



24 July 2013

Review of the Solar Feed-in Tariff Premium – Issues Paper
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By email: escosa@escosa.sa.gov.au

REVIEW OF THE SOLAR FEED-IN TARIFF PREMIUM – ISSUES PAPER

Alinta Energy welcomes the opportunity to comment on the Essential Services Commission's (**ESCOSA**) Review of the Solar Feed-in Tariff Premium Issues Paper (**Issues Paper**) in relation to regulation of the feed-in tariff (FiT) premium from 1 January 2014.

Alinta Energy is both a generator and retailer of electricity and gas in Western Australia and the Eastern States energy markets. It has over 2500MW of generation facilities and in excess of 700,000 retail customers, including around 108,000 customers in Victoria and South Australia. As an incumbent retailer in WA and a new entrant retailer in the National Energy Market, Alinta Energy is well placed to comment on the Issues Paper.

Alinta Energy is strongly of the view that well-functioning competitive markets provide greater protection and long term benefits to consumers. It is with this in mind that we would express our view that FiT premiums should not be regulated and the competitive market determine the fair and reasonable level of an available FiT for energy exported into the grid. This approach is in the long-term interests of consumers and supports the deregulation of prices that occurred in February 2012. The deregulation of the FiT will further enhance competition and drive innovation in the variety of offers available to consumers.

The mandatory imposition and regulation of a FiT premium post December 2013 will only serve to hinder the progress of competition in the market as the cost of mandatory FiT premiums ultimately becomes a cost incurred across all consumer classes. Further we would suggest there is no evident market failure or evidence to suggest there is any degree of market power, associated with the FiT premium that could or would be misused. In the absence of any market failure we do not see the need for any other form of regulatory intervention.

Whilst recognising the limitations placed on ESCOSA under the Act, we would highlight the approach adopted by the Independent Pricing and Regulatory Tribunal in NSW in setting a fair and reasonable range of FiT is something for future consideration by ESCOSA. This approach allows for competition in the provision and level of the FiT and is further aligned with the concept of competition creating benefits for consumers.

However should the Commission ultimately come to the conclusion that regulation of the FiT is required the suggested approach outlined in the Issues Paper, where the regulation of the FiT would be set at the level of the fair and reasonable value to the retailer of the electricity feed into the network would be the preferred approach.

However, in developing the detailed modelling approach, the Commission should consider:

- Setting a lower rather than a higher FiT, as where the FiT is set too high FiT customers are likely to have limited retail offers available to them and may therefore miss out on better energy discounts off their entire bill as not all retailers are prepared to sell to customers on the FiT where it is too low;
- Roof top solar power is not a *firm* source of power supply and therefore retailers cannot rely on it in all trading intervals. Accordingly, the value of solar as a hedge should be discounted accordingly; and
- The high administrative costs involved in managing customer accounts where there is a FiT applied;

Should you require any additional information or wish to discuss this submission please contact me on (02) 9372 2653, or via email: shaun.ruddy@alintaenergy.com.au.

Yours sincerely

Shaun Ruddy
Manager National Retail Regulation