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29 January 2018

Dr Ron Ben-David  
Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale St  
Melbourne Victoria 3000

Submitted electronically

Dear Dr Ben-David,

**Re: Minimum electricity feed-in tariffs to apply from 1 July 2018**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Essential Services Commission (the Commission) on the Minimum electricity feed-in tariffs draft decision (the draft decision).

In principle, we do not support regulated minimum feed in tariffs. As the energy market evolves, and behind the meter products and services become more advanced, regulated minimums prohibit us from offering innovative product options to solar customers. Innovations in this space include service offerings that are tailored to customers' specific circumstances, namely, their consumption and generation profile, their willingness to be exposed to more cost reflective pricing and their previous or expected investment behind the meter.

However, noting the existing framework in Victoria, we strongly support the Commission's draft decision to set two feed-in tariffs (FIT) for the period commencing 1 July 2018. Allowing retailers the opportunity to offer one of the two FITs as a transitional measure significantly reduces the regulatory impost on retailers. In turn, this avoids imposing costs on energy consumers, particularly those without onsite distributed generation.

**Methodology behind the time varying FIT**

Given the Commission has stated that 2018/19 is a transitional year, we are comfortable with the proposed methodology for calculating the time varying FIT. However, it does appear that under current market conditions, the existing methodology has not resulted in a balanced and cost reflective FIT.

We understand the Commission intends to commence consultation on the 2019/20 FIT much earlier to allow for greater analysis and engagement on what the future FIT might look like. We welcome this intention - if projected market conditions for 2019/20 remained as they are today, we would be concerned if a mandatory time varying FIT using the current methodology was introduced.

Figure 5.1 of the ACIL Allen report<sup>1</sup> highlights the significant change in market conditions since the Energy Value of Distributed Generation report<sup>2</sup> was published. The projected extreme peak late in the day (when solar output declines rapidly) in 2018/19 skews the price of the peak FIT in the draft decision. While utilising existing flexible pricing timebands may have represented a pragmatic approach in 2016, in 2018 and beyond they may no longer be appropriate. This highlights the risk of introducing a new framework and obligations on retailers without exploring their potential impact through effective and timely stakeholder consultation.

Red and Lumo look forward to working with the Commission later this year to implement a future FIT framework that achieves the shared objective of fairly compensating owners of distributed generation, without unnecessarily increasing costs for all other energy consumers.

### **About Red and Lumo**

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to approximately 1 million customers.

Red and Lumo thank the Commission for the opportunity to respond to this draft decision. Should you have any further enquiries regarding this submission, please call [REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Ramy Soussou**  
General Manager Regulatory Affairs & Stakeholder Relations  
**Red Energy Pty Ltd**  
**Lumo Energy Australia Pty Ltd**

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<sup>1</sup> Acil Allen Consulting, Victorian Feed In Tariff - Estimate of Energy Value, December 2017

<sup>2</sup> Essential Services Commission 2016, The Energy Value of Distributed Generation, Distributed Generation Inquiry Stage 1 Final Report, August 2016.