

FILE No:
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MARS/PRISM:



Ref: CW:JC:C1999781

2 April 2014

Mr Chris Pattas
General Manager
Network Operations and Development Branch
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Chris

Reporting on Jurisdictional Scheme by Essential Energy in respect of the Queensland Government Solar Bonus Scheme

Essential Energy's network includes an area which overlaps the NSW and QLD state borders, extending into the state of Queensland. Eligible customers with solar in QLD are paid either 44 cents or 8 cents for each kWh exported to the grid as part of the QLD Solar Bonus Scheme. Essential Energy has been subject to Section 44A of the *Electricity Act 1994 (Qld)* - Queensland Solar Bonus Scheme (the Scheme) since its commencement 1 July 2008. Relevant legislation is included as information in Attachment 1.

Until 30 June 2013 Essential Energy paid customers the amounts due to them under the Scheme and then invoiced the QLD Government's Department of Energy and Water Supply – to be reimbursed for these amounts. However, from 1 July 2013 the QLD Government considered that it was appropriate that no further reimbursements would be made to Essential Energy and requested that we make alternative arrangements to recover the costs of the Scheme. QLD Government Department of Energy and Water Supply correspondence advising Essential Energy of the changed circumstances is included as Attachment 2.

Given that *The National Electricity Rules* (NER) clause 6.18.7A(e)(iii) identifies Section 44A of the *Electricity Act 1994 (Qld)* as a jurisdictional scheme, Essential Energy intends to recover the amounts paid under the Scheme through its network tariffs. This will be a similar process that is currently used for recovering amounts paid into the NSW Climate Change Fund. This has been noted in section 6 of our Transitional Regulatory Proposal lodged with the Australian Energy Regulator (AER) on 31 January 2014.

Essential Energy anticipates that this will be managed via an Unders and Overs account mechanism. We further propose to include amounts paid (or forecast to be paid) relating to the Scheme during the 2013/14 year as the opening balance of the Unders and Overs account. This amount is forecast to be approximately \$992k.

In accordance with clause 6.18.7C of transitional Chapter 6 of the NER, Essential Energy is writing to the AER to request a determination in accordance with clause 6.18.7C (g) of transitional Chapter 6 of the NER. We are seeking agreement from the AER for Essential Energy to report on the recovery of the Queensland Solar Bonus Scheme as outlined above.

Appendix A provides details as required by clause 6.18.7A (g) to (i) of the NER for reporting on jurisdictional scheme.

2 April 2014

Reporting on Jurisdictional Scheme by Essential Energy in respect of the Queensland Government
Solar Bonus Scheme

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Should you have any questions in relation to this request, or require any further information, please do not hesitate to contact Natalie Lindsay, Manager Network Regulation, on 02 6589 8419.

Yours sincerely



Gary Humphreys
Chief Operating Officer

Attachment 1: s44A of Queensland Electricity Act 1994

Attachment 2: Letter from Queensland Government to Essential Energy re Solar Scheme

Attachment 3: Department of Energy & Water Supply Invoice 248113 April-June 2013

Appendix A

Clause 6.18.7C Reporting of jurisdictional scheme amounts

Election to recover jurisdictional scheme amounts under the pricing proposal process

Essential Energy proposes to recover the cost of Scheme payments as per clause 6.18.7A (a) to (c) of the NER.

Name of relevant applicable jurisdictional scheme

Section 44A of the Electricity Act 1995 (Qld) – Additional condition to allow credit for electricity produced by small photovoltaic generators

Commencement date of jurisdictional scheme

Solar Bonus Scheme commenced 1 July 2008, closed 9 July 2012 (approved applications to be installed by 30 June 2013 (tariff rate 44c/kWh). A reduced Scheme was introduced 10 July 2012 closing 30 June 2014 (tariff rate 8c/kWh).

Essential Energy is a Special Approval Holder under the *Electricity Act 1994 (Qld)* for the part of our distribution network area in Queensland. As at 31 December 2012 approximately 1300 kilowatts of photovoltaic solar were connected.

The Queensland Government reimbursed Essential Energy for payments made to Scheme participants until 30 June 2013.

Estimate of jurisdictional scheme amounts

Essential Energy proposes to estimate Scheme payments based on actual payments made to customers (as extracted from our billing system) plus forecasts of any unbilled amounts. These forecasts will include calculations of future payments to Scheme participants using installed capacity data and historical values.

Opening generation capacity (kW) * assumed annual generation per kW plus new capacity added (kW) * average percentage of the year in service * assumed annual generation per kW.

Attached is a copy of final claim made to the QLD government and received from the QLD Government as Attachment 3.

Adjustments to jurisdictional scheme amounts

Essential Energy proposes to adjust Scheme amounts in a similar manner to that currently undertaken in adjusting the Transmission Use of System charges. This methodology is outlined by the AER in Appendix I of the 2009 Distribution Determination for the unders and overs associated with transmission charges.

Reporting on the recovery process

Essential Energy proposes to report Scheme payments in a similar manner to that currently undertaken in reporting Transmission Use of System charges. This methodology is outlined by the AER in Appendix I of the 2009 Distribution Determination for the unders and overs associated with transmission charges.



Queensland

Electricity Act 1994

Current as at 1 November 2013

[s 44]

- (b) the current obligations of other persons connected directly or indirectly to the network; and
- (c) the network's capacity.

44 Additional condition to provide network services

In addition, it is a condition of a distribution authority that the entity must provide, as far as technically and economically practicable, network services, on fair and reasonable terms, for persons authorised to connect supply of electricity to the network or take electricity from the network.

44A Additional condition to allow credit for electricity produced by small photovoltaic generators

- (1) It is also a condition of a distribution authority that the distribution entity—
 - (a) allow, as far as technically and economically practicable, a small customer for a premises to connect 1 qualifying generator at the premises to its supply network; and
 - (b) credit against the charges payable by a small customer, for customer connection services provided to the small customer in a relevant supply period, the amount for each kilowatt hour prescribed under a regulation (a *prescribed credit amount*) for electricity that is, at any instant in the relevant supply period—
 - (i) being produced by the qualifying generator when connected to the distribution authority's supply network; and
 - (ii) being supplied to the network; and
 - (iii) in excess of the amount of electricity being used by the small customer, not including electricity supplied through a circuit controlled by the distribution entity; and



ABN 37 428 185 226

Sundry Tax Invoice

Page 1 of 2



035

Department of Energy and Water Supply
Attention: Tim Quirey
PO Box 15456
CITY EAST QLD 4002
Australia

-00099

customer number

9051369-4

invoice number

00248113

issue date

10/07/2013

bill enquiries

13 23 91

please pay

\$263,294.73

by 09 Aug 2013

order number

Solar Bonus Scheme

essential energy contact

CATHERINE WADDELL

Line	Item	Description	Qty	UOM	Unit Amt	EX GST	GST	Amount
1			1		263,294.73	263,294.73	0.00	263,294.73
April 2013 to June 2013 - Number of premises 555, Kwh 618,958. Amount rebated \$263,294.73								
TOTAL						\$263,294.73	\$0.00	\$263,294.73



SUNDRY REMITTANCE



*2002 90513694



Bill Code: 524298
Ref: 9051 3694

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online Visit www.essentialenergy.com.au to pay by credit card*.

*Minimum transaction of ten (10) dollars.

DEPARTMENT OF ENERGY AND
WATER SUPPLY

customer number

9051369-4

invoice number

00248113

please pay

\$263,294.73

by 09 Aug 2013

other ways to pay on the back ▶



ABN 37 428 185 226

other ways to pay



Billpay code: 2002
Ref: 9051 3694

Visit any Australia Post Office; phone 13 18 16 or go to postbillpay.com

interpreter services

for interpreter services call **13 14 50**

خدمات الترجمة الشفهية

Servicios de interpretación

傳譯員服務

Dịch Vụ Thông Ngôn

Υπηρεσίες Διερμηνέων

Servizi di interpretariato

CTS00032/13



Department of
Energy and Water Supply

18 February 2013

Mr Gary Humphreys
Chief Executive Officer
Essential Energy
PO Box 718
QUEANBEYAN NSW 2620

File No.		
OBJ ID		
Action Officer	COO	
22 FEB 2013		
Pages Scanned	Attachment	Original Dispatched
/		✓

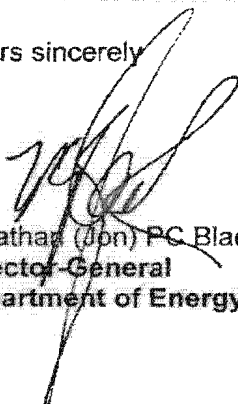
Dear Mr Humphreys

The Queensland Solar Bonus Scheme (the Scheme) has been instrumental in encouraging electricity customers to connect solar photovoltaic (PV) systems to the Essential Energy, Ergon Energy and Energex networks in Queensland. Since July 2008, approximately 762 megawatts of solar PV have been connected throughout the state, with approximately 1,300 kilowatts connected on Essential Energy's network in Queensland at 31 December 2012. During this period, the Queensland Government has had an arrangement to reimburse Essential Energy for the costs incurred for the provision of Scheme payments in respect of installations on its Queensland network.

Due to the significant growth in customer connections, on 18 October 2011, the Queensland Government wrote to Essential Energy advising that it sought to confirm an alternative funding arrangement from the 2012-13 financial year. This has been further re-iterated in officer level discussions on 28 June 2012 and 1 February 2013. The Queensland Government considers it appropriate that no further reimbursements be made to Essential Energy after the completion of the 2012-13 financial year, and encourages Essential Energy to recover the costs associated with the Scheme through alternative means, as the other electricity distributors in Queensland do. This is consistent with the requirements of the *Electricity Act 1994* for Essential Energy, as a Special Approval Holder, to make Solar Bonus payments to eligible customers.

If you require further information please contact Mr Denis Warburton, General Manager, Generation and Fuel Branch on (07) 3898 0695.

Yours sincerely


Jonathan (Jon) PC Black
Director-General
Department of Energy and Water Supply

Example of a circuit controlled by the distribution entity—

a remotely switched circuit used for off-peak supply of hot water

- (c) give the regulator a report, for each prescribed credit amount, within 28 days after 30 June and 31 December each year, stating the following—
- (i) the number of small customers who have connected a qualifying generator to the network under paragraph (a) in the previous 6 months;
 - (ii) the number of small customers who, at the end of the previous 6 months, had a qualifying generator connected to the network;
 - (iii) the number of small customers who stopped being credited with a prescribed credit amount under paragraph (b) in the previous 6 months;
 - (iv) the number of small customers who, at the end of the previous 6 months, had stopped being credited with a prescribed credit amount under paragraph (b);
 - (v) for each retail entity—the total amount of credit given by the distribution entity to the retail entity in relation to small customers receiving credit under paragraph (b) in the previous 6 months;
 - (vi) the amount of electricity supplied to the network in the previous 6 months for which credit was given under paragraph (b);
 - (vii) the total generation capacity of all qualifying generators connected to the network.
- (2) A regulation may prescribe—
- (a) the circumstances in which a category of small customer is entitled, or stops being entitled, to be credited with a prescribed credit amount under subsection (1)(b) for the category of small customer; and

[s 45]

- (b) the day, not later than 1 July 2028, at the end of which subsection (1)(b) stops applying, in any event, for a particular category of small customer.
- (3) If a category of small customer becomes entitled to be credited with a prescribed credit amount under subsection (2)(a), the distribution authority is subject to the condition mentioned in subsection (1)(b).
- (4) If a category of small customer stops being entitled to be credited with a prescribed credit amount under subsection (2)(a), the condition, under subsection (1)(b), of the distribution authority about crediting a prescribed credit amount also stops to the extent the prescribed credit amount is for the category.
- (5) This section expires on 1 July 2028.

45 Additional condition to comply with protocols, standards and codes

It is also a condition of a distribution authority that the distribution entity must comply with all protocols, standards and codes applying to the entity under this Act.

45A Responsibility for network control

- (1) A distribution entity is responsible for network control of its supply network.
- (2) However, a distribution entity is subject to directions given to it under the National Electricity (Queensland) Law or the National Electricity Rules.