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Con Carellas, Manager Market Analysis

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RE: Review of the Solar Feed-in Tariff Premium - Issues Paper

Dear Con,

Thank you for the opportunity to comment on the review of the solar feed-in tariff (FIT) premium, and for granting us an extension to do so.

The Conservation Council of South Australia supports a transition to renewable electricity as quickly as possible, to the maximum extent possible, as the electricity sector remains a major source of greenhouse gas emissions. There are benefits in having a diverse approach that supports large-, community- and household-scale renewable energy generation, together with energy efficiency, energy storage, an electricity grid that supports renewables, and regulatory and price frameworks that support all aspects of renewable energy in an integrated manner.

This consultation focuses on one part of many systems of support aimed at household scale electricity consumers with installed renewable energy systems in order for them to be able to sell their excess electricity. Unfortunately, the scope and the role of ESCOSA are not integrated with any whole-of-system thinking.

The Conservation Council SA supports the feed-in tariff concept. Compared with other state and federal incentive programs this one appears to be the fairest approach and one that can be maintained into the future.

Some previous government renewable schemes were not sustainable as increased participation increased costs for governments until the schemes were wound back or scrapped. For example, sale of Renewable Energy Certificates by householders:

- did not necessarily relate to renewable energy deemed to be generated;
- for a period were able to be bought and sold as GreenPower, causing double counting issues;
- initially displaced other renewable energy required by law, then this was increased massively with the Solar Credits multiplier
- split large-scale and small-scale certificates, causing a 4000 GWh reduction of the level of renewable energy generation required each year by law.

The benefit of the solar feed-in tariff approach is that household producers need only be paid for the renewable electricity that they feed into the electricity grid, and this approach can continue for decades.

Who can best determine a fair price?

ESCOSA, rather than the retailers, are best able to determine a fair price for electricity that householders feed into the grid. This is entirely consistent with ESCOSA's objectives to:

- promote competitive and fair market conduct;
- prevent misuse of monopoly or market power;
- facilitate entry into relevant markets;
- promote economic efficiency;
- ensure consumers benefit from competition and efficiency;
- facilitate maintenance of the financial viability of regulated industries and the incentive for long term investment; and
- promote consistency in regulation with other jurisdictions.

The retailers, on the other hand, are not able to take into account broader issues such as the true value (environmental, social and economic) of household renewable-energy generation.

In addition, the retailers do not have a good track record of providing householders an adequate value for their renewable energy contributions, or paying peak premium prices for providing their surplus electricity. Retail markets and their pricing and disclosure practices remain unacceptably complex and non-transparent, particularly when it comes to the complicated parts of a bill such as rebates, carbon emissions, carbon pass-through costs, and GreenPower components. There is a risk that unregulated feed-in tariff components could become confused and offset by other components in electricity bills under such confusing billing practices.

We therefore argue that it is in the long-term interests of consumers for the Commission to continue to regulate the FIT premium beyond 1 January 2014.

What market?

The Conservation Council SA regards the household renewable energy market as a unique and vital component of the electricity market that has its own needs. Similarly, the GreenPower consumer market is part of the electricity market, so it is interesting that many in the electricity sector seek to dismiss GreenPower as being something that sits outside the market. Both of these segments of the overall market require a level of supervision, representation and regulation.

The Conservation Council SA rejects the notion that because the broader electricity market is deregulated, the household renewable market should also be deregulated. A key point of difference is that the household renewable energy market and GreenPower customer markets are largely unrepresented for their unique and particular needs. Who is going to stand up and represent these markets to advocate and negotiate for fair terms, conditions and prices? The existing consumer advocacy groups do not yet adequately represent the needs of renewable energy households and GreenPower customers. Existing consumer advocacy groups have a priority to focus their attention on harm minimisation and

cost reduction, particularly for disadvantaged customers and others facing hardship.

Until there is considerable reform of regulatory frameworks ensuring householders have the capacity to negotiate, ESCOSA is best placed to support this segment of the market.

Time of generation and peak rewards

Ideally, ESCOSA would regulate a single minimum FiT schedule that supports peak-time rewarding. There may even be an opportunity with smart meters to refine this approach.

Broader market issues and the need for consolidation

There are currently at least three rewards for household solar customers, being the small scale RET, the 44c/kWh tariff paid by SA Power Networks and this premium tariff paid by retailers.

There should only be one mechanism, but it needs to provide a fair price and continue driving the transition to a clean energy future as quickly as possible. Ultimately, the 44c/kWh tariff paid by SA Power Networks would be merged with the premium tariff paid by retailers. Retailers would be free to offer additional FiT payments above this rate, should they choose to do so.

The Conservation Council SA does not support ESCOSA requiring a low FiT and hoping that the market will determine the fair higher price. The current market framework is simply not sufficiently mature or transparent to prevent market failure for the household renewables sector. Given the many start-and-stop renewable energy incentive schemes in the past, it is time to secure a fair price for renewable energy: a financial reward for all the social, economic and environmental benefits that it provides.

I would be happy to discuss our submission in more detail.

Kind regards

A handwritten signature in black ink that reads "Tim Kelly". The signature is written in a cursive, slightly slanted style.

Tim Kelly

Chief Executive
Conservation Council of South Australia