



**Clean Energy Council submission to the Essential Services Commission's  
Distributed Generation Inquiry Stage 1 Draft Report  
The Energy Value of Distributed Generation**

**Executive Summary**

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Essential Services Commission's (ESC's) draft report on the energy value of distributed generation.

The ESC's draft report is an outstanding piece of analysis into the energy value of distributed generation and should, in our view, set the benchmark for future consideration by other jurisdictions of the energy value of electricity fed into the grid by distributed generation. CEC welcomes the recommendations of the draft report. We are pleased that the review has considered the issue broadly and that its analysis has not been constrained by narrow terms of reference, as has been the case with so many reviews of feed-in tariffs by regulators and policy makers in other jurisdictions.

CEC strongly supports the proposed approach with one amendment for consideration. The draft report proposes that, "If an electricity retailer is able to offer a feed-in tariff that fully reflects the half hourly prices in the wholesale market, and the distributed generator provides express and informed consent when accepting that tariff option, then the retailer's obligation to offer the regulated feed-in tariff rates as proposed in this draft report should be suspended for the duration of that agreement". We support the proposal for an opt-out provision with the express and informed consent of the distributed generator and we suggest that the provision allow for additional flexibility.

Our responses to the specific questions raised in the draft report are summarised below. We would be very happy to discuss these issues in further detail with the ESC. We look forward to contributing further to this review and to the Stage 2 review of the network value of distributed generation.

## Responses to questions raised in the draft report

### ***Does the proposed multi-rate feed-in tariff (FiT) allow for payments to distributed generators to better reflect the market value of their exports?***

Yes. The proposed multi-rate FiT would undoubtedly reflect the market value of electricity exports better than the current single-rate FiT.

The 'critical peak' component of the multi-rate FiT will be particularly important in driving a consumer response that would help to ensure the economic benefits of battery storage can be enjoyed by all electricity consumers and not just the owners of distributed generation and storage systems.

### ***Do you support the proposal to amend the FiT framework to enable multi-rate tariffs for distributed generation? If so, which of the options do you favour and why?***

The Clean Energy Council strongly supports the proposal to amend the FiT framework to enable multi-rate tariffs for distributed generation.

From among the various options considered in the ESC's draft report, the CEC favours those that incorporate a 'critical peak' component. We are of the view that a critical peak component will be the most effective driver of a response by owners of distributed generation and storage and that this will be an important means of ensuring that in future battery storage is utilised for optimum economic benefit and in a way that reduces electricity prices for all consumers.

We support the provision to allow a distributor generator and their retailer to 'opt out' of the multi-rate tariff framework on condition that the distributed generator provides express and informed consent when accepting an alternative tariff option. As currently proposed, the 'opt out' provision applies only if the retailer is able to offer a feed-in tariff that fully reflects the half hourly prices in the wholesale market. We would urge the Commission to consider a broader 'opt out' provision that is not based on half hourly pricing. If a retailer, for example, wanted to offer a higher flat rate FiT or a higher 'critical peak' payment without a requirement for half hourly pricing, we do not see a strong reason to oppose that provided express and informed consent has been provided by the distributed generator.

***Are there additional data and analyses that the Commission should consider in assessing the environmental and social benefits of distributed generation, specifically in terms of identifying, quantifying and valuing those benefits of distributed generation?***

Yes. The benefits of safety and reliability can have characteristics of private and public benefits. In the context of bushfire safety, for example, we would encourage the Commission to take full account of the public benefits of avoided bushfire risk.

In addition to the environmental and social benefits considered in the draft report, we recommend that the ESC consider:

- The public benefits of the reduced bushfire risk arising from avoided poles and wires;
- Other economic, social and environmental benefits of avoided, above-ground poles and wires;
- The reliability and safety benefits of grid independence and islanding capability, especially in fire-prone areas; and
- Independent micro-grids as a form of distributed generation.

However, we are not proposing that these benefits should be considered in the context of assessing the energy value of distributed generation. We understand that these are issues that would be more appropriate to consider in the second stage of the review, which will assess the network benefits of distributed generation. We would suggest the reports of the Bushfire Royal Commission as a source of data when considering the cost of bushfires in Victoria and the potential safety benefits of distributed generation and storage as an alternative to poles and wires.

***What impact, if any, would increased deployment of electricity storage systems have on the assumptions and analysis underpinning the proposed distributed generation tariff framework outlined in this draft decision?***

The approach proposed in the ESC's draft report becomes more important and economically beneficial under assumptions of increased deployment of battery storage systems. Anticipated investment by households and businesses in 'behind the meter' battery storage will provide a new source of generation that can help to satisfy peak demand, which reduces average wholesale electricity prices. The key to unlocking the benefits of battery storage is the provision of the right incentive framework. The approach proposed in the draft report, particularly the proposed 'critical peak' payment, will provide an incentive to encourage the efficient utilisation of storage.

## Recommendations

The Clean Energy Council recommends that in its final report on the energy value of distributed generation the ESC should:

1. Recommend a multi-rate feed-in tariff that incorporates a 'critical peak' component;
2. Support a feed-in tariff that rewards the greenhouse gas abatement benefits of distributed renewable energy generation; and
3. Support the proposal for an 'opt-out' provision and consider allowing for additional flexibility in alternative FiT offers on condition that the distributed generator has provided express and informed consent.
4. Confirm that the review will consider the following (acknowledging that these are network benefits rather than energy benefits of distributed generation):
  - The public benefits of the reduced bushfire risk arising from avoided poles and wires;
  - Other economic, social and environmental benefits of avoided, above-ground poles and wires;
  - The reliability and safety benefits of grid independence and islanding capability, especially in fire-prone areas; and
  - Independent micro-grids as a form of distributed generation.