

28 July 2015

Ms Kerri Heron
Feed-in Tariff Review 2016
Essential Services Commission
Level 37 / 2 Lonsdale Street
Melbourne VIC 3000

Email: fitreview@esc.vic.gov.au

Dear Ms Heron,

RE: Minimum Electricity Feed-in Tariff to Apply from 1 January 2016: Draft Decision

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the the Essential Services Commission's (ESC) *Minimum Electricity Feed-in Tariff to Apply from 1 January 2016: Draft Decision* (the Draft Decision).

The ERAA represents the organisations providing electricity and gas to over 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.

Deregulated markets are best placed to determine the most appropriate, sustainable and economic value for the electricity that is produced and exported by small-scale renewable technologies, including photovoltaic (PV) units. Just as the deregulated Victorian energy market provides customers with choice in energy offers, a deregulated market for Feed-in Tariffs (FiTs) allows energy retailers to compete to purchase the electricity exported from PV units.

A mandated minimum regulated FiT as introduces an asymmetric risk into retail energy markets. FiTs are usually managed outside a retailer's standardised operating procedures, from connection through to the extra resources engaged to maintain appropriate customer service levels for small-scale renewable customers.

Recognising that the *Electricity Industry Act 2013* (Vic) requires a minimum FiT determination, the ERAA recommends the ESC ensure that in determining an appropriate minimum FiT the data used in the methodology accurately reflects existing market conditions at the time the Final Decision is made. In particular, market conditions may have changed since the Draft Decision was released.

Should a minimum FiT be set too low (or not be set at all), retailers will compete to offer customers FiTs that best suit their needs. Should a minimum FiT be set too high, retailers will be forced to purchase exported energy at higher rates than could be purchased elsewhere. This outcome would not be consistent with the long term interests of Victorian consumers, particularly solar customers who may experience a reduction in competition and associated benefits.



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 blue ink, appearing to read 'Alex Fraser', with a horizontal line underneath.

Alex Fraser
Interim CEO
Energy Retailers Association of Australia