

# SOLAR FiT CUTS THE PUSH STORAGE NEEDS

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Is the recent solar feed-in tariff (FiT) debate missing the point? Reduced FiTs could be just what the battery storage market needs.



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With the onset of summer, most of us start thinking about holidays by the beach, burning meat on the barbeque, playing rounds of golf and taking in the great Aussie outdoors. However, for residential solar households, those longer, warmer days over summer mean something much different: more solar power, and another reason to smile.

Or is it? Over the past several months, controversy has flared up over the reduction of solar Feed-in Tariffs (FiTs), particularly in NSW, Victoria and South Australia, where 230,000 households are expected to lose their premium tariffs next year.

In September, the NSW Independent Pricing and Regulatory Tribunal (IPART) recommended the average solar FiT be cut by 14 per cent - from an average 5.6c/kWh to 4.8c/kWh - making it the lowest rate in Australia. The regulator used the eight per cent decrease in demand for electricity during

daytime periods to justify the cut, thanks to NSW residents' rapid uptake of solar panel installation as part of the Australian Government's Small-scale Renewable Energy Scheme (SRES).

Meanwhile in Victoria, the minimum solar FiT will be cut from 6.2c/kWh to 5c/kWh in January 2016 under a decision by the state's Essential Services Commission. The recommendation is similarly based on a lower forecast wholesale market price of electricity, particularly during daylight hours when PV electricity is generating.

Some - including IPART - believe the move will push consumers towards adopting battery storage. Indeed, investment bank Morgan Stanley released a survey earlier this year that said at least half of all inquiries to installers are about battery storage, with this figure continuing to rise.

The discussion around solar FiT cuts - whether they are justified and how they will affect the uptake of solar - has been polarising. Still, no matter which side of the debate you're on, energy storage solutions are the inevitable next step.

The reduction in FiTs may be a catalyst for the increased uptake of solar storage, as consumers begin to consider other ways to save on costs. According to IPART, the possibility for customers to use more of the electricity they generate means the appeal of traditional FiTs becomes less relevant over time. And, by reducing their reliance on the grid during peak periods, they can significantly reduce their own energy costs.

Customers with energy storage solutions can store their excess solar energy for which they would receive low or no FiT, and use this stored energy at times when the cost of energy is more expensive, such as in the evening when there are peak prices for a Time of Use (ToU) tariff.

Some wonder whether the reduction in

FiTs will deter people from investing in solar altogether, given the expense of storage systems. However, the price of solar has already decreased significantly over recent years, and the price of storage is following suit. As such, many customers will be able to justify installing their own solar and storage systems without a FiT, when they compare this investment to buying energy from traditional sources.

The majority of property developers in Australia are now also having a very serious look at investing in distributed storage. Not only do energy storage solutions reduce the cost of network connection, which can be very high, it also allows them to market their development as offering five-star energy efficiency and renewable storage as part of the package - something that is attractive to many prospective buyers.

Whether or not reducing FiTs incentivises the uptake of storage and expedites the transition to a higher renewables uptake, the business case for intelligent integrated storage existed long before because every part of the energy value chain can derive the benefits, from power generation and networks and customers.

The commoditisation of energy storage and increased uptake of distributed solar mean that more and more customers will take up energy storage. Ideally, the best incentives would be those that encourage the uptake of intelligent storage which provides benefits across the entire value chain.

The debate around the reduction in FiTs appears to be missing the real issue - and opportunity. Energy storage may be just the push that Australian residents need to help the energy sector evolve in a way that benefits everyone - the household, the utility, their customers and the wider community seeking a more reliable, cost-effective and greener grid. eco