



Monitoring South Australian feed-in tariffs paid by electricity retailers to solar energy exporters: July 2017 update

- ▶ Since 1 January 2017, many electricity retailers have significantly increased the retailer feed-in tariff (R-FiT) available to South Australian solar customers.
- ▶ At 31 July 2017, retailer feed-in tariffs ranged from 6.8 cents to 22 cents per kilowatt hour.
- ▶ The R-FiT increases mean that South Australian solar customers can now access the highest R-FiTs in Australia.
- ▶ South Australian solar customers, in general, are not paying more for electricity than non-solar customers.
- ▶ The Commission is satisfied that consumers have a reasonable choice of R-FiTs and that movements in R-FiTs appear to reflect underlying wholesale electricity cost movements.
- ▶ The Commission will continue to monitor R-FiTs in tariffs and solar offers to ensure that solar customers continue to be able to access the benefits of solar exports.

Introduction

This is the first monitoring report into the South Australian retailer feed-in tariff (R-FiT), which is paid by electricity retailers to their customers who export solar energy into the grid. It outlines the changes in R-FiT offers since 1 January 2017.

Background

In December 2016, the Essential Services Commission (**Commission**) determined that it would no longer set a minimum R-FiT.¹

Instead, retailers would be able to set individual R-FiT payment amounts. In removing the minimum amount, the Commission noted the need to monitor the market closely, to ensure that South Australian customers receive fair R-FiT amounts. The Commission has, therefore, implemented a formal monitoring regime, to confirm that solar customers

can access offers comparable with those of non-solar customers and reflect the benefits of solar exports.

Monitoring regime

The monitoring regime includes the following features:

- ▶ Comparison of offers available to solar customers with those available to non-solar customers.
- ▶ Comparison of the range of R-FiT prices available and any product and price differentiation implemented by retailers (each retailer's R-FiTs will be published at least annually).

These two measures are key indicators which will assist in understanding whether or not solar customers are receiving fair value and are

¹ Refer to the Commission's Retailer feed-in tariff - Review of regulatory arrangements - final decision available at <http://bit.ly/RFiT-ReviewOfRegulatoryArrangements-FinalDecision>.

consistent with the measures used to inform the decision to cease setting a minimum R-FiT.

The Commission has the power to reintroduce a minimum R-FiT, if its monitoring shows that consumers' interests are not being served.

Data collection

Data to inform the monitoring regime are collected monthly from publicly available information sources; in particular, the Australian Energy Regulator's (AER) online energy price comparison tool,² retailers' price fact sheets and the Australian Energy Market Operator's (AEMO) wholesale electricity price data.

Observations to 31 July 2017

Changes to R-FiT offers

The monitoring results indicate no changes to R-FiT offers to solar customers between 1 January 2017 and 31 May 2017. However, several retailers have made announcements of new electricity prices from 1 June 2017 and, in general, accompanying R-FiT offers have changed substantially.

The R-FiT increases mean that South Australian solar customers can now access the highest R-FiTs in Australia.

For example, in South Australia, Click Energy is offering residential customers an R-FiT of 22 cents per kilowatt hour (kWh). The next highest residential R-FiT offer outside South Australia is 17 cents per kWh, which is being offered by Globird Energy (Victoria), Origin Energy (New South Wales) and Click Energy (New South Wales).

The higher South Australian R-FiT offers can also be observed within retailers operating across Australia. For example, AGL is paying 16.3 cents per kWh in South Australia, 11.3 cents per kWh in Victoria, 10.6 cents per kWh in Queensland and 11.1 cents per kWh in New South Wales.

Small business customers can, generally, access the same R-FiTs as residential customers.

Residential customers

Of the 17 retailers serving South Australian residential customers, 14 currently offer R-FiTs. Of

these 14 retailers, seven increased their R-FiT offers between 1 January 2017 and 31 July 2017, as shown in Table 1. These R-FiTs ranged from 6.8 cents to 22 cents per kWh. One retailer, Red Energy, introduced an R-FiT to South Australian residential solar customers for the first time.

Table 1: R-FiTs available to residential and small business customers at 31 July 2017

Retailer	R-FiT (cents per kWh)	Change since 1 January 2017 (cents per kWh)	Availability (Residential (R), Small Business (S))
AGL	16.3	Up 9.5	R,S
Alinta Energy	6.8	No change	R,S
Blue NRG	Not offered	No change	N/A
Click Energy	15 to 22	Up 7 to 10	R only
Commander Power and Gas	7.0	No change	R,S
Diamond Energy	12	Up 4	R,S
Dodo Power & Gas	7	No change	R only
EnergyAustralia	15	Up 6.8	R,S
ERM Business Energy	6.8	No change	S only
Lumo Energy	16	Up 9	R,S
Momentum Energy	6.8	No change	R,S
Origin Energy	11 to 18 ³	Up 4.2 to 8	R,S
Pacific Hydro	Not offered	No change	N/A
Powerdirect	16.3	Up 8.3 to 9.5	R,S
QEnergy	Not offered	No change	N/A
Red Energy	16	New R-FiT ⁴	R,S
Sanctuary Energy	6.8	No change	R only
Simply Energy	6.8	No change	R,S

² See www.energymadeeasy.gov.au

³ Origin Energy also advertises an offer with a 20 cents per kWh R-FiT, but only for customers purchasing an Origin solar system.

⁴ Prior to 1 June 2017, Red Energy did not offer an R-FiT.

The largest three retailers in South Australia (AGL, Origin and EnergyAustralia, which collectively serve 75 percent of residential customers, are among those leading the increased R-FiT offers. In total, nearly 84 percent of residential customers are served by retailers who have substantially increased their R-FiTs in June and July 2017.

Small business customers

Of the 16 retailers serving South Australian small business customers, 12 currently offer R-FiTs.

Of these 12 retailers, seven increased their R-FiT offers in June and July 2017, as shown in Table 1. One retailer, Red Energy, introduced an R-FiT for South Australian small business customers for the first time.

Wholesale energy prices

A key input in determining the value of an R-FiT is the (expected) wholesale cost of electricity, as this broadly represents the cost of electricity that a retailer would otherwise have to purchase if it were not receiving fed-in solar electricity.⁵

Average wholesale electricity prices for the first six months of 2017 increased 121 percent over the corresponding period in the previous year, to 12.3 cents per kWh. While this does not represent the expected average wholesale electricity price to apply from July 2017 (which is more relevant to the R-FiTs that have applied since that date), it is an indicator of the expected wholesale price increase for the 2017-18 financial year.

Retailers' R-FiTs have, generally, followed a similar increase. The R-FiTs that have increased have risen, on average, by 88 percent for residential customers and 103 percent for small business customers. AGL offered the largest R-FiT increase of 140 percent (for both residential and small business customers).

Comparison of solar and non-solar offers

Of the 14 retailers that sell electricity to both solar and non-solar residential customers in South Australia, 11 offered their lowest prices to both solar and non-solar customers. These retailers have a combined market share of around 94 percent.

Seven of the 12 retailers with offers to small business solar customers offered their lowest prices to both solar and non-solar customers.

Conclusion

The observations contained in this monitoring report show that electricity retailers are responding to the needs of solar customers, following the Commission's decision to no longer set a minimum R-FiT. Solar customers have a choice of offers available to them and the discounts that apply to solar offers are broadly in line with those for non-solar offers.

The latest observations also indicate that retailers that have increased electricity prices since 1 June 2017 have, in general, also increased R-FiT offers. The wholesale electricity price increases that appear to be impacting electricity retail prices are also being reflected in many R-FiT offers.

This evidence suggests that, at this time, the Commission does not need to re-set a minimum R-FiT.

The Commission will continue to monitor retail offers to solar customers. If evidence arises to show that the long-term interests of consumers are not being met, the Commission retains the power to re-set a minimum price for the R-FiT.

In the meantime, consumers are encouraged to shop around for the most appropriate electricity offer to suit their circumstances (total use plus R-FiT). Consumers can compare currently available electricity market offers through the Australian Energy Regulator's energy price comparison website, at www.energymadeeasy.gov.au

Further Information

If you require further information, please contact the Commission on (08) 8463 4444, or via the website at www.escosa.sa.gov.au.

⁵ An R-FiT may also include an amount for energy transmission losses, although this is generally a minor component compared with expected wholesale electricity prices.