



1 November 2013

Con Corellas
Manager Market Analysis
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

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

Dear Con,

Retailer feed-in tariff – Draft Price Determination 2013

AGL Energy welcomes the opportunity to comment on the Essential Services Commission of South Australia (the **Commission**)'s Draft Price Determination (the **Draft Determination**) on *Retailer Feed-in Tariff (R-Fit)*, September 2013. AGL has previously provided a submission in response to an Issues Paper released by the Commission in June 2013.

Background

The Commission has released a Draft Determination which will set a minimum R-FiT value of 7.6c/kWh from 1 January 2014 for one year. This is based on the lower bound of the reasonable range of values which have been assessed by ACIL Allen Consulting (AAC), the Commission's advisor. The Commission has also proposed to implement a price monitoring regime in respect of retailers' R-FiT offerings and competition for PV customers to inform the Commission as to whether further price setting of the R-FiT by the Commission should be continued.

AGL's comments on the two key points of the Draft Determination are outlined below.

Value of Retailer Feed-in Tariff

AGL maintains that the continued regulation of the value of the FiT is unnecessary given the removal of price regulation of the electricity and gas retail markets, and that the access to a solar FiT is not an essential service. In addition, the solar PV market is not a separate market – solar PV offers are part of AGL's general offers.

However, given the Commission's decision to continue to regulate for one year, AGL supports the approach that the Commission has taken to set the value of the R-Fit. As noted by the Commission, there is considerable uncertainty in setting a fair and reasonable value for the R-FiT. By setting the R-FiT on the basis of the low end of the reasonable range assessed by AAC, it will provide flexibility for retailers to develop solar PV offers. AGL agrees with the Commission that if the minimum value is too high, PV customers may be less attractive resulting in reduced competition.

Price monitoring

AGL notes that the Commission will rely generally on publicly available data for price monitoring. In the Draft Determination the Commission has listed the key matters which the price monitoring will focus on. It is important that price monitoring does not create additional compliance requirements on retailers.

If you have any questions in relation to this submission, please contact Meng Goh on (02) 9921 2221 or mgoh@agl.com.au.

Yours sincerely,

Beth Griggs
Head of Energy Market Regulation