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Dr David Watson
Acting Chair
Queensland Competition Authority
GPO Box 2257
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Email address: electricity@qca.org.au

Dear Dr Watson

Estimating a Fair and Reasonable Solar Feed-in Tariff for Queensland

EnergyAustralia welcomes the opportunity to provide further comments on the Queensland Competition Authority's (QCA) Draft Report, Estimating a Fair and Reasonable Feed-in Tariff for Queensland (Draft Report). EnergyAustralia, formerly TRUenergy, has both retail energy and solar PV businesses in Queensland.

Overall, EnergyAustralia agrees with the direction proposed in the Draft Report and strongly believe that the a market driven Feed-In-Tariff (FIT) is the most effective means of which to maintain cost controls to all customers in Queensland.

We recognise that the QCA has drawn a distinction between the historical 44c/kWh and 8c/kWh FIT legacy schemes and the development of future FIT for customers. The legacy FIT schemes are a direct result of government policy at that time and issues associated with managing these schemes should be separated from the development of a future market based mechanisms.

Market Based Tariffs

We support the QCA's decision that retailers should fund future FIT schemes on the proviso that these are non-mandated market based tariffs. We agree with the QCA's conclusions that the market is capable of delivery fair and reasonable outcomes without the need for further regulatory intervention. The existence of a number of voluntary tariffs in the market supports this conclusion

Broadly, the estimated value of 6.81c/kWh is in line with our expectations of a fair and reasonable FIT. We disagree with the inclusion of retailer operating costs as a component of the price paid to solar PV customers. Solar PV customers are amongst our highest cost to serve customers. However, we note that under a market-based arrangement if our view is contrary to that of the market more generally we will be subject to higher levels of churn if our solar offer is unattractive.

While we do not retail in the Ergon Energy network we support the approach taken by QCA because it explicitly recognises the impact of low competition and geographical diversity issues in the network.

Cost Recovery

The recovery of the costs in the Energex network appear to be reasonable given that there appear to be no clear winners under any cost recovery mechanisms. The imposition of costs related to the recovery of the previous FIT schemes will be an ongoing legacy issue due to previous government policy. Recovery from all consumers may be justified on the basis that all consumers receive the purported network benefits of solar PV exports into the network.

The QCA has stated that the costs of the Solar Bonus Scheme could be potentially reduced and equitably shared by requiring retailers to contribute to the distributed funded feed-in-tariff payments. While we recognise that there is a real cost related to previous government policies we note that this would not reduce costs to consumers, as costs would be passed through to consumers via retailers. The Solar Bonus Scheme costs could potentially be greater due to higher inefficiencies related to the less centralised method of cost recovery.

Furthermore increased administrative arrangements reduce the attractiveness of this market segment and over time would lead to less competitive outcomes for customers. EnergyAustralia would struggle to offer voluntary tariffs to customers if we were required to pay more than a fair and reasonable market based amount. The main reason for this is that it would require us to subsidise one customer group at the expense of all other customers. Many of our customers struggle with the energy costs and it is inequitable to impose additional costs on all our customers.

Conclusion

In summary, these types of arrangements clearly seek to 'shuffle the money' without any real discernible benefits.

We would be interested to explore more cost reflective network arrangements (and the subsequent cost reflective retail tariffs) if allocative efficiencies could be identified and implemented.

If you would like to discuss any aspects of this submission or require further information, please contact me on (03) 8628 1242.

Yours sincerely,

Melinda Green
Regulatory Manager - Pricing