



22 April 2013

2013 Determination of Solar Feed-in Tariff Premium -
Draft Price Determination
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By e-mail: escosa@escosa.sa.gov.au

SOLAR FEED-TARIFF PREMIUM - DRAFT PRICE DETERMINATION

Origin Energy (Origin) welcomes this opportunity to respond to the Commission's draft price determination for the solar feed-in tariff (FIT) premium to apply from 1 July 2013.

Origin acknowledges the adjustments made in the draft determination, including recognition of the observed decline in wholesale electricity prices in South Australia. While Origin agrees with maintaining the 9.8 cents per kWh FIT premium (to be paid by energy retailers) for the remainder of 2013, we believe the ongoing case for continuing to regulate the FIT premium has been seriously weakened by the decision by the South Australian Government to deregulate retail electricity prices.

Given this decision, we consider it timely to also review the need to and effectiveness of regulating the FIT premium. Given the number of customers with solar PV systems installed in South Australia and the Government's own assessment of competitiveness within the retail market, we do not consider ongoing regulation of the FIT premium necessary. We would welcome such a review in the next 12 months.

With respect to the Commission's methodology, we note that the retailer contribution (the FIT premium) is much higher in South Australia compared with other jurisdictions. The 9.8 cent per kWh rate proposed in the draft determination is:

- 34% higher than the recent determination by the Queensland Competition Authority as the retailer contribution to the Solar Bonus Scheme and 29% higher than the fair and reasonable estimate of a FIT for new solar PV customers (6.859 and 7.55 cents per kWh respectively);
- 27% higher than the current IPART determination for 2012/13 as the mandatory retailer contribution to that state's now close Solar Bonus Scheme (7.7 cents per kWh); and
- 22.5% higher than the minimum FIT prescribed in Victoria (8 cents per kWh).

These relativities would be lower if the 9.3 cents per kWh forecast by the Commission (refer to page 18 of the draft determination) was applied as the comparator. Nevertheless, it is clear that FIT premiums in South Australia are materially higher relative to other parts of the NEM.

While Origin does not challenge the modelling that the Commission has produced in conjunction with its advisors, such differences demonstrate the importance of nationally consistent FIT policy. Origin has argued for national consistency for many years. Notwithstanding the different approaches taken to FIT schemes in various NEM jurisdictions, the continuing lack of uniformity has added to complexity and cost for retailers and ultimately their customers, affecting the competitiveness of the retail market for solar PV customers. This is an additional reason to support the removal of regulation.

From an administrative perspective, Origin concurs with maintaining the 9.8 cent per kWh rate for the remainder of calendar 2013 and considers the mechanical approach to updating the FIT premium on a calendar year basis thereafter is appropriate and the most efficient approach to apply in the short to medium term.

Should you have any questions or comments in relation to this response, please contact me in the first instance.

Regards

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