

17 January 2020

Minimum feed-in tariff review 2020-21  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne VIC 3000

Via [engage.vic.gov.au](https://engage.vic.gov.au)

## **Re: Minimum electricity feed-in tariff to apply from 1 July 2020 – draft decision**

Simply Energy welcomes the opportunity to provide feedback on the draft decision for the minimum electricity feed-in tariff (FiT) to apply from 1 July 2020. Simply Energy is a leading energy retailer with over 720,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective tools to facilitate competition and positive consumer outcomes in the market.

### **Approach to estimating the minimum feed-in tariff rate**

Simply Energy agrees with the Essential Services Commission's ('the Commission') approach to estimating the minimum FiT rate. The solar weighting of exports within each time period provides a balance between setting an appropriate minimum FiT rate and ensuring that all retail customers do not bear the cost of implementing a 'technology neutral time-weighting approach'. Simply Energy considers that this intent should be mirrored in the Commission's final decision to introduce a mandatory time-varying FiT from 1 July 2020.

### **Mandatory time-varying feed-in tariff**

While Simply Energy considers the approach to estimating the minimum FiT rate to apply from 1 July 2020 is based on appropriate evidence and inputs, the same cannot be said for the Commission's approach and justification regarding the mandatory introduction of the time-varying FiT.

The draft decision posed a number of questions, listed below;

- Costs and implementation issues associated with mandatory introduction of a time-varying FiT from 1 July 2020
- Costs and implementation issues that would support mandating a time-varying FiT from 1 July 2021
- Costs and benefits that support delaying mandating a time-varying FiT to an unspecified future date.

Source: Essential Services Commission "Minimum feed-in tariff to apply from 1 July 2020" (3 December 2019) p19

Simply Energy considers that it should not be incumbent on retailers to justify the reasons why regulation should not be implemented; it is for those seeking to impose new regulations to demonstrate that they address market failures and deliver net benefits. In this case the question is how beneficial this change would prove to the small percentage of solar customers that will take up the time-varying FiT, and at what cost to other consumers.

Simply Energy considers that the cost of implementation of the proposed mandatory time-varying FiT is significant. The implementation of a mandatory time-varying FiT from 1 July 2020 would

trigger substantial changes to Simply Energy's billing system, with the short time-frame for implementation exacerbating both the technical aspects of implementation and the costs.

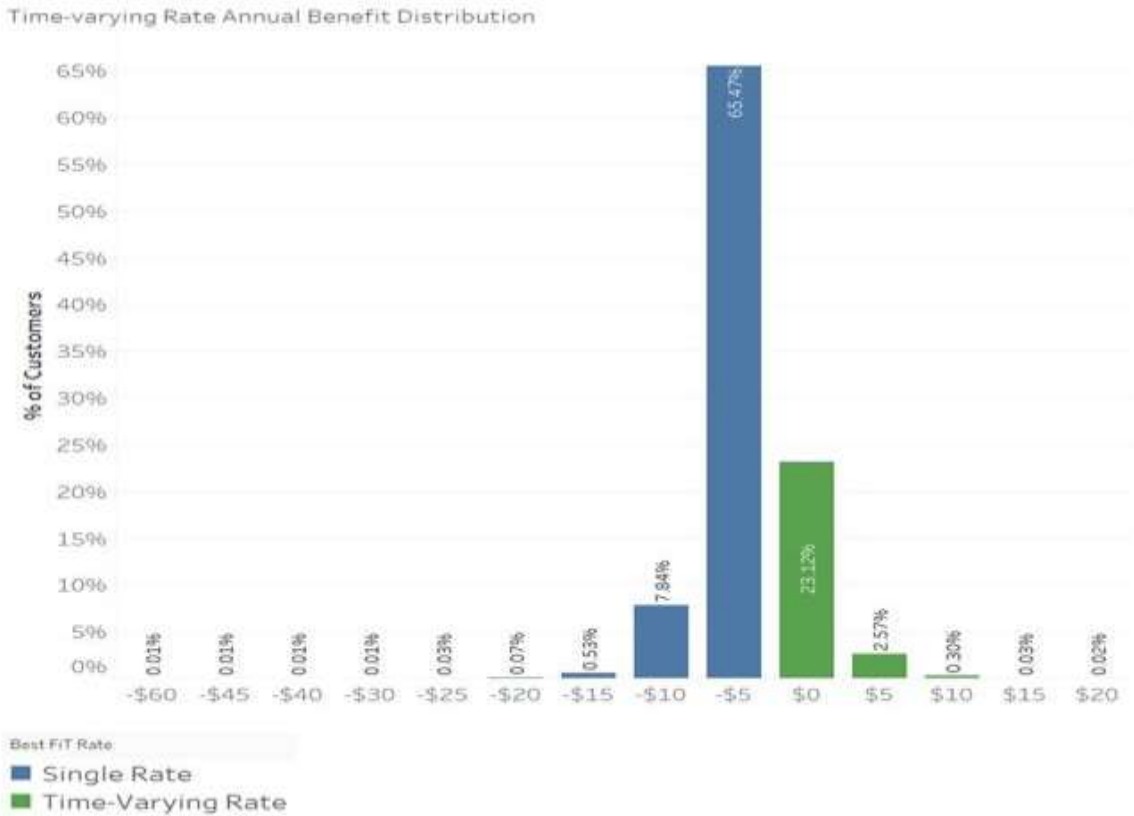
Changes outside the billing system for 1 July 2020 would also include (but are not limited to) the following;

- Scripting (considering the 'clear advice entitlement')
- Processes
- Agent training
- Products
- Energy fact sheets
- Bill design
- Best offer calculations
- Website
- Third party marketing channels

While the costs and severity of implementation issues are likely to be higher if mandatory time-varying FiT is introduced from 1 July 2020, these costs would not significantly decrease over an extended period of time. Simply Energy's concern with the draft decision is that it does not appear to consider the benefits through quantitative analysis on the introduction of mandatory, time-varying FiT and whether there is value to this change, perceived or real.

To aid in the discussion on cost and benefit, Simply Energy has analysed the export meter data of Simply Energy's Victorian customers, comparing the annual credit generated under both the proposed single rate minimum FiT and the time-varying FiT (Figure 1). The variance is minimal with 74% of customers continuing to benefit from the single rate. The most benefit seen from a customer moving from a single rate FiT to a time-varying FiT is approximately \$25 per year (based on historical export volumes). This leads to the conclusion that cost to consumers would likely outweigh the benefit.

Figure 1: Time-varying FiT vs single rate FiT annual benefit based on historical export volume



**Overlapping Regulation**

Simply Energy would also urge the Commission to consider the impacts of recently introduced regulation. While the “Ensuring energy contracts are clear and fair”<sup>1</sup> proposed regulatory change is still at draft decision stage, this represents a potentially significant change to energy contracts, offers and billing practices. The Commission must consider that retailers do not have unlimited resources to implement multiple significant regulatory changes in such a short period of time.

Simply Energy is also of the view that applying the clear advice entitlement to the question of whether a customer should take up a time-varying or flat FiT would cause confusion among customers when assessing the suitability of, and selecting an appropriate customer retail contract. Conversations during a sign-up process would likely increase in length, with little benefit (see Figure 1).

The benefits of delaying mandating a time-varying FiT to an unspecified future date are significant. Simply Energy considers that the introduction of a mandatory time-varying FiT will cause significant confusion and lead to increased distrust in the market. The interaction of this draft decision with the significant regulatory reform that has since been introduced in Victoria has not been mapped out, or understood fully. To require retailers to grapple with this change, which will undoubtedly interact with other streams of regulatory reform, is unnecessary at this time given the lack of clear expected benefits.

## Recommendations

1. Minimum rates for time-varying FiT and single rate FiT continue to be determined by the Commission.
2. Delay mandatory time-varying FiT to an unspecified future date

## Concluding remarks

For the proposed 1 July minimum FiT determination, Simply Energy agrees with the Commission's approach to determining the rates for both single rate FiT and time-varying FiT. Simply Energy would urge the Commission delay mandating the introduction of the time-varying FiT until such time as the Commission can provide suitable justification for such a change.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact James Ell, Senior Regulatory Adviser, on, telephone, (03) 9617 8352 or at [james.ell@simplyenergy.com.au](mailto:james.ell@simplyenergy.com.au)

Yours sincerely



**James Barton**  
General Manager, Regulation  
Simply Energy

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<sup>1</sup> Essential Services Commission "Ensuring energy contracts are clear and fair" draft decision (10 December 2019)

<sup>2</sup> Essential Services Commission "Energy Retail Code version 14" (1 January 2020) Section 70H, pg. 69