



24 July 2013

Mr Jeff Cefai
Essential Services Commission
Level 37, Casselden Place
2 Lonsdale Street
Melbourne VIC 3000

By e-mail: fitreview@esc.vic.gov.au

Minimum Electricity Feed-in Tariffs - Draft Decision

Origin Energy (Origin) welcomes this opportunity to respond to the Commission's draft decision on the minimum electricity feed-in tariff to apply during the 2014 calendar year.

While Origin understands that the minimum regulated feed-in tariff (FIT) will apply during the transition period recommended by the Victorian Competition and Efficiency Commission and adopted by the Government, we maintain the view that the need to regulate a minimum FIT is unnecessary in Victoria given the highly competitive nature of the energy market and the deregulated status of retail electricity prices. Regulating a minimum FIT in such an environment risks impacting on retail market competition should the minimum be set above a level retailers consider a reasonable commercial valuation of net feed-in electricity they acquire.

In this context, we generally support the method adopted by the Commission to determine a minimum value of net feed-in electricity and acknowledge forecasting the wholesale value of the electricity sent to the grid by small embedded generators is difficult, particularly given the uncertainty imposed through future changes to climate policy at a national level.

Origin notes on page 3 of the draft decision that the value of embedded generation estimated for 2014 is 7.6 cents per kWh. While noting the uncertainty inherent in forecasting the wholesale value of electricity, it is unclear to Origin why this value is rounded to 8 cents per kWh (the current minimum FIT). This rounding would appear to contravene the conservative approach that the determination of a minimum FIT might call for. As such, Origin believes the final decision should reflect the analysis undertaken by the Commission and its consultants.

We would welcome further discussion with the Commission on any matters raised in this response. Please contact me in the first instance on (03) 8665 7712.

Regards

David Calder
Regulatory Strategy Manager
Retail
(03) 8665 7712 - David.Calder@Originenergy.com.au