



Media Release

Solar power changes will encourage electricity retailers to offer better deals

20 December 2016

Electricity retailers will have greater flexibility in the way that they purchase solar power from customers from the start of next year. While retailer feed-in tariffs (R-FiTs) will continue to be available, as mandated by law, a mandatory minimum rate will not be set.

However, the Essential Services Commission of South Australia (ESCOSA) will require all retailers to publicly disclose and explain their R-FiT prices and structures, and may reintroduce a minimum R-FiT price if it believes consumers are being disadvantaged.

Chief Executive Officer Adam Wilson said today the decision followed a full public review and consideration of the underpinning legal and regulatory frameworks. Many helpful submissions had been received, particularly from solar customers and representative bodies.

"While R-FiTs are a part of an overall electricity package, the most significant customer benefit from solar PV continues to be avoiding the need to buy electricity from the grid," he said. "The increased flexibility will further encourage retailers to offer competitive, market-based R-FiTs as part of that overall package."

Evidence presented to ESCOSA suggested that current arrangements are not helping solar customers as well as they could, as they are effectively providing a safety net for retailers.

"Retailers are simply falling back to the minimum price, rather than responding to competitive forces and using the R-FiT to attract and retain customers," Mr Wilson said.

"When the R-FiT scheme was introduced in 2012, ESCOSA regulated electricity prices and even then the R-FiT was only a small part of an overall regulated package. However, electricity prices were deregulated in February 2013 and it is appropriate to make consequential changes in relation to R-FiT prices."

Prior to 2012, the value of fed-in electricity was generally not recognised in the form of payments to customers. In large part that was because the number of solar customers was still relatively small. This has changed over the past five years, not least because of the popularity of solar PV units in South Australia; around 25 percent of customers have become 'solar customers'.

"Electricity retailers now need to deal with solar customers as matter of normal business practice and that means they need to attract and retain those customers on a competitive basis," Mr Wilson said. "Customers who export solar energy to the grid provide benefits to retailers, and retailers must continue to pass those benefits back to their customers through R-FiTs."

Mr Wilson said the role and value of solar power produced from PV arrays on homes and businesses was changing as the market grew and evolved.

"In the early days there was a distributor feed-in tariff that was a transitional subsidy paid to solar customers (which was funded by all electricity customers) of up to 44c per kilowatt hour," he said. "That was about double the regulated standing contract usage price at the time and, at that rate, it made sense for people to try to maximise the amount of electricity they sold back to the network."

"That scheme closed in 2013 and, without the transitional subsidy, the incentive for customers is to use solar-generated power to avoid purchasing power from the grid, and solar contracts need to reflect that fact."

ESCOSA will closely monitor the change during 2017 and will exercise its statutory powers under the Electricity Act to reintroduce a minimum R-FiT price if competitive forces fail to deliver value to consumers.

Media contacts: Chris Rann, Rann Communication, 0418 832 512 or Linda South, Director Corporate Services, 8463 4444.