

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.

[REDACTED] welcomes further discussion on our submission. If you would like to arrange a time for this discussion please contact [REDACTED] via email:
[REDACTED]

Kind Regards,

[REDACTED]

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