

Rebecca Knights,
Director Energy Policy and Projects
Department of State Development

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Submitted electronically to: DPC.ESTRegulations@sa.gov.au

Dear Rebecca

Thank you for the opportunity to provide a submission in response to the Energy Security Target - Stakeholder Consultation. Momentum Energy is a 100% Australian-owned and operated, energy retailer. We pride ourselves on competitive pricing, innovation and outstanding customer service. We retail electricity in Victoria, New South Wales, South Australia, Queensland, the ACT, and the Bass Strait Islands. We offer competitive rates to both residential and business customers along with a range of innovative energy products and services. We also retail natural gas to Victorian customers.

Momentum Energy is owned by Hydro Tasmania, Australia's largest generator of renewable energy - generating hydro and wind power.

While Momentum acknowledges the rationale for a mechanism to increase scheduled, low emissions generation, we are concerned that the Energy Security Target, if implemented in its current form, and to the current timeframe, will result in poor outcomes for consumers and is unlikely to drive the investment envisaged by the South Australian Government. The regulations as drafted pose significant uncertainty for retailers which will be reflected the retail tariffs paid by consumers. Any such premiums will be in addition to already significant price increases which will be felt as a result of policy challenges relating to the wholesale market across the NEM.

The regulatory infrastructure needed to facilitate the operation of the Energy Security Target is under-developed and does not provide certainty that a liquid market for certificates will develop in a timely manner. Due to regulatory obligations relating to the notification of retail price changes, retailers are already heavily engaged in the process of setting 2017-18 prices to reflect recent network tariff determinations and will have no choice but to make conservative assumptions about the costs of the scheme. It would not be unreasonable to assume a cost of approximately \$18/MWh (reflecting a 36% target) will be added to retail energy bills, before any administrative costs associated with the scheme are even considered.

As outlined above, Momentum has concerns that commencing the Target at this stage is unlikely to have any downward pressure on prices, and will instead become a pure passthrough to customers. This is because prudent retailers hedge their load as they acquire customers and consequently the price wholesale price of energy which they face is already set. The introduction of a target at this

stage will simply require retailers to add the cost of a certificate to the price of energy which they have already committed to.

We believe that any downward pressure on wholesale prices anticipated by Government will not occur until existing hedges conclude and new eligible generation enters the market. Until this time, the Energy Security Target will lead to windfall profits for the incumbent generators for no benefit and compound the price increases being felt by South Australian consumers.

We urge the Government to consider a 12 month delay to the commencement of the target to allow for extensive industry consultation to ensure that the benefits of the scheme can be realised at the lowest possible cost to consumers and to provide sufficient time for the certificate, compliance procedures and guidelines to be developed.

If you have any other queries regarding this submission, please contact Joe Kremzer, Regulatory Manager on 8651 3565 or email joe.kremzer@momentum.com.au

Yours sincerely

Joe Kremzer
Regulatory Manager