



Energy Retailers Association
of Australia Limited

14 September 2012

Submissions
Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

By email: submissions@climatechangeauthority.gov.au

Dear Sir/Madam

RE: Renewable Energy Target Review Issues Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Renewable Energy Target Review 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.

The ERAA will not be providing direct responses to all questions contained in the Issues Paper. The ERAA refers the Climate Change Authority to the individual submissions of our members for comments on more specific issues, and strongly recommends that the Climate Change Authority has due regard to their input. It is within this context that the ERAA provides the following comments on the Issues Paper.

The ERAA supports the development of renewable energy in Australia, and believes that the Renewable Energy Target (RET) is an appropriate policy to achieve this objective. The ERAA supports policies that are nationally consistent policies as they offer many benefits to industry and consumers. This includes reduced risks of noncompliance, reduced compliance and administrative costs, stronger retail energy market competition and reduced barriers to entry. As the cost of the RET is passed through to consumers, it is essential that regulators ensure tariffs accurately reflect the costs of purchasing certificates as well as the cost of retailers' compliance. The ERAA has long advocated for the removal of retail price regulation to allow the market to effectively and efficiently manage this risk.

In the interests of ensuring a competitive RET Scheme that delivers least-cost renewable energy, the ERAA believes that there can be improved coordination of renewable energy policies. For example, the interaction between Federal and State Government incentives for small-scale solar has contributed significantly to the increase in electricity prices. As not all consumers can access small-scale solar incentives, and yet costs are paid by all, the inequality and cross subsidies associated with these policies should be

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questioned. In considering the future of Small-scale Renewable Energy Scheme the impact of combined Federal and State incentives should be considered. The ERAA does not favour premium feed-in tariffs (FiTs) and has made this clear to State Governments. The ERAA holds the view that a competitive retail market is unlikely to require mandated FiTs. Furthermore, the following principles must be taken into consideration when deciding on the most appropriate FiT:

1. FiTs should be designed to minimise administrative costs. Customers who benefit from FiTs are usually managed in addition to retailer standardised operating procedures. These include additional resource requirements to manage connections, contracts and customer service.
2. Neutrality is essential for any effective policy on FiTs. Without such neutrality setting the FiT policy will hinder effective competition.
3. A national FiT would be more efficient than various state based schemes, as it provides for a streamlining of processes that could translate in better outcome for end use customers.
4. All FiTs should be a long-term sustainable measure, not short-term incentive driven schemes to encourage investment that changes sporadically due to change in economic circumstances. This will promote consumer and industry confidence in ensuring longevity and effectiveness.
5. Any FiT should be net metered.

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



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