

3 June 2016

By email: DGInquiry@esc.vic.gov.au

Dear Essential Services Commission,

RE: Comments on Draft Report of Distributed Generation Inquiry Stage 1

Thank you for the opportunity to provide additional comments on the true value of distributed generation, in the context of the Draft Report from April 2016.

We broadly welcome the move towards incorporating environmental and social benefits of distributed generation into the structure of the feed-in tariff, subject to the comments below.

- By excluding non-carbon-related social and environmental benefits from the structure of the tariff, the ESC risks keeping the proposed feed-in tariff at a level that significantly under-estimates the overall benefits of distributed generation. Given that the purpose of the feed-in tariff is to incentivize the uptake of distributed generation, the more the tariff includes the value of all benefits, the better. Therefore, the ESC should allow for the inclusion of additional social and environmental if/when the government determines that there is sufficient evidence to support an estimate of the benefits. If the ESC will not accept the existing estimates of, for example, health benefits from reduced air pollution due to reduced coal combustion, then it should work with relevant government agencies to ensure these benefits can be quantified with sufficient precision. Beyond its application to setting feed-in tariffs, this information would have other important public policy applications.
- We submit that in quantifying the avoided carbon emissions, the ESC should include both (1) the reduction in emissions driven by feeding clean electricity into the grid, and (2) the reduction in grid demand (and therefore emissions) associated with the electricity that is consumed on site, even though it is not exported to the grid.
- The draft report indicates that the ESC is able to estimate the *amount* of avoided carbon emissions, but that it is a matter for government policy to determine the *value* of those avoided emissions. The value of avoided emissions should be based on the best estimates of the social cost of carbon, drawing from academic literature. This value should be updated each year when the tariff is set for the following year, to reflect any developments in the understanding of climate impacts and global emissions trajectories. The social cost of carbon to be used should be determined by an agency such as the climate division of the Department of Environment, Land, Water and Planning (DELWP), or by an independent body such as the EPA or the





Climate Change Authority (which could be commissioned to do the work, despite being a Federal agency).

Finally, we encourage the ESC to work closely with DEDJTR, the Minister for Energy and any other relevant authorities to ensure that the re-structured feed-in tariff takes effect from January 2017. We appreciate that tariffs are usually set at the end of August for the following calendar year, and that the Minister will only receive the ESC's final report some time in August, and that this does not leave much time for decisions to be made.

However, this inquiry effectively recognizes that Victorians who own solar panels have been short-changed for some years on the payments they receive for the electricity they sell back to the grid. We are pleased this is in the process of being corrected, but urge the ESC to make all endeavours to ensure Victorian solar owners are receiving the re-structured tariff as soon as possible.

Regards,

Dr Nicholas Aberle
Campaigns Manager
Environment Victoria

