

7 June 2013

Solar feed-in tariff review
GPO Box Q290
QVB Post Office NSW 1230

Dear Sir/Madam,

RE: Solar feed-in tariff review

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments to the *Solar feed-in tariff review* (the Review).

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 to the Review.

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. The Australian Energy Market Commission (AEMC) recently 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. According to IPART's *My energy offers* website, some retailers voluntarily pay between 5 and 8 cents per kilowatt hour for this electricity.² As there are no barriers to retailers offering higher payments, the ERAA considers that these figures reflect value that is fair and reasonable.

Contribution to the costs of the Solar Bonus Scheme

The ERAA notes that the terms of reference for the Review 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 and also to customers who are not eligible for Solar Bonus Scheme payments. Given that markets are sufficiently competitive for both these customer classes, mandating a contribution level above current

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

² IPART (2013). *Solar feed-in tariffs*. Retrieved 29 May 2013 from <http://www.myenergyoffers.nsw.gov.au/useful-information/solar-feed-in-tariffs.aspx>



market rates would risk an increase in retail electricity prices. When estimating the direct financial gain to retailers, the ERAA encourages IPART to take into consideration the current offers available in the market. To ensure that retail electricity prices do not rise, the ERAA recommends that IPART does not increase the mandated contribution to the costs of the Solar Bonus Scheme.

A fair and reasonable benchmark value for exported solar energy

The ERAA supports the continued publishing of a fair and reasonable benchmark value for exported solar energy. However, the ERAA does not support setting a benchmark range above the highest current market rates. To support a competitive electricity market as required by the terms of reference, it is essential to communicate the true market value for exported solar energy. Setting a minimum fair and reasonable benchmark above market rates will lead customer confusion. Given there is currently only one published offer above the minimum range of the 2012-13 benchmark,³ the ERAA would not consider an increase to the minimum level of the benchmark as appropriate.

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,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia

³ Ibid