy Society chief John Grimes said the government should "make power companies pay a fair price for the solar power they are currently getting from solar households if it wants to claw back funds for the budget. People's power bills should be going down, not up, because of solar power."

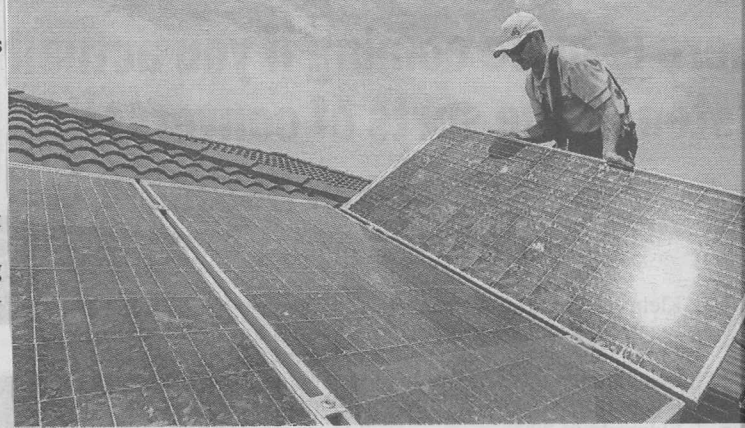
Between a 60¢/kWh FiT and zilch, must lie a sensible compromise — maybe Victoria's new 25¢/kWh net tariff is close.

The industry may hold up here but in NSW, jobs are going at an alarming rate. Grimes says the solar industry there is in recession with an 88 per cent decline in installations, \$800 million in retail sales lost and a quarter of solar businesses facing closure. By the end of the year 3700 jobs could be gone in NSW alone.

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When BlueScope and One-steel cut 1400 jobs, there is a furore, and the federal government pulls-forward \$100 million in assistance from its already-generous carbon tax package. When the solar industry faces collapse, it's yawns all round. "But these are the clean collar jobs of the future," says Grimes, "that we want to be in!"

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