

23 July 2013

Essential Services Commission of South Australia  
Level 8/50 Pirie Street  
Adelaide SA 5000

### Review of the Solar Feed-in Tariff Premium

Thank you for the opportunity to respond to the issues paper for this review. Simply Energy is a member of the Energy Retailers Association of Australia (ERAA) and supports the ERAA's submission to this review.

Simply Energy considers that a market failure with respect to retail solar feed-in tariffs does not exist, and consequently supports the end of the Feed-in Tariff (FiT) Premium on 31 December 2013. Many retailers, including Simply Energy, are or have been offering solar feed-in tariffs higher than the regulated rate.

The key driver of this behaviour is the competitive state of the South Australian market. Solar PV customers represent a sizeable share of the South Australian market and cannot be ignored if a retailer is to be successful.

If the Commission considers that some form of guidance should be available to consumers, Simply Energy suggests that the Commission publishes a non-mandatory benchmark range that shows the Commission's view of the likely value to retailers of the energy exported by small customers with rooftop solar photovoltaic (PV) systems. This approach is similar to that adopted by the New South Wales Independent Pricing and Regulatory Tribunal (IPART).

We believe the approach used in New South Wales is a good model for South Australia. Relevant market conditions are more favourable for solar PV customers in South Australia than in New South Wales, supporting the adoption of a non-mandatory approach similar to IPART's. In particular:

- The number of active electricity retailers servicing the small customer market is similar in each state<sup>1</sup>.
- South Australia continues to have a high switching rate.
- South Australia has the highest penetration of rooftop solar PV in the NEM, at approximately 18% of premises. This is significantly higher than New South Wales, at approximately 7%. The high penetration of rooftop solar PV in South Australia provides a stronger incentive than in other states for retailers to offer tariffs that appeal to customers with PV systems, such as attractive feed-in tariffs.

We also note that South Australia is now a price deregulated market, meaning that retailers have greater flexibility over the range of tariffs they can offer to the market.

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<sup>1</sup> Australian Energy Regulator. State of the Energy Market 2012. 20 December 2012. Page 120.

## Responses to the Commission's questions

*Is it in the long-term interests of consumers for the Commission to continue to regulate the FiT Premium beyond 1 January 2014?*

Simply Energy does not believe that continued regulation of the FiT Premium is required. Continued regulation will impose additional ongoing costs on consumers in general.

The end of FiT Premium regulation on 31 December 2013 will give retailers the flexibility to offer feed-in tariffs that reflect the value of the energy to other consumers. This will maximise the value of our offers to solar consumers and consumers in general, keeping costs for all consumers as low as possible. Flexibility is important as technology and market changes can happen very quickly, and opportunities to better meet the needs of customers are lost if retailers are unable to respond in time.

*In the absence of a regulated FiT premium, are there likely to be any differences in the extent to which consumers could exercise choice between energy retailers providing retailer feed-in tariffs, as distinct from energy retailers selling electricity to end-users more generally?*

We do not believe that there will be less competition for solar PV customers. We have a stronger incentive in South Australia than in other states to offer tariffs that appeal to customers with PV systems, such as attractive feed-in tariffs. This is due to the very high penetration of solar PV in South Australia (approximately 18% of premises<sup>2</sup>). This represents a significant part of the market that cannot be ignored.

*Is there sufficient competition in the relevant market (however defined) to ensure that consumer interests can be promoted without the need for direct price regulation?*

The general electricity retail market in South Australia is the relevant market, supported by the high penetration of rooftop solar PV in the state.

The electricity retail market in South Australia is a competitive market, with a comparable number of active retailers to New South Wales, a high percentage for customer switches of electricity retailer, and a lower incumbent retailer market share than New South Wales, which does not regulate the FiT Premium.

*Do the benefits of setting a regulated FiT Premium outweigh the associated costs?*

A regulated FiT premium provides some certainty for consumers that export solar PV energy, but this is outweighed by the costs to consumers from retailers not having the flexibility to offer feed-in tariffs that reflect the value of the energy to other consumers. There is also the cost to consumers that a regulated FiT Premium provides additional incentives to develop sub-optimal rooftop solar PV installations, reducing the government incentives available for more optimal installations.

*Are there other regulatory approaches that should be considered by the Commission rather than directly determining the regulated FiT premium?*

If the Commission considers that some form of regulation is still required, Simply Energy supports the Commission publishing a non-mandatory benchmark range that shows the Commission's view of the likely value to retailers of the energy exported by small customers with rooftop solar photovoltaic (PV) systems. The benefit of this compared to a regulated FiT premium is that providing solar consumers with this additional information will be at a lower cost to consumers in general.

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<sup>2</sup> Compared to approximately 7% for New South Wales, for example.



Level 33, Rialto South Tower  
525 Collins Street  
Melbourne, Victoria 3000  
Fax +61 3 8807 1199  
[simplyenergy.com.au](http://simplyenergy.com.au)

Please don't hesitate to contact James Barton on (03) 8807 1171, or at [james.barton@simplyenergy.com.au](mailto:james.barton@simplyenergy.com.au), if you wish to discuss this submission further.

Yours sincerely

Dianne Shields  
Senior Regulatory Manager