

25 July 2013

Mr Jeff Cefai
Victorian Essential Services Commission
Level 2, 35 Spring Street
Melbourne Victoria 3000

By email: fitreview@esc.vic.gov.au

Dear Mr Cefai,

RE: Minimum Electricity Feed-in Tariffs: For application from 1 January 2014 to 31 December 2014 - Draft Decision

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide input to the Essential Services Commission's (ESC) *Minimum Electricity Feed-in Tariffs: For application from 1 January 2014 to 31 December 2014 - Draft Decision* (the Draft Decision).

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 ESC has due regard to these submissions. It is within this context that the ERAA provides the following comments to the Issues Paper.

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 market for electricity exported by PV units in Victoria has matured over recent years, with retailers competing to provide customers the offer that best suits them. The ERAA does not support a mandated minimum tariff level for electricity that is produced and exported by PV units. The ERAA notes that the Essential Services Commission of South Australia (ESCOSA) is currently considering the deregulation of Feed in Tariffs (FiTs). If the ESC believes that some form of guidance should be available, the ERAA suggests that the ESC publishes a fair and reasonable value for exported solar energy, similar to the approach used in NSW.

Given that the terms of reference require the ESC to calculate a minimum FiT, the ERAA considers the "wholesale price plus" methodology, which reflects avoided wholesale market costs and avoided distribution network losses, as used to estimate the draft FiT, to be a reasonable approach. However, the rationale for adding an additional 0.4 cents to this calculated rate does not appear to be appropriate.

The Draft Decision refers to the Victorian Competition and Efficiency Commission's recommendation, supported by the Victorian Government, that the feed-in tariff should be efficient and fair, avoiding cross-subsidies between consumers wherever possible. Adding



an additional 0.4 cents to the ESC's calculated rate of 7.6 cents has the potential to set the price for exported energy at levels above its value to other consumers, which could introduce cross-subsidies. As such, the ERAA does not support the Draft Decision to set the minimum FiT at 8.0 cents, instead supporting the ESC's estimated rate of 7.6 cents.

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', with a large, stylized flourish at the end.

Cameron O'Reilly
CEO
Energy Retailers Association of Australia