



17 January 2020

Ms Kate Symons
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

email: www.engage.vic.gov.au

Dear Ms Symons,

RE: MINIMUM ELECTRICITY FIT TO APPLY FROM 1 JULY 2020

Origin Energy appreciates the opportunity to provide a submission in response to the Essential Services Commission's (ESC) Minimum electricity feed-in tariff to apply from 1 July 2020 Draft Decision.

The ESC is required under the *Electricity Industry Act 2000* (Vic) to determine one or more rates for purchases of small renewable energy generation electricity. The ESC's draft decision is to set two minimum feed-in tariff (FiT) rates to apply from 1 July 2020, with retailers required to offer both. We believe there is insufficient evidence to support the need for multiple regulated tariff offerings.

One of the key reasons the ESC has mandated multiple tariffs is to give customers, irrespective of which retailer they are contracted to, the ability to choose which minimum FiT best suits their circumstances.

We strongly believe it is the role of a regulator to put in place consumer protections where meaningful competition is not possible. It is the role of the market to respond to customer preferences. It is not clear that there is evidence of a failure in the market for the purchases of small renewable energy generation electricity to warrant the introduction of multiple regulated FiT structures.

We believe there is clear evidence of a market for the purchases of small renewable energy generation electricity. We believe this market is evolving and will continue to evolve as technology associated with home energy management systems and batteries support more innovative service offerings. There is no reason for the ESC to anticipate what choices customers want, competitive markets are more efficient at revealing consumer choice and responding.

To this extent, we note that the current ESC decision is for a rate spread that is relatively narrow which raises the question whether the current approach and decision will achieve its intent.

In the absence of clear evidence of a market failure, we encourage the ESC to adopt a single regulated minimum feed-in-tariff as a safety net for customers and to allow the market to evolve accordingly. We believe that this would also be consistent with the ESC's decision to apply a single social cost of carbon even though the cost of carbon (i.e. the avoided emission intensity of generation) varies over time.

Retailers have faced significant regulatory interventions over the last 18 months in both Victoria and across the national energy market. These have required significant changes to operating and billing systems. A number of these reforms such as the 'clear and fair contracts' decision will result in further changes to take effect from 1 July 2020. We believe that the ESC ought to be mindful of the timing of any changes to the FiT with the timing of other significant regulatory changes and to balance the costs of the timing of these reforms with their anticipated benefits.

We strongly believe that competitive markets are the best to deliver services to consumers and provide incentives to invest and improve efficiency and service quality. To this extent, regulatory intervention should be limited to providing necessary consumer safeguards and setting a framework that incentivises markets to evolve and innovate. We believe there is insufficient evidence to support the introduction of multiple mandated FiTs.

Furthermore, to ensure consistency in the calculation of parameter values, notably wholesale costs, we believe there is a strong case to align the timing of the VDO and the mandatory FiTs. For example, to the extent that the ESC is bound to approve a calendar year VDO then we consider that the FiT decision should also be based on a calendar year.

If you would like to discuss any aspect of this submission, please do not hesitate to contact me in the first instance.

A handwritten signature in black ink, appearing to read 'Sean Greenup', is positioned above the typed name and contact information.

Sean Greenup
Group Manager, Regulatory Policy
(07) 3867 0620 sean.greenup@originenergy.com.au