

1 November 2013

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

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

Review of the Retailer Feed-in Tariff

Thank you for the opportunity to respond to the draft price determination for this review.

The Essential Services Commission of South Australia (ESCOSA) has proposed to reduce the regulated Retailer Feed-in Tariff (R-FiT) to 7.6 c/kWh.

While Simply Energy welcomes this proposed reduction, we continue to hold the view that ESCOSA discontinue regulating the R-FiT. The removal of price regulation provides more flexibility for feed in tariffs to adjust to market dynamics and for the energy generated from solar panels to be priced in accordance with what other energy consumers are prepared to pay for it.

The case for continued regulation is not made

ESCOSA bases its decision to continue regulating the R-FiT on the finding that, while the South Australian electricity market is generally considered to be competitive, “the degree of competition between electricity retailers for PV customers is more uncertain.”¹ In reaching this conclusion, ESCOSA notes that

- Only one electricity retailer pays more than the minimum R-FiT,
- PV customers appear not to have the same access as non-PV customers to best priced market offers, and
- There may be some impediments to customer switching in terms of information and transactions costs.

We do not find these conclusions entirely convincing as justification for continuing regulation of the R-FiT.

First, the lack of market offers in excess of the minimum R-FiT is not evidence of a market failure but rather suggests that the regulated R-FiT has been set well above the efficient market rate and that other energy consumers are paying more than they should for the energy exported into the grid.

Second, that 7 out of the 10 major retailers that operate in South Australia make their best available offers available to PV customers² suggests evidence of healthy competition amongst retailers for PV customers rather than any market failure that requires regulation of FiT rates.

Finally, care needs to be taken with the use of switching data in relation to solar PV customers. Customers normally switch to find themselves a better deal and for PV customers, a better deal is usually a better FiT rate. If all retailers are offering the regulated R-FiT, then there may be little incentive for solar PV customers to

¹ ESCOSA. Op cit. Page 43.

² ESCOSA. Op cit. Page 37.

switch retailers to find a better FiT rate and thus PV customer switching rates could be lower than for other customer types.

PV customers would be better served through publication of a non-mandatory benchmark range

We agree with ESCOSA that information can assist solar PV customers to evaluate the offers available to them.

Simply Energy has submitted in the past of the need to replace direct regulation (or price monitoring) of FiT prices with the publication of a non-mandatory benchmark range. Publication of such a range can provide the information that solar PV customers require to assess the offers available to them.

Simply Energy does not consider that a regulated R-FiT is necessary. If ESCOSA confirms its draft determination to regulate the R-FiT, then we consider that an R-FiT at the lower end of the range, as proposed, has less overall negative impact on customers than a higher value.

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

Yours sincerely

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