



EnergyAustralia

LIGHT THE WAY

8 January 2021

Minimum feed-in tariff review 2021-22
Essential Services Commission
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Dear Commissioners

Draft decision – Minimum feed-in tariff from 1 July 2021 – 17 November 2020

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We appreciate the opportunity to respond to the Commission's draft decision on minimum feed-in tariffs (FiT) in Victoria.

As we have raised in the past, we consider the prescribed carbon intensity factor of 1.27kg of CO_{2-e} per kWh is outdated and too high. The effect of this is to distort the efficient price paid for solar PV exports. In combination with government subsidies, this distortion needs to be considered in terms of the incentive it provides for customers to continue installing rooftop PV compared to the current and future value it contributes to the overall electricity system.

These distortions ultimately affect the price and quality of supply for customers generally, as well as equity considerations in terms of cross subsidies arising between customers with PV versus those without. These are factors the Commission should be addressing in accordance with sections 8 and 8A of the Essential Services Commission Act. The Commission has already referred to its legislative objectives in some parts of its draft determination with respect to impacts on non-solar customers.¹ The Commission should similarly turn its mind to whether mechanically applying outdated and inflated costs for avoided carbon on top of 'actual' wholesale prices (where the Commission already applies considerable judgement) is in the long term interests of consumers.

In terms of the Commission's wholesale cost estimation, we expect to see further reductions as this analysis is updated for the latest contract price data for its final determination. While not directly flowing through to contract prices for 2021-22, we

¹ ESC, *Minimum electricity feed-in tariff to apply from 1 July 2021 Draft decision*, 17 November 2020, p. 8.

have noted a material and recent decline in spot prices owing to outages of higher cost thermal units in NSW (i.e. Loy Yang A) and expect prices to be further depressed with the commissioning of new utility scale renewable generation (especially solar in NSW, and wind in VIC) over 2021. New transmission constraints affecting power flows between NSW and Victoria will also be relevant considerations and we would welcome a discussion with the Commission and Frontier on these issues.

We also have some observations on the Commission's proposal to impose a five business day notification requirement for FiT changes.

Many customers are sensitive to price changes. Clear and advance notification of such changes is something that they value in their interactions with retailers. As such, retailers already have an incentive to engage with customers on this, and those that do not meet their expectations will ultimately lose customers. Accordingly, and like many of the recent reforms introduced in the Victorian retail market, we disagree that the Commission should be imposing regulations to standardise customer experiences rather than letting this become a point of differentiation in the competitive market.

The Commission states it has examined complaints and enquiry data, however it is not clear that this constitutes sufficient evidence to justify its proposed changes, or that the proposed changes will actually address the source of any customer dissatisfaction.

The Commission refers to EWOV's 2020 annual report where "some customers with solar systems had raised billing complaints, including complaints about feed-in tariff rate changes without notice."² It is not clear from EWOV's report how many customers specifically raised concerns about FiT changes without notice, and this warrants further investigation. Of the 598 cases EWOV registered on solar issues in 2019-20, other issues raised include customers not receiving premium FiTs, being billed on the basis of estimated credits, prices increasing without notice, and backbilling issues.³

The Commission also notes that it had been contacted directly by customers with "a large number" enquiries on feed-in tariffs.⁴ The Commission asserts that the number of enquiries it received from July onwards "can indicate" customers are not receiving advance notification of price changes.⁵ The Commission appears to have information on the number and categorisation of these enquiries and it should present this information. Specifically, it should present data on how many of these enquiries constituted complaints about not receiving timely notification of FiT changes. To the extent the timing of enquiries coincides with price changes, our expectation is that customers' questions have been primarily about the declining value of the FiTs themselves. Any concerns on this front will not be addressed by new notification obligations, and will only get worse as the value of solar PV to the market continues to decline, and related reforms are imposed to remove cross subsidies⁶ and to manage issues of minimum demand⁷ which are growing in Victoria.

² ESC, p. 23.

³ EWOV, *Annual Report 2020*, p. 47. https://www.ewov.com.au/files/ewov_2020_annual_report.pdf

⁴ ESC, p. 23.

⁵ Ibid.

⁶ <https://reneweconomy.com.au/aemc-delays-decision-on-controversial-tax-on-rooftop-solar-exports-40845/>

⁷ <https://reneweconomy.com.au/aemo-sees-urgent-need-to-have-power-to-switch-off-rooftop-pv-94963/>

Enquiry and complaints information should be cross-checked against specific retailers and their various contractual commitments. The Commission has already conducted a thorough analysis of retailer contracts, finding the most common requirement used by retailers was to notify customers "as soon as practicable and no later than the next billing period". We would be interested to know whether customers with any retailers using this approach have raised concerns. If not, and the Commission believes consistency is important for customers, we recommend adopting this approach rather than impose a uniform five-day notification requirement. It may also be that targeted enforcement action for specific retailers is preferable to any codified requirement. That is, introducing an additional regulation across the market would be ineffective if certain retailers are ignoring their current customer obligations in the first place.

If you would like to discuss this submission, please contact me on [REDACTED] or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam

Regulatory Affairs Leader (acting)