

Commission releases Draft Report in Energy Value of Solar Panels Inquiry

31 August 2015

Electricity and gas

The Essential Services Commission has proposed changes to the way payments are made to Victorians who install distributed generation, including solar panels.

The proposals are contained in the Commission's draft report into the energy value of distributed generation. The report is the second in the Commission's Inquiry into the True Value of Distributed Generation.

Commission Chair Dr Ron Ben David said the Commission had looked closely at the economic, social and environmental value of distributed generation.

"We have concluded that there is merit in considering making changes to the way payments are made," Dr Ben-David said.

Three key changes are proposed to the single flat tariff:

- higher rates for exporting electricity at the times of highest demand;
- different rates depending on where the distributed generation is installed; and
- a mechanism for reflecting the environmental benefit of the distributed generation.

"The wholesale price of electricity can vary significantly at different times of the day, depending on demand," Dr Ben-David said.

The draft report proposed peak, shoulder and off peak tariffs that reflect the underlying differences in the market. It also proposes introducing a critical peak tariff of up to 34 cents per kilowatt hour when electricity prices are at their highest.

“We propose to introduce a price signal to the market. This will enable Victorians to see when they can benefit most from exporting electricity,” Dr Ben David said.

The draft report also proposes introducing two geographic zones, with higher rates payable in the zone furthest away from where most electricity is currently generated. When electricity is transported long distances, some of this electricity is lost. If electricity is generated locally there are fewer losses.

“Under our proposal, Victorians who live further away from existing generation will receive a higher rate if they install distributed generation,” Dr Ben David said.

The report recognises that many types of distributed generation can produce less greenhouse gas emissions than generation from fossil fuels. It sets out how payments could be made to reflect this value.

“Distributed generation can reduce energy-related greenhouse gas emission,” Dr Ben David said.

“We have set out how households could receive a payment for the value of avoided emissions.”

The Commission is seeking feedback on its proposal and will be holding public forums across the State throughout May.

The Commission will provide its final report to the Government in August.

For general enquiries

Phone: [\(+61 3\) 9032 1300](tel:+61390321300) or [1300 664 969](tel:1300664969)

Email: reception@esc.vic.gov.au

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For VEU enquiries

Phone: [\(+61 3\) 9032 1310](#) or submit a [contact form](#).

For media enquiries

If you have a media enquiry, please contact:

Michelle Bryne

michelle.bryne@esc.vic.gov.au

0437 677 385

(03) 9032 1324

Clayton Bennett

clayton.bennett@esc.vic.gov.au

0447 933 140

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