

31 January 2014

2014/15 Solar Feed-in Tariff Review
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Sir/Madam,

RE: 2014/15 Solar Feed-in Tariff Review Issues Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide feedback in response to the *2014/15 Solar Feed-in Tariff Review Issues Paper* (the Issues Paper).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

Under the Competition and Consumer Act 2010 (Cth), the ERAA is not permitted to share or discuss information within the Association in relation to prices and the mechanisms for setting prices. We refer to the individual submissions of our members to comment on more specific pricing issues and strongly recommend that the Independent Pricing & Regulatory Tribunal of NSW (IPART) has due regard to these submissions. It is within this context that the ERAA provides the following comments in response to the Issues Paper.

The market for electricity that is produced and exported by photovoltaic units

Competitive markets are best placed to determine the most appropriate, sustainable and economical value for the electricity that is produced and exported by photovoltaic (PV) units. In 2013 the Australian Energy Market Commission confirmed that competition in NSW's retail electricity market is providing benefits to small customers through effective choice of their retailer and electricity product.¹ The market for electricity exported by PV units in NSW has matured over recent years, with retailers competing to provide customers the offer that best suits them.

Retailers currently offer a range of Feed-in Tariffs (FiTs), including FiTs above the lower end of IPART's benchmark range for 2013/14. This range of voluntary offers demonstrates that there is no current market failure in NSW for electricity that is produced and exported by PV units, with retailers providing innovative and competitive offers to attract solar customers in NSW. Whilst the ERAA does not oppose the publication of this benchmark, we believe that the current FiT offers in the market most accurately reflect the value of this exported energy.

Contribution to the costs of the Solar Bonus Scheme

The ERAA notes that the terms of reference provided to IPART precludes recommendations that may lead to increased retail electricity prices. This condition applies to the mandatory contribution by retailers to the costs of the Solar Bonus Scheme (SBS) and also to

¹ AEMC (2013). *Review of Competition in the Retail Electricity and Natural Gas Markets in New South Wales – Draft Report*, p.29



customers who are not eligible for SBS payments. Given that markets are sufficiently competitive with a range of offers available for both these customer classes, mandating a contribution level to SBS customers above current market rates would risk an increase in retail electricity prices. To ensure consistency with the terms of reference, the ERAA recommends that IPART does not increase the mandated retailer contribution to the costs of the SBS. When estimating the direct financial gain to retailers, the ERAA encourages IPART to take into consideration the value the market has deemed to be efficient.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', written in a cursive style.

Cameron O'Reilly
CEO
Energy Retailers Association of Australia