

23/07/13

Submission to the ESCOSA Issues Paper Review of the Solar Feed-in Tariff Premium

Comment

I am not sure why you are bothering to consider whether to deregulate the FiT Premium. By allowing retailers to charge higher fees to consumers with solar pv than they charge consumers without solar pv, you have already allowed the retailers to decide how much effective FiT Premium they wish to pay.

There is no longer anything fair or reasonable in this arrangement. You have wasted tax payers money in deciding a fair and reasonable payment and just 14 months later effectively saying it is up to the retailers how much they should pay.

The fatal flaw in the deregulation of retail prices is in this ability to treat solar pv customers differently to non-solar pv customers. If this is not corrected by mandating that published prices for non-solar customers must also be made available to solar customers, then the rest of this exercise is futile, the FiT Premium will have been deregulated already.

Points addressed

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

Yes.

Experience in other states where a FiT Premium has not been regulated and in SA before the price was regulated, has been that most retailers who pay a voluntary amount settle on 6c or 8c. This amount has been typical for several years, it did not vary across states even though wholesale prices do and there are no signs that it will ever rise. The amount paid therefore seems not to be subject to competitive pressure. It as if the retailers have an informal agreement amongst themselves of what the amount should be.

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?

No

Experience in other states and in SA prior to regulation shows that retailers display cartel like behaviour when determining what price they should pay for a FiT Premium. Whilst they all charge fractions of cents in their kWh rates and adjust them regularly, voluntary FiT Premiums are only ever set in whole cents and are never adjusted to reflect changes in their value to the retailer. That indicates that only the most cursory assessment is made of the value of the FiT Premium by retailers, they are more likely to decide to pay or not pay an amount than to consider what a fair value might be. If the FiT Premium was operating in a competitive market you would expect amounts in fractions of cents to be seen, as was the case when it was regulated in SA and other states and as is the case with retailers other prices.

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?

No

Prior to regulation, prices paid were several cents below what ESCOSA ultimately determined they should be. During the consultation period, all responding retailers assessed the appropriate amount to be less than what ultimately ESCOSA determined it should be. Retailers also seem disingenuous when offering voluntary FiT Premiums in other states by excluding solar customers from discount schemes available to non-solar customers. Since retail price deregulation in SA, we have at least one retailer that charges an extra 27.42c per day service charge for solar customers (note fractions of cents indicating a carefully calculated amount). This seems outside the spirit of the mandatory FiT Premium, in effect removing the FiT Premium for the first 3kWh exported daily. If this practice becomes common amongst retailers, the worst affected will be solar pv customers with small systems who export small amounts each day.

This might come under the term "Unconscionable Conduct" where a condition is imposed on a weaker party (pay us an extra fee to receive the FiT Premium) that are not reasonably necessary to protect the legitimate interests of the stronger party.

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

If retailer behaviour when dealing with FiT Premiums is unregulated, it is certain that the number of complaints from consumers about poor treatment will increase and that will increase costs. In my opinion, better to decide the issue once, regulate and take away any opportunities for bad behaviour. Whilst retail companies can retain legal expertise and marketing experts when formulating their agreements, the average customer cannot. In that sense the individual customer is always bringing a knife to a gunfight.

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

Yes

ESCOSA should immediately regulate to ensure that no distinction is made between solar and non-solar customers when retailers offer prices. Without that regulation, this exercise will be futile. The cynical disregard one retailer has displayed for the spirit of the mandatory FiT Premium should be all the evidence that ESCOSA needs to act.