

5 January 2022

Essential Services Commission
Level 8, 570 Bourke St
Melbourne VIC 3000

Via EngageVictoria

Dear Commissioners,

Re: Minimum electricity feed-in tariff to apply from 1 July 2022 – draft decision

Simply Energy welcomes the opportunity to provide feedback on the draft decision for the minimum electricity feed-in tariff to apply from 1 July 2022.

Simply Energy is a leading energy retailer with approximately 730,000 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 regulation to facilitate competition and positive consumer outcomes in the market.

Minimum feed-in tariff from 1 July 2022

Simply Energy agrees with the Essential Services Commission's (Commission) approach to determining the minimum feed-in tariff (FiT). In particular, the Commission's approach reflects forecast reductions in wholesale electricity costs during daylight hours in 2022-23.

As we have noted in previous submissions, Simply Energy considers that the 2017 methodology for the avoided social cost of carbon is outdated and needs to be reviewed. As shown in Figure S.1 of the draft decision, the avoided social cost of carbon component of the minimum FiT is becoming a more significant proportion of the cost stack each year. As the avoided social cost of carbon now represents almost half of the value of the minimum FiT, Simply Energy is concerned that the minimum FiT will be significantly higher than the efficient value of solar exports. Maintaining this methodology going forward will likely result in non-solar customers subsidising solar customers through higher electricity prices. Simply Energy urges the Commission to engage with the Department of Environment, Land, Water and Planning on updating the 2017 methodology for the avoided social cost of carbon.

Optional time-varying feed-in tariff

Simply Energy supports the Commission's draft decision to keep the time-varying FiT as optional. Simply Energy reiterates its previous feedback that the costs of implementing a mandatory time-varying FiT would be significant and would require substantial changes to Simply Energy's billing system.

To aid with customer understanding of time-varying tariffs, it may be beneficial if the Commission considered aligning the time-bands of the time-varying FiT with the time-bands of the residential two-part time-of-use (ToU) network tariffs that were introduced on 1 July 2021. We recognise that this may be challenging because the two-part ToU network tariff structure does not match-up neatly with the peak and off-peak times for solar generation. However, we consider it would be

easier to explain time-varying tariffs to consumers if the tariffs related to their consumption and export varied consistently with each other.

Concluding remarks

In closing, Simply Energy supports the Commission's approach to determining the minimum FIT to apply from 1 July 2022.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact [REDACTED] at [REDACTED]

Yours sincerely

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James Barton
General Manager, Regulation
Simply Energy