

July 9, 2015

The Commissioner  
Essential Services Commission  
Victoria

Dear Sir/Madam

Thank you for your prompt reply to my request for a copy of the Essential Services Commission 2015, Minimum Electricity Feed-in Tariff to apply from January 1 2016: Draft decision, June 2015.

My response is enclosed.

Yours faithfully,

Brian E. Krahnert  
B.A. B.Ed. MACE

- I. The Executive Summary lists two of the factors that are relevant to the value of electricity supplied by small renewable energy generators. But there are other equally important factors that have not been given any attention, but which have very significant implications for the owners of the generating infrastructure on which the renewable energy program is based. The draft decision is unacceptable in its present form because the legitimate expectations of the other party (the small renewable energy generators) have not been factored into the overall modeling.
2. In paragraph 1.1 (Commission's feed-in tariff roles P.4) the Commission "is to investigate whether a retailer's general renewable energy feed-in terms and conditions, including prices or other terms and conditions, are fair and reasonable. If they are found not to be fair and reasonable, the Commission must recommend prices, terms and conditions that it considers to be fair and reasonable, and the Minister can impose those prices, terms and conditions on that retailer."  
At paragraph 2.2 (Relevant Pricing Principles P.9) "... that small renewable energy sources should receive full credit for the benefits of the electricity they supply to the market" These principles have not been addressed.
3. In my own case, the cost of purchasing and installing a ten panel solar system was \$7,801 plus the cost of adjusting the smart meter to enable the system to cope with the administration of the feed-in tariff (this cost was paid by me but not itemized on my electricity account). If fairness and full benefits are to be achieved, the cost of this infrastructure has to be recovered over time, and must therefore be part of the feed-in tariff formula.

In 2012 when I first canvassed the possibility of making this purchase, the Feed-in tariff was 33 c/kWh with the retail cost still about 26 c/kWh. Thus the Feed-in tariff covered the full cost of my personal power use, plus a small amount towards the infrastructure outlay. I find it very difficult to understand how the methodology now employed can come up with such a vastly different outcome, unless the paragraph 2.2 is intended to convey the meaning that the feed-in tariff applies to power produced in excess of personal requirements. In this case of course, the retail company would on-sell this excess power at the full retail price - a very good deal indeed, but only made possible by the subsidy derived from the free power supplied from the small renewable operators. If on the other hand, the requirement is for the payment of the retail price from the Feed-in tariff, this would mean that 5 hours of PV power @ 5.0 c/kWh would be necessary to pay for one hour of power at the retail price. This is contrary to the principles as stated in the document at 1.1 and 2.2. There is clearly an ambiguity here that must be clarified and removed.

To make the document consistent with its own principles as enunciated at 1.1 and 2.2, the arrangements that existed in 2012, namely that

“The basic non-negotiable principle is that the Feed-in tariff must always be above the retail price”

It is absolutely unacceptable that the regulations should require small scale renewable energy producers to pay for energy that they themselves have produced using their own infrastructure. Such a policy would be the strongest possible disincentive to the future of the renewable energy industry. Even the most altruistic supporter of climate change would be deterred by such a policy.

But the consequences could be much more dramatic. If such an injustice were to be allowed in the decision, it would be only a matter of time before a class action could be mounted against the Minister and the Commission itself on the basis of theft, dishonesty and fraud. To mandate a policy may give it legality, but not necessarily morality or justice.

The draft decision cannot proceed in its present form.