

# Minimum feed-in tariff review 2022-23

## Submission received through Engage Victoria

Date submitted: 10 January 2022

Submission written by: Brian and Jill Golland

From 2 December 2021, we began accepting submissions on our Minimum feed-in tariff review 2022-23 via Engage Victoria ([www.engage.vic.gov.au](http://www.engage.vic.gov.au)). On this website, people were given the opportunity to send us a response to a set of questions we provided.

### Forecasting wholesale prices

Please find attached documents.

### Distribution and transmission losses

Please find attached documents.

### Other fees and charges

Please find attached documents.

### The social cost of carbon

Please find attached documents.

### Human health costs

Please find attached documents.

### Are there any other matters relevant to the review we should consider?

Please find attached two documents.

We have attached two documents in relation to this consultation.

The first document is from Oct 2020 when we placed a number of questions and comments along with relevant information to support our submission, but we did not hear anything back nor was there any evidence that this doc may have been taken into account, although we recognised that along with this doc, that time is of the essence and no evidence can sway changes before the mandate is taken.

The second doc is concentrating on the FIT at this time, as requested, and takes our personal experiences as a small solar generator specifics, toward the bigger picture and the greater public interest.

## Additional documents uploaded:

### Victorian Feed-in Tariff consultation Jan 2022 – Draft decision.....

#### Submission by Brian and Jill Golland – 9 January 2022

We refer to our previous submission of Oct 2020 (attached), on the Victorian Default Offer, which outlined many aspects and questions regarding electricity pricing as put forward by ESC under the consultation process between the industry and consultants. We believe this submission was not replied to, nor managed seriously, as a true community submission.

However, further to this, we submit interest in providing, again, a punters view of FIT as we have seen it fluctuate wildly in the period of 2012 thru 2021.

Additionally, we also submit some evidence of our own experience below with our comments which give some visual evidence of information, collected by us, toward understanding of how the electricity and FIT model is presented to the consumer in this same period.

#### Questions re the processes of constructing the FIT!

- a. Why is the FIT dependant and calculated on the forward estimates of the wholesale price of electricity? As with many other estimates of charges in a current environment they are based on the past year of pricing, so why is it that forward estimates are used in relation to FIT? (ie. Inflation, GDP, interest rates etc?)
- b. The evidence given regarding the history of FIT pricing in the discussion paper is not correct, as we know that 31cents was the original "Transitional FIT" from 2012, and that its movement over time, has literally been at the instigation of data and representation by commercial interests. It certainly appears not to represent any reflection of electricity costs or ROI etc.
- c. How can be that the "Value of the avoided social cost of carbon" as mandated by the Victorian Government, be possibly more than the actual cost of electricity at a wholesale level? Figures represented show clearly that this is 0.06 cents more than the cost of electricity? And this figure by the Victorian Govt does not change over time provided as seven (7) years in the table? In our case, we have reduced our emissions from near 2.4 tonne to 0.5 tonne (per quarter) since 2009, and yet this is considered to be worth more on avoiding 1.9 tonne or 21% reduction!!
- d. Is it not, that in relation to setting such pricing as the ESC is doing, the ESC is basically providing another form of cartel pricing to suppliers, even though, as the report indicates that prices are never discussed at industry meetings set aside by the ESC for discussion?
- e. If the "Value of avoided transmission and distribution losses" is set so low as to be 0.3% of the FIT, then it could be said that the cost avoided is "Negligible", when costs to the consumer of network at the property is \$1.06 per day currently, meaning that it is then discounted by 1.5% of that charge, given an annually a discount of \$5.84! Who would have thought to give such a ridiculous discount over 12 months? A pensioner concession is worth more!

- f. Ironically, the industry claims always to be a “user pays system”, but in the case of FIT, this is minimised by the industry with a wildly distributed organisation of generation, distribution, wholesale, retail and govt input into “how and why”, with little input from the small home generator, who has to put up capital (ROI), maintenance, replacement costs and ensure that the faults are rectified ongoing!

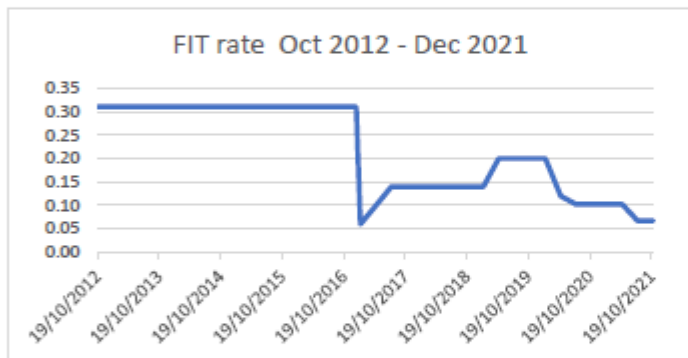
Here lies the issue of certainty for investment by the generator (or householder), which is never considered, even though the commercial arm claims otherwise for their current and future costs!

Submitted with kind regards,

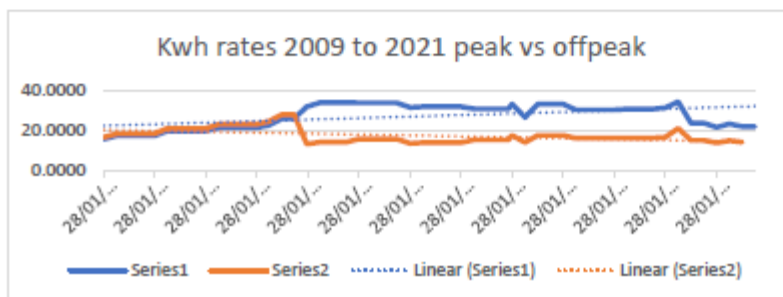
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Interesting facets of information regarding electricity charges to Origin/Powercor customers!

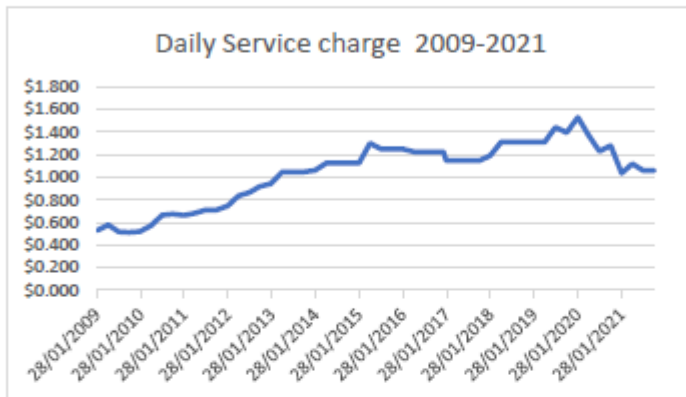
1. The FIT rate which does not match that presented in the ESC paper. It shows the wildly fluctuating rate attributable to both govt and commercial arguments!



2. The following presents both Off Peak and Peak rates at ex GST level for comparison noting that when viewing 2009 thru 2012 rates creeping higher without discounts or significant competition, and prior to installation of Smart Meters. Both govt and consumer pressure combined with massive retail suppliers forced pricing down along with solar and wind generation.

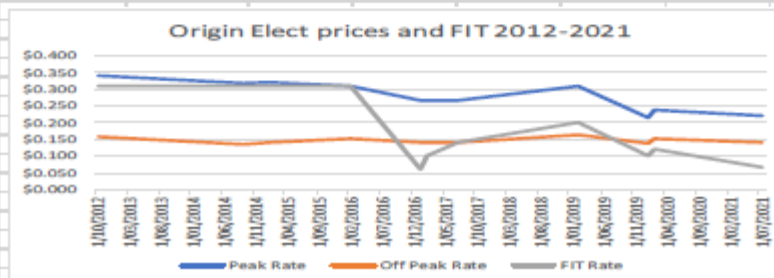


3. The daily service charge or supply charge, has continually ramped upward, peaking in 2020 and again under pressure has seemingly dropped to near a \$1 per day with 30% reduction, whilst poles and wires management alone have been in govt and media attention!  
No evidence can suggest why such costs are on a downward trend except that the cost cannot be erased or diminished, which all consumers must pay if they are connected or the transmission lines pass their property!



4. With reference to (b.) above, the following table and graph show the inconsistency of FIT and the Peak and Off-Peak pricing from 2012 thru 2021.

Table of Origin Energy Elect - Prices and FIT 2012 thru 2021					
(Note: all prices are ex GST)					
Date start	Date Finish	Peak	Off-Peak	FIT	
10/10/2012	31/12/2016	\$0.340	\$0.159	\$0.310	
16/09/2014	30/01/2015	\$0.317	\$0.135	\$0.310	
31/01/2015	31/01/2016	\$0.320	\$0.140	\$0.310	
1/02/2016	31/12/2016	\$0.310	\$0.154	\$0.310	
1/01/2017	30/01/2017	\$0.267	\$0.141	\$0.060	
1/02/2017	30/06/2017	\$0.267	\$0.141	\$0.100	
1/07/2017	25/02/2019	\$0.267	\$0.141	\$0.140	
26/02/2019	24/02/2020	\$0.309	\$0.164	\$0.200	
25/02/2020	30/06/2020	\$0.238	\$0.152	\$0.120	
1/01/2020	30/06/2021	\$0.216	\$0.139	\$0.102	
1/07/2021	31/12/2021	\$0.221	\$0.142	\$0.067	



## Victorian Default Offer 2021 – Draft decision.....

### Submission by Brian and Jill Golland - 15 October 2020

Having read the document and participated in the latest Zoom meeting last week it is our decision to provide the following comments on a generic basis toward giving a “Punter’s view” of this draft.

Whilst these are our comments and conclusions on figuratively, a very detailed document, it is our view that some simple conclusions can be drawn across this, and other similar documents, which have given the current pricing and numbers fair sway toward commercial and retail pricing structures.

As the argument toward fairer pricing is good and hopefully maintains an equilibrium in the marketplace, placing the burden on all consumers to “shop around” and look for a “better deal” is counter intuitive to the majority of those who really do not understand or even review their billing for changes. Most consumers would be happier if they were compensated for being a “loyal customer” rather than having to chase deals, even if they are offered in the days or even weeks prior to change!

The prospect of a change “every six months” as has been proposed, does not fit well with anyone and certainly gives a lot of weight to the customer being wary of energy companies!

Read the following with those comments in mind please!

### What does this current draft document mean to the punter!

Summary of the information below:

- a. There is a continual erosion of plausible reason for solar to be installed by households, as pricing agreed by ESC, has allowed both retail and wholesale providers to effectively control both the market and the arguments around pricing.
- b. Prices for consumable energy have not risen exponentially as they would have ESC believe, but with market forces, have been pretty static. However, supply charges have been steadily increasing, outstripping CPI and effectively not considered by the ESC.
- c. Smart meters are computers in their own right, which the wholesale companies control and manage the internal software. There is no regulation, audit or control of this software by ESC or an independent body! Yet, they continually disallow customers the right to choose their time of day charges despite the ESC mandating such time of use pricing. Upgrading of meters software is never authorised nor is it advertised or agreed to by consumers!
- d. Changing pricing from “Ex GST” to “Incl of GST” did not assist the “Common Person” to realistically compare pricing despite the govt and ESC agreeing to this change! Call it “disguised pricing.”
- e. Additionally, in changing to this “Incl of GST” it does appear that DHHS was not consulted, as the effect on Pensioner Concession has changed, although no one wishes to agree!!
- f. Contrary to marketing and government spin, only around 25% of solar electricity generated by the consumer in an average household is capable or realistically used in the home, with 75% being absorbed into the grid at what consumers would consider to be minimal cost to the energy companies. This effectively means that pricing at 10.8 cents is realistically 2.7

cents per FIT given the total produced by the householder but limited by the characteristics of the system and energy companies.

- g. The current document reflects the market producers and retailers wants and desires, whilst agreeing that wholesale and retail data cannot be utilised effectively, due to lack of audit (which is internal audit anyway!) and yet it is billed seemingly before audit!
- h. Worse yet, is that current issues of Covid and changes in usage by retail and commercial users appears to have full support toward influencing ESC in their decision making!

The above notes and reflections below are fairly simple observations by individual punter(s) based on a number of years' experience with two companies in PowerCor and Origin.

Realistically, we have had the time to pursue both companies, on various issues which they were unwilling in the first instance to undertake, and needed to resort to the use of the Ombudsman with the ability to ensure these companies provided us as the customer with entitlements within the law.

In every case, we have been successful in obtaining our rights by argument and satisfaction, with credits to our account due to the poor attitude and inept ability to provide professional competence to the customer. We were paid off!!

We do trust that this document can be viewed with real consideration in the current decision making although we do appreciate that changing the draft as it is would probably not be realistic at this late stage.

With kind regards,

Brian and Jill Golland

From the Essential Services Commission the following data has been extracted:

The table below shows how the time-varying feed-in tariff rate changes by time of the day and day of the week

Period	Weekday	Weekend	Rate: cents per kilowatt hour (c/kWh)
Off peak	10pm to 7am	10pm to 7am	9.1 c/kWh
Shoulder	7am to 3pm, 9pm to 10pm	7am to 10pm	9.8 c/kWh
Peak	3pm to 9pm	n/a	12.5 c/kWh

Why the minimum feed-in tariff has gone down

We expect to see the minimum feed-in tariff rates to fluctuate each year depending on market expectations on the wholesale electricity prices.

The minimum feed-in tariff rate has gone down in 2020-21 due to the reduction in the forecast wholesale electricity component of the feed-in tariff during the 'solar hours'.

Annual changes in the minimum feed-in tariff are affected primarily by the changes in the forecast wholesale electricity price - the biggest component of the minimum feed-in tariff rate.

More detail can be found in our decision papers and consultant's report.

Let's explore this in more detail:

- a. One should assume, from the above, that for Victorian homes with solar panels that the sun still shines brightly at or up to 10pm, each night even in winter!
- b. Even if your panels were facing directly west there would unlikely be any reasonable FIT available for 9pm as peak rate!
- c. And as for off peak, there is negligible FIT available between 10pm and 7am!
- d. One would assume that on existing data available (assuming you actually look at this), that most systems, due to their angle and direction of tilt, will not produce much before 7am nor much after 7pm.
- e. Thus, we have a 12-hour window for solar collection.
- f. The following data from reliable sources indicates the following:
  - i. Winter Solar is approx. 7.45am thru 5.05pm
  - j. Summer Solar is approx. 6am thru 8.40pm, and
  - k. Average Solar for the year is approx. 7am thru 7pm.
- g. If we do a few sums, the average, using normal available hours to a customer, under the shoulder and peak tariffs, we get approx. 13 hours at an average of 10.8 cents. Off peak can be discounted as negligible or nil!
- h. Why are we contemplating such charges between 9.1cents and 12.5cents when it is not achievable? Who thought this was a good idea...the energy companies!

What can a normal customer expect from a Solar System under average conditions?

- a. On average, a 5Kwh system will produce 18Kwh per day average over a full year, assuming no faults and average conditions.
- b. Additionally, on average, a system will and probably can only send approx. 25% of generation to the home as an offset.
- c. About 75% of generation by a home solar system will therefore be sent to the grid.
- d. Thus, we have only 1640Kwh to the home and 4930Kwh to the grid per annum.
- e. At 10.8 cents from the above it would seem that generation sent to the grid and therefore revenue to the customer is \$532.
- f. The balance of 1640Kwh used internally in the home at peak rates is worth to the customer around 24 cents per Kwh for a total of \$394.
- g. But the retailer has the ability to achieve an income of 4930Kwh at 24 cents to a total of \$1183, without recourse to almost nil network costs within the local network.

The imminent future of pricing and use of Solar Energy by customers with access to a 5Kwh system.

- a. The energy companies, which include both wholesale and retail, are about to change the rules regarding FIT. (This has been seen in documents produced by Origin and other generators.)
- b. FIT will be reduced to a maximum of 8Kwh per day FIT over any billing period.
- c. Thus, based on the above figures, at best, 5.5Kwh of home generation will be at no cost to the retailer on average over a full year, amounting to a production figure of \$1.32 per day average or \$482 per annum! (Possibly taken by stealth!)
  
- d. Currently around \$1.30 is the daily service charge or network cost to the customer, who will be not even able to minimise that particular cost under c. above. (Interestingly a Supply Charge (currently) of \$1.295 which includes GST but discounted by the supplier becomes \$1.03.6 ex GST and with Discount!)
- e. Supply charges have risen since 2009 from about 53 cents per day to currently \$1.29 (ex GST) .... The poles, transformer and wires are the same as 20 years ago except a couple of new insulators at the house!

End of document!