Essential Services Commission 570 Bourke Street Melbourne Victoria 3000 Email: fitreview@esc.vic.gov.au

To whom it may concern,

welcomes the opportunity to provide feedback on the proposed design and calculation of the minimum feed-in-tariff (FiT) to apply from 1 July 2022.

Our low price electricity offers have been welcomed by households, especially across Victoria where we have gained over 20,000 customers since our entry into the State . .

The evidence is clear, growing renewable distributed generation has significant benefits for Australia, both in terms of lowering carbon emissions, through the displacement of thermal generation, and lowering customers energy bills. As such, we support mechanisms that drive faster adoption of distributed generation, such as solar. FiTs can be one of these mechanisms but our view is that the current structure (or overstatement) of the minimum FiT is not optimal to drive maximum displacement of thermal generation and could be better targeted to lower emissions. We further have concerns that those who are unable to afford or access the benefits of DER are bearing the cost of the inherent subsidy in the FiT.

Improve the rate of decarbonisation by targeting the minimum FiT at peak demand times

Victoria has invested heavily in solar with over 500,000 homes now having solar panels installed. This is a significant asset that can be leveraged to reduce reliance on coal and other fossil fuel generation to meet energy demand. However for solar to be more effective at displacing traditional generation sources the supply of solar to the grid needs to be better matched with grid demand.

view is the existing overstatement of the minimum FiT, by way of the avoided social cost (at 2.5c/kwh), is distorting the value of batteries and demand management. By setting a FiT higher than the inherent value, consumers are over incentivised to feed their excess supply into the grid, rather than load shifting or storing their excess

generation for self-consumption or to supply into the grid at peak times. The daytime volume weighted average price is likely to continue to decline under this scenario, increasing the likelihood of inefficient negative pricing¹. Without the installation of batteries, or use of demand management, solar and other renewable distributed generation will be less effective at displacing thermal load, which ultimately limits the level of emissions reductions that is achieved.

Whilst we understand that the Essential Services Commission (ESC) is not responsible for setting the avoided cost of carbon or the RET legislation, it is important that regulation is cohesive to reduce the risk of unintended consequences. We recommend that the ESC work with these other regulators to ensure that the various schemes and mechanisms to promote renewable energy work together as expected to maximise emissions reductions and lower energy bills.

Should the ESC, State and Federal government form a view that the FiT should include a subsidy for providing excess energy to the grid then a better solution would be to remove this element of overpayment from off-peak and shoulder times and from the flat FiT. This will better incentivise investment in batteries and demand management and lead to greater displacement of thermal generation

Consider who is paying for the FiT and how it is likely to be driving greater inequality

also recommends the ESC considers who is paying for the overpayment in the FiT. By leaving these costs to be borne by retailers they will ultimately be recovered from consumers through higher prices. Our view is that consumers who can't afford solar end up cross-subsidising those who can, therefore driving greater inequality in energy access and cost.

We recommend the ESC and Victorian government implement regulatory changes that ensure this cost is borne by the coal generators, further incentivising the displacement of coal for generation from renewable, low emission sources.

We also support a recommendation made by Tango Energy² in their submission regarding the FiT to apply from 1 July 2021 whereby the minimum FiT is included as part of the Victorian Default Offer rather than applying to all retail offers. We agree with the view that this

¹ Refer to AEMO's Q3 2021 Energy Dynamics Report - negative or zero spot prices occurred in 16% of trading intervals, more than double the previous record set in Q4 2020.

² Tango Energy submission on electricity feed-in tariff to apply from 1 July 2021

approach would ensure that customers with distributed energy resources remain protected, while allowing retailers to better compete with innovative and tailored product offerings.	•
welcomes further discussion on our submission. If you would like to arrange a time for this discussion please contact via email:	
Kind Regards,	