

Retailer Feed-In Tariff Draft Price Determination 2015-2016 October 2014

One of the Essential Services Commission's (ESCOSA's) functions in the electricity industry is determining the minimum price which electricity retailers must, under the provisions of the Electricity Act 1996 (**Electricity Act**), pay to residential and small business electricity customers (**PV customers**) whose solar photovoltaic generators (**PV units**) feed electricity into the distribution network - the Retailer Feed-In Tariff or **R-FiT**.

The R-FiT can and does change over time.

The R-FiT recognises that there is an economic value to electricity retailers for any electricity which is fed into the distribution network, albeit that it may vary over time, and provides a means by which PV customers may realise that economic value through the receipt of payments from electricity retailers.

Some customers also receive a distributor-paid feed-in tariff (**D-FiT**) (c/kWh) from SA Power Networks. That amount is set in the Electricity Act and does not change.

This fact sheet explains the draft R-FiT decision proposed to apply from 1 January 2015 to 31 December 2016. It also provides information to help customers who have installed PV units, or are considering installing them, to understand the financial benefits they may receive.

PROPOSED R-FiT FOR 2015-16

ESCOSA has proposed a **minimum R-FiT for 2015 of 5.3 cents/kWh**. This amount reflects the lower bound of the estimated value to retailers of PV customers' exports in 2015. It is proposed this amount will be reviewed, and potentially varied, for 2016 based on updated market information closer to that time.

The *minimum* R-FiT is binding on retailers. However, it is up to retailers to decide whether it should offer payments above this amount.

The proposed R-FiT of 5.3 cents/kWh reflects the forecast wholesale market value of PV electricity in the coming year. The proposed value is lower than the 2014 R-FiT of 6.0 cents/kWh, due to the lower forecast wholesale market price of electricity.

If the draft decision was implemented, average PV customers (consuming 5,000 kWh annually) and larger-sized PV systems may see a reduction of around \$8 in annual R-FiT payments.

If a *minimum* value was set which proved too high, then there may be a reduction in competition for PV customers, and hence in the incidence or extent of Market Offers available to them, as those customers may be less attractive to electricity retailers. Alternatively, retailers may choose to increase their consumption tariffs to customers.

The draft decision also proposes a formal price-monitoring regime to monitor the extent of competition for PV customers and the incidence of R-FiT payments above the mandatory *minimum* R-FiT value. Evidence provided through that process will inform ESCOSA's subsequent decision as to whether to continue to set a *minimum* R-FiT in 2017.

NEXT STEPS

The Commission is seeking submissions from all members of the community on this Draft Price Determination, with submissions due on or before **Thursday 30 October 2014**. All submissions will be placed on the Commission's website, subject to any confidential material being excluded.

The Commission intends to release a Final Decision in early December 2014.

All documents associated with the R-FiT Draft Price Determination can be accessed [here](#).

FINANCIAL BENEFITS OF PV UNITS

For PV consumers, there are two sources of ongoing financial benefit – reduced electricity bills and potential revenue from FiTs. The size of these benefits varies between PV customers, as they are influenced by factors such as the size and efficiency of the PV unit, its orientation and risk of shading, electricity usage rates paid, the pattern of electricity consumption and the exporting profile of the PV customer.

The main benefit of a PV unit to customers is meeting their own electricity needs and reducing the amount they need to buy from a retailer. The primary benefit of having a PV unit is therefore reduced electricity bills, and the most important financial consideration in selecting a Market Offer is likely to be the retail price of electricity, not necessarily the value of the R-FiT.

The R-FiT should be considered as part of an overall electricity market offer. For example, a market offer with a higher feed-in tariff may also come with higher usage charges and such an offer may not necessarily lead to the best overall deal for most PV customers.

Consumers should always scrutinise and compare offers to ensure that they select the best offer that meets their overall electricity needs. The Australian Energy Regulator (AER) provides a free, independent and unbiased price comparison service that allows consumers to compare offers from all retailers. The AER's price comparison service may be accessed by visiting www.energymadeeasy.gov.au or by calling 1300 585 165.



The Essential Services Commission of South Australia is an independent economic regulator of water, electricity, gas, ports and rail industries in South Australia. The Commission's primary objective is the protection of the long-term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

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