

30 October 2014

Mr Con Carellas
Essential Services Commission of South Australia
Level 1, 151 Pirie Street
ADELAIDE 5001

Dear Con

We write in relation to the Commission's draft price determination of 5.3 cents per kWh for the minimum solar feed-in-tariff to apply from 1 January 2015 until 31 December 2016 (subject to a mid-term review).

Executive Summary

Business SA's continued support for the renewable energy sector, including solar industries such as panel and battery storage manufacturing, is predicated on the long term benefits for South Australia. However, all regulatory support for renewable energy need to be balanced against the cost of electricity for consumers at large, particularly small businesses.

At present, given the somewhat limited competition from energy retailers for solar customers, Business SA does not oppose the Commission's draft determination of a minimum solar feed-in-tariff. It is also appropriate that the rate be set at the lower end of the fair value range, 5.3 cents per kWh, particularly considering a cross subsidy is still in place for all energy consumers to support State Government feed-in-tariff schemes.

Notwithstanding, given the mandated minimum solar feed-in-tariff is now quite low, there needs to be appropriate consideration given to the value of future regulation. Unfortunately the Commission's report does not convey its costs of continuing to regulate the minimum solar feed-in-tariff, including the costs of external consultants. A proper transparent analysis of the costs and benefits of regulating a minimum solar feed-in-tariff should be made public, particularly in light of several other states abolishing such regulation.

Background

We make the following comments in relation to our position:

1. Firstly, we are pleased the Commission has acknowledged that reduced electricity bills are the most significant source of financial benefits for solar customers. It is important to establish appropriate context in the debate on whether or not to continue regulating a minimum solar feed-in-tariff.

2. From the thorough market data provided by the Commission, it is apparent that while there is significant competition for electricity customers at large, competition for solar customers is more limited. This is evidenced by the fact that only one electricity retailer offering a solar feed-in-tariff above the regulated minimum was also making its best electricity offer available to solar customers.
3. We note that under the *Essential Services Commission Act 2002* and the *Electricity Act 1986*, the Commission is required to consider several factors to determine if it is in the long-term interests of consumers for a regulated minimum solar feed-in-tariff to be maintained, including deregulation and the costs of regulation. However, we advise that no detailed information has been made available in the Commission's report detailing the actual costs of regulation for the Commission and the external consultant it engages to provide pricing analysis.

Considering the minimum feed-in-tariff has already declined substantially since it was introduced and that the significant source of financial benefits to solar customers results from reduced electricity bills, it is becoming increasingly important for the Commission to consider whether the costs of regulation can be substantiated to justify the associated benefits.

4. It is important to recognise that there already exists a substantial subsidy from non-solar to solar customers as a legacy of the State Government's generous feed-in-tariff schemes. Business SA has never called for the abandonment of such schemes, but the reality is that electricity prices are still a major concern for business, particularly small business. Accordingly, the Commission must consider what is in the best interests of all South Australian consumers in determining further regulation; noting deregulation has already occurred in Queensland, New South Wales and the Australian Capital Territory.

Who we are

As South Australia's peak Chamber of Commerce and Industry, Business SA is South Australia's leading business membership organisation. We represent thousands of businesses through direct membership and affiliated industry associations. These businesses come from all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

Nigel McBride
Chief Executive Officer