

Minimum feed-in tariff review 2020-21

Submission received through Engage Victoria

Date submitted: 24 December 2019

Submission written by: Anonymous

On 3 December 2019, we published our draft decision for the Minimum feed-in tariff review 2020-21. This draft decision paper asks stakeholders for their views on our proposed minimum feed-in tariff for 2020-21.

1. What do you think of the proposed minimum feed-in tariff for 2020-21?

The Essential Service Commission website says it's going come up with a meaningful minimum feed-in-tariff that takes into account the true value of PV System exports from July 1st, 2020.

I believe the following are worth considering:

- 1.) This concept of Exports to the Grid is severely skewed in favour of the Retailers. That is, the Retailers buy our excess power during day for \$0.12 P/KWh and on-sell it for around \$0.32 P/KWh (167% Markup). Huge profit for doing nothing. But, when we come home in the evening to cook dinner etc., we have to pay the Retailers around \$0.32 P/KWh. Consumers are always being put in this type of no win situations.

The term Export implies we're electricity producers with a major power station in operation. In reality, during the day we're lending (for the lack of a better word) our excess electricity to the Retailers. Applying this concept – we should only receive a NET FIT on the excess electricity exported to the grid.

For example, during a given 24 hour period – we Import 10 KWh and Export 15 KWh to the Grid. In this instance, 10 KWh of Imports and Exports would cancel out each other and we would only receive a FIT \$0.60 (5 x \$0.12) on the 5 KWh of excess Exports. Likewise, if there was 5 KWh short fall in Exports - then we would need to pay the Retailer \$1.60 (5 x \$0.32). \$1.60 v \$0.60 who wins still?

Under this NET FIT system you could easily have a minimum FIT of \$0.15 - \$0.20 P/KWh. Please bear in mind that Power Station owners do not buy their electricity in the evenings at

167% in excess of their day-time selling price. If this was the case, they'd all be broke, let alone being as profitable as they are now.

Another great option would be to mandate a NET FIT of 50% of the Peak Retail P/KWh price being charged by the Retailer. This automatically increases the FIT every time the Retailers increase their rates. Price gauging by Retailers would become a bit harder.

- 2.) The current Supply Charge system appears to be another way consumers are being price gauged. The Network Operators charge the Retailers a wholesale price which covers the Network Operator's profit, operating costs and system upgrades. However, Retailers are charging between \$1.00 - \$1.40 Supply Charge per day.

I'm at loss to understand this huge disparity in pricing. I assume all Retailers are being charged a similar wholesale price by the Network Operators. Other than volume discounts – it would result in price discrimination and the associated breaches of the ACCC legislation. The Network Operators will come up with an appropriate wholesale price based on the number of Retailers and consumers accessing their Network to meet their upcoming Opex and Capex.

I have no problem paying the Network Operators for using their electricity transmission systems. But what right do the Retailers have to make huge profits by simply passing on a supplier's charge? Assuming \$1.00 is the appropriate Retail Supply Charge which takes into account the Retailer's transaction/compliance costs, and the wholesale cost charged by the Network Operator – then how can a Retailer justify charging \$1.40 per day.

Since Retailers do not operate or maintain the Network – the Retail Supply Charge that can be passed to consumers should be capped to prevent this sort of price gauging. \$0.40 per day above the appropriate Retail Supply Charge means an additional cost of \$146 pa, per consumer and a commensurate increase in revenue for the Retailers.

The aforementioned changes would go a long way to ensure consumers are not always placed at a huge disadvantage. However, reality tells us that interests of corporations are always favoured to the detriment of consumers/majority. This is evidenced by increasing costs and stagnant wages for consumers - resulting in record profits for corporations.

I sincerely hope you'll consider implementing all of these progressive reforms to address these inequitable situations.