

## Retailer Feed-In Tariff Final Price Determination for 2014 17 December 2013

Households and small businesses with solar photovoltaic units in South Australia (**PV customers**) can earn feed-in tariffs for the electricity they export to the distribution network through their solar photovoltaic generators (**PV units**). All residential and small business PV customers can receive a retailer-paid feed-in tariff (**R-FiT**) from their retailer. Some customers also receive a distributor-paid feed-in tariff (**D-FiT**) of either 16 or 44 cents per kilowatt hour (**c/kWh**) from SA Power Networks.

Under the Electricity Act, the Essential Services Commission of South Australia (**ESCOSA**) must determine the R-FiT – the *minimum* price which retailers must pay to PV customers for electricity exported to the distribution network.

This fact sheet explains the R-FiT minimum price approach, ESCOSA's determination for 2014 and what it means for customers. It also provides information on the R-FiT price monitoring system that ESCOSA will implement.

### THE R-FiT VALUE FOR 2014

**Solar customer feed-in credit classes under the South Australian Feed-In Tariff scheme from 1 January 2014 (nominal cents/kWh and GST exclusive)**

PV Installation/ Approval Date	R-FiT from electricity retailers*	D-FiT from SA Power Networks	Total
<b>Class 1</b> (Before 1 October 2011)	7.6 c/kWh	44.0 c/kWh	51.6 c/kWh
<b>Class 2</b> (1 October 2011 to 30 September 2013)	7.6 c/kWh	16.0 c/kWh	23.6 c/kWh
<b>Class 3</b> (From 1 October 2013)	7.6 c/kWh	0.0 c/kWh	7.6 c/kWh

\* The minimum R-FiT value of 7.6c/kWh will apply while the carbon price exists. If the carbon price is removed, the minimum R-FiT value will be reduced to 6.0 cents/kWh.

The R-FiT recognises that electricity which is exported to the distribution network is valuable to retailers and provides a means by which PV customers may realise that value through the receipt of payments from retailers.

ESCOSA has determined the *minimum* R-FiT price of **7.6 cents/kWh** for 2014. This amount reflects the lower bound on the estimated value to retailers of PV customers' exports in 2014<sup>1</sup>.

However, ESCOSA notes that, if the market for PV customers sufficiently competitive, retailers will compete for customers and may offer R-FiT customers prices above 7.6 cents/kWh.

ESCOSA has made this determination for the 2014 calendar year only.

In 2014, ESCOSA will also implement a formal price-monitoring regime to monitor the extent of competition for PV customers and the incidence of R-FiT payments *above* the mandatory *minimum* R-FiT value. Evidence provided through that process will inform ESCOSA's subsequent decision as to whether to continue to set a *minimum* R-FiT in 2015.

Changes to the R-FiT do not affect the D-FiT payments paid by the Distributor, that is, the 16 or 44 cent feed-in tariff.

### WHY IS THE NEW R-FiT LOWER THAN THE EXISTING VALUE?

Considerable uncertainty exists regarding the fair and reasonable value of the R-FiT. Given this uncertainty there is a risk that, if ESCOSA were to set a *minimum* value which proved too high, then there may be a reduction in competition for PV customers and, hence, in the incidence or extent of Market Offers available to them, as those customers may be less attractive to electricity retailers.

On the other hand, if ESCOSA was to set the *minimum* R-FiT at too low a level *and* if competition was not sufficiently robust to deliver competitive R-FiTs above that level, then customers may not receive fair value for the electricity that they export.

<sup>1</sup> Independent economic advice provided to ESCOSA by ACIL Allen Consulting, estimates the reasonable range to be between 7.6c/kWh and 13.4c/kWh.

ESCOSA has balanced the possible gains and losses to consumers involved with setting higher or lower R-FiT values.

The *minimum* R-FiT value to apply from 1 January 2014 is less than the current R-FiT of 9.8 cents/kWh, for two reasons.

- Electricity wholesale cost forecasts have declined significantly, resulting in a fall in the value of electricity exported by PV customers.
- A *minimum* R-FiT of 7.6 cents/kWh gives retailers the opportunity to demonstrate how competitive the market for PV customers can be, while ensuring that PV customers are protected by receiving at least the lower bound value if the market does not prove sufficiently competitive.

ESCOSA considers that its determination represents a cautious and measured approach which best serves ESCOSA's primary objective of protecting the long-term interests of South Australian electricity consumers.

## WHAT HAPPENS IF THE CARBON PRICE IS REMOVED?

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In the event that the Clean Energy Act 2011 is no longer in force or the carbon price under the Act is set to zero, the prescribed amount will be varied from 7.6 cents/kWh to 6.0 cents/kWh.

## CONSUMERS SHOULD SHOP AROUND FOR THE BEST DEAL

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ESCOSA encourages South Australian consumers to compare offers from electricity retailers to ensure they have the most appropriate, and cost effective service for their needs. The Australian Energy Regulator operates a free energy price comparison service ([www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au) or by calling 1300 585 165) that allows consumers to compare offers from electricity retailers in South Australia.

All documents associated with ESCOSA's Review of the R-FiT can be accessed from the ESCOSA website ([www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)).

## FURTHER INFORMATION

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If you have any questions or would like to discuss any matter relating to the determination, please contact:

- Peter Lim, Senior Regulatory Analyst

If you would like to keep up to date with our energy industry activities and the release of papers for consultation, subscribe at <http://www.escosa.sa.gov.au/subscribe.aspx>.



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THE ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA  
Level 1, 151 Pirie Street Adelaide SA 5000  
GPO Box 2605 Adelaide SA 5001  
08 8463 4444 | [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au) | [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)