



Clean Energy Council submission to the Essential Services Commission's Draft Decision on Feed-in Tariffs

The Clean Energy Council (CEC) welcomes the Draft Decision of the Essential Services Commission (ESC) to set two minimum feed-in tariff (FiT) rates to apply from 1 July 2020 with retailers required to offer both a single rate FiT and a time-varying FiT. We also welcome the opportunity to provide feedback on the methodological issues outlined in the Draft Decision.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 6,500 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC supports moves toward more cost-reflective electricity tariffs, including distribution network tariffs and feed-in tariffs. Electricity pricing influences supply and demand. Reducing peak demand and spreading the electricity load more evenly will improve network utilisation, reducing network spending and wholesale electricity costs.

The key issue for tariff reform is to implement the reforms in ways that build public understanding and support. CSIRO¹ has concluded that,

“In all policy making around cost-reflective pricing it will be absolutely critical to distinguish what might promote *uptake* as opposed to effective *usage* of cost-reflective pricing. Anything that induces the former without also facilitating the latter will carry with it **considerable political, economic and social risks.**”

Providing customers with the option of time-varying FiTs is an excellent example of how to introduce cost-reflective pricing in a way that promotes usage rather than forcing uptake. The CEC strongly supports this approach.

We would be very happy to discuss these issues in further detail with representatives of the Essential Services Commission and the Victorian Government. We look forward to contributing further to this important area for policy development.

¹ Stenner, K., Frederiks, E., Hobman, E. V., and Meikle, S. (2015) Australian Consumers' Likely Response to Cost-Reflective Electricity Pricing. CSIRO, Australia.

Responses to methodological questions

1. Calculation of wholesale electricity price based on 12-month average

The Commission proposes to use a 12-month average of future wholesale electricity prices instead of the 40-day average used in 2019-20. The CEC supports the 12-month average approach, which aligns with the approach to setting the Victorian Default Offer that has applied since 1 July 2019.

2. Calculation of time-varying FiT based on solar-weighting of exports

The Commission proposes that the time-varying FiT be based on solar-weighting of exports within each time period. As noted in the Draft Decision, the Commission recommended in 2015 that the time-varying FiT should be time-weighted and not solar-weighted to ensure that it was technology neutral. The CEC supports the technology-neutral approach, in principle. However, we acknowledge that in 2019 rooftop solar continues to remain by far the dominant source of small-scale renewable generation in Victoria. It is therefore a pragmatic approach to use a solar-weighting of exports to ensure that the time-varying FiT better reflects the true value of solar exports to the grid. We note that the composition of small-scale renewable generation in Victoria could change in future and, if it does, a time-weighted approach could become a fairer approximation of the true value of all exports from small-scale renewable generation to the grid. The CEC therefore supports the proposal to base the time-varying FiT on solar-weighting of exports with the understanding (and the proviso) that the Commission continues to monitor changes in the composition of Victoria's small-scale generating mix when making future FiT decisions.