

ESC – Minimum Feed-in Tariff rates to apply from 1 July 2024

Submission to the ESC consultation by Brian and Jill Golland-

Executive summary:

We submit this document, given the short time frame and the amount of detail that any individual not associated with the industry, might need to consider in relation to offering information on the subject.

However, it seems abundantly clear that this document is overall similar to previous years and whilst numbers and other pricing mechanisms have changed, a number of fundamental and perhaps other components could or should be urgently reviewed for inclusion or consideration.

It is clear that the micro generation market in Victoria is very buoyant and is exceeding expectations, into the near future for a number of reasons, which include self-sufficiency, reliability, rising costs, government subsidies and clearly a “greener future”!

In discussion with individuals about their understanding of the electricity supply, market, costs and availability of purchasing in the retail market, it appears there is very little knowledge or even want to understand the detail. In fact, most individuals simply receive their bill, look at the cost, gasp and put a note on the diary as to when it needs to be paid!! This not the sort of knowledge that helps provide education to the community.

We question some of the fundamentals of this process and the seemingly downward trend of FIT or the ROI that one should expect from providing an important source of generation supporting this vital industry!

The Process!

Once again, this consultation process has proven the lack of thought that Victorians would put aside some significant time to provide substance to this annual process on the basis of an advertisement in the major Victorian newspapers in the second week of December with an expected reply in 17 days!!

Apart from it being almost the busiest time of the year and an absolute minimum period to respond!

Unfortunately, the same old arguments are being touted in attempting to regurgitate and reiterate the same conditions, and very old legislative components to justify a further reduction in return for Victorian owners of solar providing power to the power companies and their neighbours.

Our situation:

As consumers, we invested in the benefit of solar to our home and for the benefit of other Victorians including an expected return on investment in 2012 when discounts and subsidies were non-existent. There was however a greater understanding of this investment providing reasonable returns through the FIT to the home generator!

We have like most owners of such micro generators needed to provide certain elements to maintain our investment and play safe with the grid.

This has meant, over 12 plus years, cleaning, replacement of panels, replacement of inverter, qualified inspections and daily to weekly inspections by ourselves of our facility.

For us, faults have been analysed and contact made, when necessary, to both Powercor and our installer resulting in fixes and cost of maintenance, professional removal of excess isolators and in one case replacement of insulators on the home which were originally installed incorrectly by Powercor.

All of our "facilities management" has been correctly and timely completed, at our cost, on the basis of a reasonable return on investment! We appear to be quickly slipping behind in our expectations!

The Consultation Paper arguments and assumptions – questions..

Having read the "Draft Decision" there are a number of points worthy of discussion relating to assumptions made and details which appear to be firmly entrenched in the paper!

- a. The provision of time-of-day FIT does not fit with the greater majority of retailers as they only provide one single tariff! (Your Paper in Figure A.1 is fallacious)
- b. The Note to "Appendix Figure A.1" indicates Origin's Solar Boost Plus as an example but, in fact it does not appear to be advertised nor available if requested! So why mention this! Not one company has offerings of Shoulder or Overnight etc.
- c. Having tariffs for FIT ending at 10pm has no bearing as the best obtained time, when the sun sets in Summer at 8.40pm and in Winter 5.05pm and beginning can only be between 6am in Summer and 7.45am in Winter, again with almost zero input in the few hours after sunrise or before sunset!
From figures obtained from Powercor for the year Nov 2022 to Nov 2023 our 5KW system FIT for 6am thru 7.30am is total 9.37Kwh and 8.30 thru 10pm is Zero Kwh! Just to prove a point that this is a wasteful exercise in "spin"!
- d. Your indicator of 26 retailers is not correct and in fact at the end of August 2023 it was 29!
- e. We attach our spreadsheet for the period at end of August 2023 for your information together with a brief on all rates available at that time and the greater majority offer the same or very near FIT for the purposes of argument!
- f. AGL in the past offered a much higher FIT but at billing if the discount was applied, it also applied to FIT, bringing it back to below other retailer offers. False advertising!
- g. There is a tendency on behalf of a number of retailers to provide a slightly higher FIT but with conditions that reduce the number of Kwh that are paid over the billing period, and of course this is particularly relevant to the summer months. (ie max 8Kwh per day average!)

- h. The “Shopping Around” by consumers is a political hoax, as so many consumers do so and find that rates change very quickly thereafter, and usually at billing when the contracts always “we notify you at the latest on your invoice”.
- i. Why has the Value of avoided distribution and transmission losses reduced by over 80% in the period 2016-2024, with Value of avoided social cost of carbon “never” reduced? And how is it that the “Forecast solar weighted average wholesale electricity price been reduced by 98% in the period?
- j. The Paper which indicates a 2016 “Feed-in tariff rate of 5 cents is incorrect as the greater majority were enjoying 31 cents and thus the current proposed figure is therefore 89% less than 2016. Did it change that significantly?
- k. The assumption that a micro generator can utilise most of their energy from their own system during daylight hours is false! The facts are that “generally only” about 25% to 53% of electricity produced by a micro generator can be used by the home owner. On average the balance goes to the grid and for a 5Kwh system an average of around 18Kwh is produced across 12 months by such a system. Therefore, only 1650 Kwh to 3483 Kwh is used by the micro generator for themselves, with 4930 Kwh to 3105 Kwh going to the grid. This could be called a baseline for estimations!
In the best situation at 8 cents / Kwh a micro generator could achieve \$394.00 per annum against their bill.
- l. The following statement in the ESC paper is a waste of wording....
“Solar weighting means that prices for electricity when solar panels are not exporting – such as in the evening – have almost no impact on the calculation of the feed-in tariff.¹ Said another way, small scale solar generators do not get paid the wholesale spot price that applies when they are not exporting to the grid. This helps the minimum feed-in tariffs reflect the value consumers get from solar energy exports.”
How can the above statement make any sense to a micro generator....!!
- m. So... it seems that the following is proposed and accepted that:
The flat tariff is based on the overall solar weighted average for all times. However, the time varying feed-in tariffs, are calculated using the solar weighted average wholesale electricity prices for the relevant time periods.
This calculation is not based on reality as we have already established that there is almost no use by retailers to use “time varying feed-in tariffs” in the marketplace! (refer to a. above)
- n. Again ... if we accept the following
Retailers avoid these fees when they buy electricity from solar customers. These cost savings increase the value of energy produced by solar customers. Including these savings in the value of the feed-in tariff is consistent with the approach we have used in past reviews.
Why is it that if prices of electricity continue to rise, that feed-in tariffs continue to fall??
There seems little sense in such an argument if all we attempting to achieve is more revenue to the retailer and wholesaler under this scenario?
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- o. The following statement is absolutely contrary to the ESC current paper methodology, when we are annually updating pricing and FIT etc, but the “social cost of carbon” remains the same as 2017!!

The Victorian Government published an Order in Council in February 2017 specifying a methodology and the factors that we must have regard to when setting the social cost of carbon.² We have adopted this methodology for our decision.

And, is there a good reason that NSW, Qld, WA, NT and Tas do not include this component? Are Victoria “out of step” with the standard or is Victoria making sure we do not follow the “gold standard”

- p. The ESC Appendix B. looks at the tariffs across Australia BUT why would Victoria look at such data except for interest? There is no rule, legislation or any particular reason that rates for either electricity or FIT in any other jurisdiction can or should apply. If generation, FIT, particular industry, distance, grid operation and/or generators is applicable, then use it ... but it is not relevant!

- q. With reference to the ESC Appendix C. In reading the Table C.1 it appears that wholesale electricity pricing varies from 0.7 cents thru to 5.37 cents per Kwh depending on time utilisation.

Thus, we can assume, and refer to other paragraphs in the document, that micro generators are classed as “wholesale producers of electricity”

This is certainly not the case, as they are at the retail end of the market, and pay retail pricing in all that the use or purchase.

Why is that a relevant mechanism for pricing when FIT provides a point-to-point service locally produced in a retail market completely isolated from the wholesale environment?

Additionally, there is no clear argument or sense that if we are truly understanding the current environment there should be a figure set to equate “F. Value of avoided human health costs” which could well provide a more balanced value to the micro generator!!

The above notes and reflections below are 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 basis of the general argument in draft as it is, would probably not be realistic at the later stage.

With kind regards,

Brian and Jill 
