

7 December 2011

Nathan Petrus
Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Dear Mr Petrus

RE: 2011 Determination of Solar Feed-in Tariff Premium Draft Price Determination

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Essential Services Commission of South Australia's (ESCOSA) Determination of Solar Feed-in Tariff (FiT) Premium Draft Price Determination (the Determination).

The ERAA is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating predominantly in the electricity and gas markets in every State and Territory throughout Australia. These businesses collectively provide electricity to over 98% of customers in the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

In the ERAA's submission to ESCOSA's Issues Paper on 21 September 2011, it was requested that the retailer component be set to zero and the competitive market left to determine the retailer contribution. While this remains the preferred approach of the ERAA, as opposed to the 'heavy-handed' prescriptive approach given by ESCOSA in the Determination, the ERAA acknowledges that ESCOSA has a mandate to set the price.

The ERAA does not comment on the actual size of the tariff or the methodology that is used. Instead this is left to individual retailers to make in their own submissions. In setting the FiT premium, however, it is important that ESCOSA establish a price which does not result in additional costs to retailers, given that retailers, in a competitive environment, could increase their offers to offset any undervaluation of the FiT premium.

Regardless of the size of the tariff, the Solar FiT Premium results in substantial administrative and compliance costs for both incumbents and second-tier retailers and can impact on the competitive market. In order to operate in a market with FiTs, retailers must have appropriate systems set up to comply with and administer the scheme. This is an additional and costly exercise for new entrant retailers as they are required to setup additional systems to accommodate FiT requirements. New entrants may avoid the additional costs by not targeting Solar PV customers, which has resulting consequences for those customers. Otherwise, new entrants may choose not to enter the South Australian market. In any case, FiTs are detrimental to competition and ESCOSA must be mindful of this in future Determinations.

Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I can facilitate further discussions with my member companies.

Yours sincerely
Cameron O'Reilly



Chief Executive Officer
Energy Retailers Association of Australia