

1 November 2013

Review of the Draft Price Determination – Retailer Solar Feed-in-Tariff
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Dear Sir/Madam,

I write to you in relation to the Review of the Draft Price Determination for the Retailer Solar Feed-in-Tariff (solar fit).

Executive Summary:

Business SA continues to support the solar industry in South Australia but as Governments' pursue an agenda of renewable energy advancement in a tight economic climate, it is increasingly important that the true value of alternative energy sources is transparent. Only with free and open markets are policy makers able to determine the economic value of renewable energy and ensure policies are appropriately designed to capture that value.

Business SA is cognisant of the current market fundamentals for solar power in South Australia, and other States where mandatory minimum solar fit payments are not uniform. As such, we agree with ESCOSA's approach of setting the retailer solar fit at 7.6 cents per kWh with a review to occur in 12 months. This is an appropriate balance between pursuing full deregulation and ensuring there is an appropriate level of market competition.

Background:

Business SA previously made a submission to the review of future regulation of South Australia's retailer solar fit in July 2013, and now provides additional comment on ESCOSA's Draft Price Determination as follows:

1. The penetration of solar power in South Australia is now well advanced and stands testament to this State's willingness to embrace and encourage renewable technology. The recent history of incentive schemes for households to install solar power has resulted in the highest per capita penetration in Australia.

On the flip side though there are equity issues around the fact that many residential and business customers are essentially subsidising those households benefiting from the incentive schemes, albeit this will gradually decline following the end of State Government subsidised schemes from 1 October 2013.

It is important to note that Business SA has not called for changes to existing arrangements between the State Government and solar subsidised households. These contracts have been entered into under good faith and while there may be cross-subsidisation for some time to come, for reasons of investor certainty those contracts should be honoured.

2. While Business SA has to date been supportive of measures to increase solar uptake, the case to justify an artificial price floor in the market for excess solar power fed into the grid is diminishing. Business SA notes that New South Wales has recently deregulated its solar ftp and the market majority energy suppliers are currently offering between 6 and 7.7 cents per kWh for solar power while the majority of prices being offered in Queensland sit between 6 to 8 cents per kWh. Business SA also notes that when we contacted Energy Australia, we were advised their minimum solar ftp for NSW was 7.7 cents per kWh, not zero as per ESCOSA's Draft report.

While there may be some market variations due to wholesale price differences, New South Wales is the best proxy for the South Australian electricity market given its Government solar incentive schemes have also ended, and as such, ESCOSA's decision to set its Draft Price Determination for the retailer solar fit at 7.6 cents per kWh seems logical. This price also accords with that recently determined by the Queensland Competition Authority which has undergone a similar process of review.

While Business SA still supports full price deregulation for solar, we accept that ESCOSA has decided to monitor the market for another 12 months to properly ascertain the level of competition.

Business SA has previously advised that any price determination of a solar ftp must allow for the benefit that small consumers receive from the solar power they actually consume. ESCOSA should not presuppose that the entire incentive for consumers to install solar power is for revenue generated from fit payments.

Who we are:

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely



Nigel McBride
Chief Executive Officer