

Submission to the Essential Services Commission (ESC)

Draft 2023 - 2024 Feed in Tariff Review

The fact that there has been no fundamental change in the Basis for and Methodology used by the ESC in determining the Feed In Tariff is acknowledged and whilst basically understood, there does, appear to be some form of disconnect between the “Average Weighted Wholesale Price Methodology Used”, verse the actual historically increasing household Electricity Costs we have actually been experiencing since 2018.

I refer to Figure A.4: Comparison of flat feed in tariffs and solar weighted wholesale costs 2015 – 2016 to 2023-2024. as illustrated by the below Historical Power Costs Comparison:

- Figure A.4 shows an increase in Solar Weighted Wholesale Costs of 30.88% whilst Our 2019 – 2020 Electricity Rate Actually Increased 11.75% whilst our Feed in Tariff Remained steady @ 12c KWH
- Our 2020 – 2021 Electricity Rate remained steady whilst our Feed in Tariff actually reduced 15% to 10.2c KWH.
- Our 2021 – 2022 Electricity Rate Actually Increased 19.24% whilst our Feed In Tariff actually reduced 49.01% to 5.2c KWH.
- The 2022 – 2023 Electricity Rate being forecast by Government & Industry is said to Increase by a further **30 - 35%** whilst it is now proposed under the Draft ESC FIT Proposal to reduce the Feed in Tariff by 7.69% to 4.8c KWH.
- On this basis our Electricity Rate has increased 33.27% since July 2019 whilst our Feed in Tariff has reduced 56.67% over the same period.

Secondary I note that ours and as far as I understand other Retailers charge us residential customers on a Flat “Peak” Rate basis irrespective of the time of usage and thus the resultant position being that our Feed in Tarif now represents less than 15% of our actual Household Electricity Rate we are being Charged by the Retailer reducing significantly our return on investment and extending our Capital payback period significantly.

Thirdly in the face of the constant Industry, Government, Reserve Bank and resultant Media articles I fail to understand how the review can rely on a forecast that there will not be any substantial increase in the relevant wholesale cost that needs to be taken into account in the period of determination.

- Australia’s Inflation rate is currently running over 7.3% being the highest since 1990.
- Industry, Government, Reserve Bank have all warned of 30 – 35% increase in the cost of power generation in 2023 - 2024. (Largely Attributed to increased gas, fuel and coal costs following the War in Ukraine).
- This review fails to include any Risk Assessment (in Line with ISO 31,000 Risk Management) to cater for these and any other potential incidents and their resultant impacts on the underlying assumptions, propositions, and your draft / future final recommendations. (i.e. further Global Unrest such as any escalation of the Russia / Ukraine war into Europe / Asia, China Invasion of Taiwan, Escalation of Middle Eastern Conflicts all of which would severely impact on fuel supplies and thus increasing fuel costs further.)

- I note that similarly no allowance was made in last year's review for the considerable (20+%) increase in electricity prices arising from the unforeseen increased costs of Gas, Fuel and Coal generation following Russia's Invasion and subsequent war with Ukraine. As previously advised by yourselves there was no provision in the Act to enable the ESC to review the impact of those changes on Last years Feed In Tariff Determination. One would however have thought that the adverse impact of that on us consumers would have been taken into account in establishing the opening benchmark for this year's review.
- I also note in accord with the following Extract from the ESC's own Default Offer Review that : "Wholesale electricity prices have increased significantly since we made our last decision on the Victorian Default Offer in May 2022. The final impact of these cost increases on Victorian Default Offer prices will not be known with complete certainty until we release our final decision in May 2023."
- In support of these cost increases I received written notification from my own Gas Retailer on 16th January that our Gas Usage Rates will be increasing by 47% from the 1st February 2023.

In conclusion I remain of the view that given the clear uncertainty surrounding the actual level of wholesale electricity generation costs from 1 /7/2023, coupled with the ongoing relatively high level of domestic inflation and the uncertain Domestic and Global Risk Profiles that there should not be any reduction in the Feed In Tariff in July 2023.

Further I believe the existing rate of 5.2c kwh should actually be adjusted upward to 6.0c kwh to allow for inflation of 7.3% and the increased wholesale cost to date.

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I refer to the following articles / extracts in support of the current / potential price rises.:

- **Published 27 October 2022 at 3:33pm, By Charis Chang, Source: SBS News**
"Tuesday's budget forecast electricity prices in Australia would rise by an average of 20 per cent this financial year, with a further 30 per cent rise next financial year".
- **Published AUGUST 10, 2022, BLAKE MATICH ,PV MAGAZINE. "Australia's energy prices set to remain high until 2026** In a bit more bad news for everyone already struggling with the current energy crisis, modelling from Cornwall Insight Australia forecasts that prices will remain at increasingly high levels for the next three years, after which they will flatten but are not likely to lose their volatility in the longer term."
- **7 News 26 October 2022:** "Retail electricity prices are expected by rise by 50 per cent over the next two years, dealing households and businesses another cost-of-living blow. Treasury has assumed in the federal budget that retail power prices will increase by an average of 20 per cent nationally in late 2022, and a further 30 per cent in 2023/24."
- **Sydney Morning Herald Nick Toscano & Mike Foley November 29, 2022 "No easy fix for soaring electricity bills, power sector warns.** Australia's power generators say there are no "preferable solutions" to address soaring electricity prices and business leaders warn market intervention can have unintended long-term consequences as the prime minister flags drastic measures.The Australian Energy Regulator forecasts high prices will continue flowing through to retailers and pushing up bills for at least the next two years."

- Reserve Bank of Australia Statement on Monetary Policy – August 2022**
“Recent Developments in Energy Prices. Wholesale electricity prices in the National Electricity Market (NEM) have increased sharply over the past six months, to be around four to five times higher in June and July than at the start of the year (Graph A.1). While futures markets suggest that wholesale electricity prices will decline over the coming quarters, they are expected to remain high relative to 2021. Wholesale gas prices are also significantly higher than one year ago. These higher wholesale prices will be passed through to retail electricity and gas prices for households and businesses over time, adding to Consumer Price Index (CPI) inflation. Such price increases directly affect inflation because these two items account for about 3½ per cent of the CPI basket. They also indirectly affect inflation, as businesses gradually pass these higher costs onto consumers via higher prices for goods and services”.
- Sky news Oct 25, 2022. “Albanese Government's warning to Australians on electricity prices**
 ... Australian businesses and households can expect to fork out more for power bills over the next two years as the cost-of-living crisis appears set to worsen.
 According to Treasury assumptions retail electricity prices are set to increase by an average of 20 per cent in late 2022, contributing to higher forecast CPI in 2022–23 and by a further 30 per cent in 2023–24.” The confirmation comes one day after Sky News Political Editor Andrew Clennell exclusively revealed the federal government had been warned by the Australian Energy Regulator that power prices could rise by up to 50 per cent next year.”
- <https://www.forbes.com/advisor/au/personal-finance/how-to-beat-electricity-price-rises>**
“Energy Costs: How To Beat Electricity Price Rises - Forbes Nov 15, 2022 ... As life in Australia gets more expensive due to rising inflation, there is one cost that stands out above all others: the price of energy. Electricity and gas prices are already on the rise and October’s Federal Budget indicated that the government expects retail power prices to increase by 20% in the second half of 2022 and by another 30% in 2023/24. Why is energy getting more expensive, what can consumers do about it and what role will renewables play in bringing costs down?”
- <https://www.afr.com/companies/energy/electricity-prices-tipped-to-rise-at-least-35pc-in-2023-20221010-p5boif>**
“Electricity prices to soar as energy transition falters - AFR Oct 10, 2022 ... Retail electricity prices could soar by at least 35 per cent in 2023 due to the unprecedented cost of wholesale energy, as the system grapples with the transition to clean energy amid a global supply crisis, power company bosses have told The Australian Financial Review’s Energy & Climate Summit. Next year, using the current market prices, tariffs are going up a minimum 35 per cent,” Alinta Energy chief executive Jeff Dimery told the summit in Sydney, with no disagreement from Origin Energy and Energy Australia.”
- [Energy prices forecast to rise by 35 per cent in 2023 - ABC News Oct 24, 2022](#)** ... “The Australian Energy Council CEO, Sarah McNamara predicts energy price hikes in 2023 and possible reactions from the government.”