



Western Alliance for  
Greenhouse Action



25 January 2018

Essential Services Commission  
Level 37/2 Lonsdale Street  
Melbourne VIC 3000

To whom it may concern,

### **ESC Draft Decision on Feed-in Tariffs to Apply from 1 July 2018**

The Western Alliance for Greenhouse Action (WAGA) is an alliance of local governments in western Melbourne, helping communities in the region respond to climate change and reduce greenhouse gas emissions. The WAGA councils seek to make their own significant contributions to emissions reductions through solar installations on their facilities and are also at the forefront in exploring battery storage to increase renewable energy generation and improve network operation.


WAGA broadly welcomes the draft decision, which recognises the social and environmental benefits of distributed renewable energy. The time-varying feed-in tariff (FiT) will reward renewable energy generators at peak times, when the value of the energy to the market is highest. It should also encourage the use of batteries, which may export to the network during the peak.

We also wish to express some reservations about the decision.

The base tariff will be lower than the current FiT of 11.3 cents per kilowatt hour, and - while the peak tariff is much higher - it will only apply in the late afternoons when solar generation is reducing and households' on-site electricity requirements are increasing. Therefore, the new tariffs may not in fact prove significantly valuable for many solar generators and so may not increase solar uptake. A new base tariff, introduced soon after the market has become used to the existing

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tariff, will also require generators to analyse their options again and adds complexity and uncertainty. As we know, energy literacy and confidence in the reliability of the renewable energy market are important factors in encouraging uptake. It's also important to point out that the ESC was required to have regard to the avoided social cost of CO<sub>2</sub> and the avoided human health costs attributable to a reduction in air pollution. However, as no methodology was presented for determining the avoided human health costs of air pollution, the Commission was of the view that it was unable to determine those costs. The proposed new FiT is therefore based on the 'Social Cost' of 2.5 cents per kilowatt hour, attributed only to CO<sub>2</sub>. Including the health costs would add significantly to the FiT and better reflect the real cost of coal vs renewable energy. For these reasons, we strongly recommend that the base tariff remain at the current rate.

Further, while the new tariff structure is designed to reflect the true value of electricity at various times of the day, it is unclear how it will work in practice, especially as we do not yet know how retailers and networks will respond to the tariffs.


Allowing retailers to choose either the time-varying or fixed FiT in the transition year may be problematic. Why would a retailer choose the time-varying FiT when the fixed FiT would represent a financial saving to them on the current situation? We therefore recommend a stronger incentive for retailers to choose the time-varying FiT, such as a reward for retailers who take it on for environmental and marketing advantages, or at least a direction that retailers justify their choice and publish their justifications.

For all these reasons, we also recommend that the ESC carefully monitor how the tariffs are offered and reflected to the community by retailers, networks and the solar industry, as well as the impact on:

- Uptake generally of distributed energy
- Existing solar generators, including how the tariffs impact solar systems with different orientations, such as north-facing and west-facing panels
- Uptake and use of battery storage by households and others, including local governments

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- Uptake of related technologies, such as electric vehicles.

Yours sincerely,


A handwritten signature in black ink that reads "Fran Macdonald". The signature is written in a cursive, flowing style.

Fran Macdonald

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