

Submission to SA Productivity Commission draft report – Inquiry into SA renewable energy competitiveness.

Thank you for the thorough report on the competitiveness of renewable energy in SA, and the opportunity to make a submission to the draft report.

Re: Information request 4.1: Factors driving the gap between wholesale and retail pricing in SA.

Your report mentions the volatility of supply and demand of electricity in SA compared with other states such as NSW. This is, of course, a factor which raises the retail price through the retailer's requirement for a 'risk premium' to cater for the volatility.

Every measure that can reduce volatility, and better match supply with demand, will lower retail prices and has been recognised.

It is important to recognise that electricity retailers do not mind volatility, if they are being compensated for it and, therefore, have no interest in pushing measures to reduce it. Some external intervention may be required, perhaps including the following measures:

- Speed up the rollout of smart meters to encourage consumers to take advantage of time-of-use pricing.
- Encourage retailers to offer time-varying feed-in tariffs. Consumers would then be encouraged to install batteries, or connect their electric cars with V2G capabilities, to absorb electricity at times of plentiful supply, and feed it back into the grid at times of high demand. Looking at the best electricity offer for consumers today with a smart meter, the price during the day is about 7 cents per kWh, rising to 49 cents during the evening peak. Yet, the price paid for electricity fed back into the grid is 2 cents per kWh, irrespective of the time of day that it is fed in.
- Encourage a switch of electric water heaters, from the off-peak tariff at night, to the hours during the day of plentiful electricity supply. With smart appliances, the timing could be adjusted between summer and winter as required.