



## Clean Energy Council submission to the Essential Services Commission's Review of Victoria's Feed-in Tariffs

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the review by the Essential Services Commission (ESC) of Victoria's feed-in tariffs.

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 4,900 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC broadly supports the principle of moving towards more cost-reflective 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.

Recent behavioural economics research (eg. from the CSIRO) shows that price signals alone are not enough. Cost-reflective pricing will be more successful the less it relies on consumers, themselves, responding to changing price signals. Automation technology for electricity demand management will play a key role in the success and acceptance of implementation of cost-reflective tariffs.

The key issue for tariff reform is to implement the reforms in ways that build public understanding and support. CSIRO<sup>1</sup> 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.**”

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

Cost-reflective feed-in tariffs are an excellent example of how to introduce cost-reflective pricing in a way that promotes usage rather than forcing uptake. To be most effective, cost-reflective feed in tariffs would incorporate a critical peak payment.

Wholesale power prices can increase to more than a hundred times the average price during peak periods when demand is high and the system is under strain. The Productivity Commission, for example, has estimated that in NSW peak demand events occurring for less than 40 hours per year (or less than 1 per cent of the time) account for around 25 per cent of retail electricity bills. By providing an incentive to households and businesses to generate at peak demand periods, the electricity bills of all customers will be reduced. However, we understand the complexity of implementing this and the reasons why the government would want to take a measured approach to implementation of cost reflective tariffs. We accept the decision not to implement this approach in 2018 however we would encourage the government to continue to consider critical peak payments for feed-in tariffs as an option for the future.

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

