



29 October 2014

2015-2016 Retailer Feed-in Tariff - Draft Price Determination
Essential Services Commission of South Australia
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2015-2016 Retailer Feed-in Tariff - Draft Price Determination

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Essential Services Commission of South Australia's (ESCOSA) Draft Price Determination on the review of the solar feed-in tariff (FIT) premium for 2015-16.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 34 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 51,000 people and contribute \$16.5 billion directly to the nation's Gross Domestic Product.

The esaa made a submission to ESCOSA's inquiry into setting the solar FIT premium in 2013. At that time, we argued that the market was best placed to determine the value of solar PV to electricity retailers and that as such that any FIT should allow for the market to operate efficiently. The esaa considers that the South Australian market is effectively competitive with deregulated retail prices and a high level of customer switching.

The draft price determination explains that the primary reason for making a regulated FIT price determination is the level of uncertainty around competitiveness and effectiveness of the market for electricity customers with solar PV installed. Regulated prices themselves can be inhibitors of competition, so this is not a strong rationale for continuing to regulate. We welcome ESCOSA's decision to re-assess the need for regulating a FIT in 2014.

ESCOSA's previous solar FIT premium determinations have been largely based on the wholesale value of electricity. There are inherent uncertainties in estimating future wholesale electricity market prices. The esaa considers that because of this very uncertainty, and to support the deregulated market, ESCOSA should no longer set a FIT premium. Instead, electricity retailers should be allowed to determine and offer their own FITs.

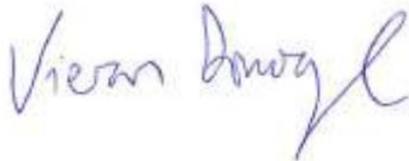
The risks involved in setting a regulated solar FIT are highly asymmetric. A low figure will have little impact in a competitive retail market like South Australia's, as competition should drive it higher than the regulated minimum. But if the FIT is set higher than what turns out to be a competitive market rate, it will distort competition by making solar customers unattractive to retailers because they are required to

overpay for those customers' electricity exports. Given South Australia is a deregulated market; this would be an unfortunate and potentially damaging outcome.

As the South Australian energy markets mature, competition is expected to continue to evolve. South Australia currently has one of the highest proportion of customers on market offers across National Electricity Market (NEM) jurisdictions, with 83 per cent of electricity customers on market offersⁱ. In a competitive retail market, competition will tend to drive market offers for solar PV FITs towards the efficient rate.

Any questions about our submission should be addressed to Panos Priftakis, by email to panos.priftakis@esaa.com.au or by telephone on (03) 9205 3115.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kieran Donoghue', with a stylized flourish at the end.

Kieran Donoghue
General Manager, Policy

ⁱ Australian Energy Market Commission, 2014 Retail Competition Review – Final Report