Energy Retailers Association of Australia Limited

17 September 2012

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

By email: electricity@qca.org.au

Dear Sir/Madam

RE: Estimating a Fair and Reasonable Solar Feed-in Tariff for Queensland Issues Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Estimating a Fair and Reasonable Solar Feed-in Tariff for Queensland Issues Paper (the Issues Paper).

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 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 price-specific issues and strongly recommend that the QCA has due regard to these submissions. It is within this context that the ERAA provides the following comments on the Issues Paper.

Premium solar feeds in tariffs (FITs) are not the preferred policy option of the ERAA, and we welcome the recent decision by the Queensland Government to reduce the FiT under the Solar Bonus Scheme. The ERAA has long held the position that government policies and incentives should be transparent, on budget, and should address market failures. For this reason we also welcome the terms of reference for this review, namely that there must be no consequential increase in electricity prices in Queensland or cost to the Queensland Government budget.

The ERAA contends that in a competitive environment 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. Regulatory intervention is appropriate when there is clear market failure, however the ERAA contends that there is no clear indication of market failure in the provisioning of value for exported electricity from PV units. To date energy retailers have voluntarily offered a market premium of between 4 and 8 cents per kilowatt-hour. The middle of this range equates to $60 MWh, which demonstrates that customers are receiving good value considering the wholesale costs of other sources of energy. It is only through the competitive landscape of the energy market that this tariff innovation and value has been able to mature. This value is also consistent with the Council of Australian Government's (COAG) principle that customers "receive a fair and reasonable value for exported energy".

Whilst some energy retailers provide higher offers than others, this is the nature of the competitive market and is also consistent with COAG's principle of not mandating policy that "deters competition for PV customers' business from electricity retailers in jurisdictions where there is full retail contestability or innovation in the tariff offerings available to PV customers". Requiring energy retailers to fund non-economic solar subsidies through the setting of minimum mandatory FiTs or establishing an incorrect and over inflated benchmark price would have an adverse impact on retail competition, exacerbate consumer confusion and create unnecessary additional costs. Any mandated additional cost placed on energy retailers would act as a strong disincentive for energy retailers to sign up customers with PV units. The increased costs of managing existing and future customers on PV units could result in some energy retailers exiting the Queensland market.

Another important issue that must be considered is the overall competitiveness of the energy market in Queensland. As the ERAA has already communicated in regards to the QCA's Draft Determination on Regulated Retail Electricity Prices for 2012-13, the ability of retailers to offer market contracts is predominantly driven by the most influencing factor in the development of an effective energy market: the prevailing regulated retail price. The ERAA is concerned that the current regulated retail price may risk competition in the longer term. Should the QCA recommend mandatory contributions from retailers that are above what is commercially viable, this may further increase these long-term risks.

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

Yours sincerely

[redacted]

Cameron O'Reilly
Chief Executive Officer
Energy Retailers Association of Australia