**Arid Lands Environment Centre**

**Submission to the Committee on the Northern Territory's Energy Future**

**Electricity Pricing Options**

Thank you for the opportunity to make a submissions to this inquiry into electricity pricing options.

The Arid Lands Environment Centre (ALEC) is the peak regional environmental organisation servicing Central Australia. ALEC's vision for 'healthy futures for arid lands and people' is supported through its work on community education, strategic policy advocacy and developing local initiatives to support local sustainability and biodiversity conservation.

Given time and internal capacity constraints, I can only make a few comments on this important inquiry in reference to:

*a) the advantages and disadvantages of different electricity tariff designs*

*b) factors to be taken into consideration in the design and implementation of electricity tariffs; and*

*c) Options for feed-in-tariffs for renewable energy*

Firstly, ALEC through the recently de-funded desertSMART COOLmob program developed the *Roadmap to a desertSMART Town 2013-18* (http://desertsmartcoolmob.org/wp-content/uploads//2013/02/BJ20_desertSMARTCOOLmob_report_long_web2.pdf). A number of recommendations are made in the *Energy* section including:

> **Alice Springs trials new financing mechanisms for energy services.**
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> **Actions:**
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> 16. Develop cost-reflective electricity tariffs that encourage energy productivity and self-generation of electricity whilst ensuring appropriate pricing of grid back-up services.
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> 17. Create bundled energy services and new business models. For example: 'food cooling services' could include bundled products for a capped monthly price covering a financing package, an energy efficient fridge, electricity, maintenance services.
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> 18. Establish Property Assessed Clean Energy financing (implemented in NSW and Victoria as Environmental Upgrade Agreements).122
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> 19. Trial market based incentives for energy efficiency such as the NSW Energy Savings Scheme, or Victoria's VEET.

It is critical to trial these financing mechanisms before rolling them out across the Territory -Alice Springs as a small grid would be the ideal place to do it.

Other options include time of use tariffs where peak use times are charged higher than off-peak times. A trial was conducted as part of the Alice Solar City project (http://www.alicesolarcity.com.au/sites/default/files/ASC_KRR_Res-CRT_For-www.pdf). Unfortunately in the middle of the trial a new 70MW generator was installed into the grid. This drove down any incentive for time of use tariffs from a supply point of view. The maximum

behavioural benefits of time-of use tariffs would require information to be included with the bill to reinforce the behavioural benefits of off-peak power use.

The most important factor of electricity pricing is getting the balance between affordability (not contributing to poverty) and behavioural triggers to manage use or investment in energy efficiency and renewable energy.

Regardless of tariff structure or scale, low-income households will need access to discounted electricity to ensure they are not disproportionately affected by tariff changes.

In regards to renewable energy feed-in tariffs, ALEC recommends maintaining the current 1-for-1 feed-in tariff where customers are paid the same amount for generating solar energy as they pay for electricity from the grid. Reducing the feed-in tariff to below the cost per unit from the grid is not sound policy-making and constitutes a punitive approach to conscientious householders and business people who have invested in the fastest growing energy source in the world. It is imperative that the NT Government provide incentives and create financial mechanisms to increase the uptake of renewable energy across the NT. This is responsible policy-making in an environment where the cost of electricity generation is only going to go up, particularly as the push to export an ever-increasing amount of natural gas to distant markets will increase the price of generation considerably.

ALEC is not opposed to network charges proportional to the size of the PV system being applied to household and business bills. This charge would be billed according to the amount of energy produced within the period and reflect the costs to the network for that individual system pushing electrons into the grid. If the feed-in tariff is changed to less than 1-for-1, ALEC is not supportive of extra charges being applied.

It must be noted that renewable energy plays a role in strengthening the network by distributing the load across the grid. Network upgrades will need to be implemented as more and more people install solar PV panels. 1-for-1 feed-in tariffs create certainty for households and businesses making long-term investments in the Northern Territory without creating energy market distortions. Increasing numbers of Territorians are investing in rooftop solar PV and it would be disrespectful and political poison to reduce the 1-for-1 feed in tariff, particularly where no coherent climate change policy is being implemented.

Access to affordable energy is not a privilege in today's society but a human right. The Northern Territory is blessed with an abundance of renewable energy opportunities. By using an appropriate mix of clean energy financing; maintaining sensible feed-in tariffs; implementing time of use tariffs and cost-reflective pricing while ensuring a safety net for low-income households - the electricity pricing in the NT will be the envy of all Australians.

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