

ACT Government Response

to the findings of the
Review and Audit of the Small and Medium
Feed-in Tariff Scheme

Environment, Planning and Sustainable Development Directorate

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INTRODUCTION

The *Electricity Feed-in (Renewable Energy Premium) Act 2008* (the Act) establishes the ACT Government's Small and Medium-scale Feed-in Tariff Scheme (the Scheme).

The Act includes requirements for an annual report on the Scheme (section 11A) and for a review every five years of the operation of the legislation itself (section 13). A review was conducted in late 2018, to determine whether the legislation was continuing to meet its objectives. As required by the Act, the review also included consideration of the impact of costs under the Act on electricity users and whether the impacts are equitable.

In preparing to conduct the review it was determined that an audit, provided for by section 11C of the Act, should also be undertaken as part of the review process. The audit related to data provided to the Minister for Climate Change and Sustainability by Evoenergy, the Scheme administrator, for the purposes of previous annual reports. The audit was deemed necessary due to ongoing concerns about data reliability, as previous efforts by the ACT Government to address the concerns with Evoenergy had been unsuccessful.

Further detail on the Scheme, its purpose and operation, is available at Appendix A.

This paper outlines the ACT Government's response to the findings and recommendations of the review and audit.

REVIEW

Broadly, the review found that the Act is continuing to meet its objectives; the Scheme has accelerated the uptake of PV systems in the ACT, and it is estimated that the Scheme will reduce the ACT's emissions by around 667,000 tonnes over the life of the supported solar PV generation.

However, the review made seven recommendations to improve the operation of the legislation. It identified anomalies and missing details in the Scheme data provided by Evoenergy. In particular, some generators appeared to be producing more or less electricity than their generating capacity would allow for.

Other important findings included consumer uncertainty around certain aspects of the Scheme, such as their rights when moving into or out of a house with an associated FiT entitlement.

The review also suggested addressing the lack of a mechanism for Evoenergy to recover the costs it incurs in administering the Scheme.

A summary of the review recommendations is included in Table 1 below. The review recommendations include development of a simple, straightforward guide to the Act for FiT entitlement holders, as well as legislative amendments to make the reporting requirements more specific, which will support consistent interpretation of data. There is also a recommendation to allow Evoenergy to recover reasonable costs for administration of the Scheme.

AUDIT

The audit sought to ensure that Evoenergy had appropriate data collection and collation processes in place for data relating to the FiT Scheme, and to ensure that the data being provided by Evoenergy to the ACT Government was accurate, reliable and timely.

The audit made 16 recommendations to improve the management of data that is provided to EPSDD for the annual reports. In particular, it identified weaknesses in Evoenergy's internal controls, including relating to data entry. There were issues relating to the reliability of data, including discrepancies between generated output and recorded system capacity.

Additionally, there was a lack of controls in place to monitor changes in sensitive fields when entering data into the system (such as a generating system's capacity) and there was no validation process for the data, which might have assisted in identifying discrepancies more quickly. There was also a lack of internal process documentation and staff training.

In terms of record keeping, a number of the original connection forms were missing.

There was no NMI (National Meter Identifier) data included in the information provided to the ACT Government, and the information on payments made to retailers was not based on actual payments. Evoenergy's data also did not include information on whether generators had still been connected to Evoenergy's network at the end of the previous financial year; information which is required under the Act.

The reports Evoenergy sent to EPSDD were an extract of raw data from its systems, did not include an explanatory context or introduction, and no quality assurance had been applied before release of report.

A summary of the audit recommendations is provided in Table 2 below.

PROPOSED ACTIONS

Given the nature of the findings and recommendations of the reports, legislative amendments will be drafted to provide assurance regarding the integrity of data provided to the ACT Government and to provide public confidence in the Scheme.

Legislative amendments will be drafted as required to implement the following:

Assurance. Several recommendations highlight the need for stronger assurance processes to improve data integrity and consumer confidence in the Scheme. The Act will be amended as required to include the ability to seek advice on reporting entities' quality assurance processes, and internal monitoring and controls. It will also be amended as required to provide the authority to request the implementation of exception monitoring, assurance statements and independent audit of Scheme data provided for the annual report.

Reporting. Several recommendations relate to weaknesses in the reporting requirements of the Act. The Act, or a subordinate instrument, will be amended as

required to provide for consistent data interpretation and the provision of further Scheme data.

Recovery of reasonable administration costs. The Act will be amended as required to allow for the recovery of reasonable costs incurred by Evoenergy in its administration of the Scheme. This would allow Evoenergy to commit dedicated resource to the Scheme, which should improve the data management and provision processes it manages.

Penalty provisions. The Act does not provide for penalties to be applied to reporting entities for providing incorrect Scheme data to the ACT Government. The Act will be amended as required to include Penalty Provisions, so that if required, the ACT Government has a further mechanism to provide assurance that the data being reported is correct and that the Scheme is well managed.

Further to the findings and recommendations of the review and audit reports, EPSDD has identified that Scheme entitlement holders have no mechanisms for voluntarily surrendering their entitlements. Generators originally connected under the Scheme may be quite small by today's standards, and not being able to voluntarily surrender their entitlement may be preventing customers from upgrading their systems. Additionally, this may also be preventing customers from installing new technology, such as battery storage, as the addition of such technology to a rooftop solar PV system would see them lose their entitlement. Therefore, legislative amendments are being investigated that would allow entitlement holders to voluntarily surrender their entitlement.

Other recommendations from the review and audit reports that do not require the consideration of legislative amendments will be managed by EPSDD as they mainly relate to internal administration and process improvements. These would include updating internal procedures, updating report structures, the development of guidance material and the inclusion of additional data in future reports.

Table 1: Summarised review recommendations

No.	Recommendation	Response
R1	<p>Require Evoenergy to publish an easy-to-understand Guide to the Act to assist stakeholders understand the intent, definitions and key dates from the Act in a consistent manner. The guide should:</p> <ul style="list-style-type: none"> • Differentiate information according to the date of entering into contract for installation of the generator • Clarify the circumstances in which feed-in payments can be affected (e.g. capacity additions, component replacements, addition of battery storage devices, selling a home, demolishing a home, relocation of generators) and prioritise this information, and • Procedures to voluntarily leave the Small and Medium Feed in Tariff (FiT) Scheme. 	<p>Agreed EPSDD will request Evoenergy produce a guide to the Act.</p>
R2	<p>While section 6A of the Act provides that the Minister may determine the Normal Cost of Electricity (NCE), it doesn't define this term or outline a methodology for calculation. Consider a review of the methodology for determining the NCE, which is updated on a financial year basis, and publish the new methodology.</p>	<p>Noted A methodology is already published on EPSDD's website.</p>
R3	<p>Evoenergy incurs administration costs in administering the Scheme, and is of the view that it should be paid reasonable costs by the ACT Government for time spent on this. Consider developing a methodology for reimbursing Evoenergy's FiT Scheme administration costs, which could be based on recent amendments to the ACT large-scale FiT to allow for administration cost recovery.</p>	<p>Agreed The ACT Government will progress legislative amendments to allow for recovery of reasonable costs.</p>

R4	Consider commissioning analysis of the anti-islanding test data that Evoenergy collects to investigate if amendments to the <i>Utilities Act 2000</i> are required to enable Evoenergy to disconnect PV systems that are non-compliant with requests to conduct anti-islanding tests.	<p>Agree-in-principle</p> <p>Anti-islanding tests are important for the safety of technicians working on the network. However, it is noted that there are diverging views across industry and jurisdictional regulators regarding the reasonableness of test provisions.</p>
R5	Enforce the requirement for retailers to provide the Minister with an annual report on the FIT Scheme, and then undertake detailed cross-checking of the key financial year parameters between the retailers' and the distributor's annual reports.	<p>Noted</p> <p>This requirement is already enforced.</p> <p>Detailed cross-checking of retailers' and distributors' annual reports is undertaken by EPSDD annually.</p>

R6	<p>Consistent interpretation of data for reporting purposes could be improved by requiring additional specific data to be reported, and improving the definition of specific terms used. Amend the distributor's reporting requirement to include:</p> <ul style="list-style-type: none"> • vi) inverter rated output capacity (kW_{AC}) and installed PV array capacity at Standard Test Conditions (kW_{DC}) at the date of connection, • vii) the Annual Generation Credited (kWh), defined as the sum of the meter reads that occur during the period 1 July to 30 June, • viii) the number of actual meter reads for the Annual Generation Credited figure, and • ix) the number of estimated meter reads for the Annual Generation Credited figure. <p>A detailed definition and methodology for providing an indicative estimate of the actual 'electricity output during each quarter of the financial year' (or just the estimated total output for the financial year) should also be considered.</p>	<p>Agreed</p> <p>The ACT Government will make amendments as required to the Electricity Feed-in (Renewable Energy Premium) Reporting Determination 2015 (No 1) to provide for consistent interpretation of data.</p>
R7	<p>Ensure all future Annual Feed-in Tariff Reports:</p> <ul style="list-style-type: none"> • Document clearly whether PV capacity figures reported are kW_{DC} or kW_{AC}, • Report installed PV capacity in both kW_{DC} and kW_{AC} and annual generation credited in kWh in the 'Small and Medium-scale FiT Scheme performance' section, and <p>Define key terms such as 'Total premium FiT paid to eligible entities' and 'Total amount reimbursed to retailers for FiT obligations' and use these terms as opposed to 'Total FiT Paid'.</p>	<p>Agreed</p> <p>Following the implementation of recommendation R6, FiT reports will reflect the recommendation.</p>

Table 2: Summarised audit recommendations

No.	Recommendation	Response
A1	Evoenergy should continue to cleanse and correct source data on an ongoing basis.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to enable the Minister to seek advice from Evoenergy on its data quality assurance processes.</p>
A2	Evoenergy should strengthen and expand internal process documentation on the small and medium FiT scheme for staff.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to enable the Minister to request copies of Evoenergy internal procedures relating to Scheme data management.</p>
A3	Evoenergy should implement administrative and monitoring controls for any change requests pertaining to customers on the small and medium FiT Scheme.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to enable the Minister to request copies of Evoenergy internal procedures relating to Scheme data management.</p>

A4	Evoenergy should implement regular reporting and monitoring of exceptions (e.g. over-generation of capacities under the Scheme) and work with EPSDD to address and rectify identified exceptions.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to enable the Minister to request that Evoenergy implement exception monitoring on Scheme data.</p>
A5	Evoenergy should improve the structure and contents of reports sent to EPSDD to ensure that they are auditable (e.g. by including NMI and reporting on key exceptions identified).	<p>For Evoenergy Response</p>
A6	Evoenergy should include an introduction or summary page with the report to provide context to EPSDD with an assurance statement that reported data is complete and accurate to the best of their knowledge.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to implement penalty provisions for the provision of incorrect data.</p>
A7	Evoenergy should include a breakdown of payments to each retailer rather than an aggregate of total payments made.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to implement this requirement.</p>

A8	Evoenergy should establish quality assurance mechanisms on the small and medium FiT Scheme data prior to releasing to EPSDD.	<p>For Evoenergy Response</p> <p>Additionally, the ACT Government will make legislative amendments as required to enable the Minister to request that Evoenergy engage an independent auditor to verify the accuracy of data provided for the annual report, and to implement penalty provisions for the provision of incorrect data.</p>
A9	As required by the Act, Evoenergy should include information on ‘whether relevant generator was still connected to Evoenergy’s network at the end of the previous financial year’.	<p>For Evoenergy Response</p>
A10	EPSDD should consider establishing improved guidance on key terms underpinning reporting to avoid misinterpretation.	<p>Agreed</p> <p>EPSDD will liaise with Evoenergy to establish improved guidance on key terms underpinning reporting to avoid misinterpretation.</p>
A11	EPSDD should consider establishing/formalising internal processes for the review of FiT Scheme reports received from Evoenergy.	<p>Agreed</p> <p>EPSDD will draft internal processes for the review of FiT Scheme reports received from Evoenergy.</p>

A12	EPSDD should consider requesting Evoenergy to resend a correct version of the FiT Scheme report for 2017/18 and all previous years.	<p>Agree-in-principle</p> <p>Once data accuracy issues are addressed, EPSDD will request Evoenergy to resend a correct version of the FiT Scheme report for 2017-18. If considered necessary, data for previous years will also be requested.</p>
A13	EPSDD should consider revising and republishing previously published reports for the small and medium FiT Scheme due to the errors and lack of reliability in the source reports received from Evoenergy in prior years.	<p>Agree-in-principle</p> <p>As each annual report contains data from all previous reporting years, it may be only necessary to republish the most recent report.</p>
A14	EPSDD should consider including a disclaimer in its annually published FiT reports about the source of data coming from Evoenergy.	<p>Agreed</p> <p>A disclaimer regarding the data being sourced from Evoenergy will be included in future reports.</p>
A15	EPSDD should consider establishing guidance on reporting requirements and confirming with Evoenergy expectations and structure of the Scheme reports going forward.	<p>Agreed</p> <p>EPSDD will liaise with Evoenergy to establish clarifications/guidance on reporting requirements.</p>

A16	EPSDD should consider conducting a follow-up review on the outcomes from this audit.	Agreed EPSDD will consider the appropriate approach once legislative amendments are complete, and prior to the 2021 annual report.
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APPENDIX A – ABOUT THE SMALL AND MEDIUM-SCALE FEED-IN TARIFF SCHEME

The *Electricity Feed-in (Renewable Energy Premium) Act 2008* (the Act) establishes the ACT's Small and Medium-scale Feed-in Tariff (FiT) Scheme (the Scheme), which allows for payments to be made to ACT households and businesses that are generating renewable electricity.

The objects of the Act are to:

- Promote the generation of electricity from renewable energy sources
- Reduce the ACT's contribution to human-induced climate change
- Diversify the ACT energy supply, and
- Reduce the ACT's vulnerability to long-term price volatility in relation to fossil fuels.

The Scheme was open for applications between March 2009 and July 2011, and its purpose was to encourage the uptake and development of renewable electricity.

Through the Scheme an eligible customer could apply for a FiT provided their application met certain conditions, such as the size of the system (a generating capacity below 200 kilowatts) and compliance with installation standards. Successful applicants are paid a FiT by their electricity retailer for the total kilowatt hours their system generates, including any used at the premises where it was generated as well as the energy that is returned to the grid. The retailer then passes the cost on to the electricity distributor, Evoenergy, reimburses the retailer the difference between the FiT rate and the Normal Cost of Electricity (NCE) as prescribed under the Act. Evoenergy then incorporates this amount into network charges. Evoenergy is also the Scheme's administrator.

Successful applicants receive the FiT for a period of 20 years from the system's date of connection to the electricity network. The latest date at which a system could be connected under the Scheme was 31 December 2016, which means the Scheme will operate until 2036.