



16 September 2016

Angus Bruce
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Lodged by email: escosa@escosa.sa.gov.au

Dear Mr Bruce,

RE: Review of the South Australian electricity retailer feed-in tariff – Draft Decision

Origin welcomes the opportunity to respond to the Essential Services Commission of South Australia's (the Commission) Draft Decision on the Review of the South Australian electricity retailer feed-in tariff.

Origin agrees with the Commission's Draft Decision to deregulate feed-in tariffs in South Australia from 1 January 2017. As the Commission is aware, this is a policy position we have consistently advocated in the competitive retail market of South Australia.¹ Evidence from other states suggests that the market can be left to deliver a range of offers for solar PV customers; there is no reason to believe that this won't be the case in South Australia given the relatively large number of residential customers with solar PV in the market. In Origin's view, deregulation of the retailer feed-in tariff will ensure that customers receive a reasonable price for their exported solar energy whilst allowing retailers to develop new products that may have otherwise been limited by price regulation.

In Origin's view, governments do not need a solar export pricing policy where effective competition exists in their retail electricity market for feed-in tariffs. Price regulation is not as effective at determining efficient and fair prices as competitive markets. There is no compelling reason to set policy parameters for the regulation of the value of solar energy where the market is working to offer customers a range of feed-in tariffs. Origin believes that the South Australian solar feed-in tariff market is effectively competitive and that regulation of the retailer feed-in tariff is unnecessary in an otherwise deregulated retail electricity market.

In a competitive market, the deregulation of feed-in tariffs will provide consumers with the ability to choose the value they place on feed-in tariffs relative to other aspects of their retail contract. As the Commission demonstrates in Table A2, a number of tier two retailers offer feed-in tariff rates above the Commission's mandated minimum;² these retailers presumably offer these rates in order to win customers that place a high value on their feed-in tariff relative to other aspects of their energy contract. This is a desirable outcome in a competitive market and customers that export rather than consume the energy from their PV unit have the option to choose these offers. However, a customer that does not export much energy would in fact benefit from low electricity tariffs rather than their feed-in tariff. The mandated minimum feed-in tariff may stifle the ability of retailers to offer customers the choice for a lower tariff (or higher discount) in return for a competitive retail tariff. Accordingly, regulating feed-in tariffs restricts retailers from offering competitive products that may better suit their particular circumstances.

The Commission has correctly observed that the regulated minimum feed-in tariff may act to impede innovation in the market.³ Regulated pricing introduces risk for retailers because they cannot determine their own minimum price for exporting solar. This may create a barrier to the kinds of

¹ See our recent submission to the Issues Paper: <http://www.escosa.sa.gov.au/ArticleDocuments/920/20160426-2016-R-FITReviewIssuesPaperSubmission-OriginEnergy.pdf.aspx?Embed=Y>

² ESCOSA, *Retailer feed-in tariff- Review of Regulatory Arrangements, Draft Report*, August 2016, p. 27.

³ *Ibid*, p. 19.

products that retailers or other market participants offer customers. The market for solar customers has evolved over the last two years to include new product offerings and finance models. For instance, Origin offers customers the choice to purchase solar systems upfront or to consider our “Solar as a Service” product where customers are offered a solar power purchase agreement for a defined contract period. These products are further evidence of the changing nature of competition in the retail electricity market; it is the role of market participants, rather than regulators, to anticipate the future direction of product development. Accordingly, Origin believes that product development and innovation will more effectively occur where markets are allowed to set their own prices for goods and services.

Ultimately, as the Commission observes, the best evidence of deregulated feed-in tariffs benefiting consumers is in other jurisdictions.⁴ Both New South Wales and Queensland customers have access to a range of feed-in tariff offers, with a number of outlier offers well above the average in each state.⁵ We would expect a deregulated South Australian market to provide customers with an analogous experience to both states and that customers would be able to obtain competitive feed-in tariff rates.

Origin accepts the Commission’s draft decision to continue monitoring the market and to not publish a non-binding feed-in tariff range. We note that the Commission will continue to have the power to re-regulate in the event that there is a sufficient amount of evidence to demonstrate that competition is ineffective. It is unlikely that competition will regress in the market following deregulation but, in the event the Commission finds that this is the case, we ask that it consider and demonstrate how regulation is the appropriate solution in the circumstances.

Origin would be pleased to discuss any matters raised within this response with the Commission. Please contact Timothy Wilson (Retail Regulatory Analyst) in the first instance on (03) 8665 7155.

Yours sincerely



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⁴ Ibid, p. 19

⁵ Ibid, pp. 34-35.