

GloBird Energy

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**Essential Services Commission****Level 37/2 Lonsdale St, Melbourne VIC 3000****RE: Minimum electricity feed-in tariff to apply from 1 July 2020**

GloBird Energy welcomes the opportunity to provide feedback on “Minimum feed-in tariff to apply from 1 July 2020: Draft Decision”.

In principal GloBird Energy support the general approach of estimating the minimum feed-in tariff rate adopted by the commission and we acknowledge the proposed rates are reasonably appropriate. However; GloBird suggest the commission further consider some options to better support other kind of renewable generation technologies, and to lead the industry towards a lower wholesale cost, a more stable grid, improved innovation, and increased community fairness.

In summary, we suggest the commission consider the following:

- 1) Adjust the rate between peak and shoulder for the Time-varying minimum feed-in tariff structure to support technologies other than just roof top solar
- 2) Make it compulsory for customers who opt into time-varying feed-in tariff structure to switch to the equivalent Time of Use tariff structure for their energy use
- 3) Reduce the solar Feed-in Tariff rates in general to mitigate the poor subsidising rich issue

Adjust time-varying rates towards truly technology neutral and better innovation

As the commission has mentioned, the intention of the FiT is to support all technologies, but the actual result of the FiT plus several other factors (mostly solar related subsidies) has benefited roof top solar specifically and it has resulted in rooftop solar becoming the dominant source of small-scale renewable generation in Victoria. This creates significant challenges to overall grid security, especially around mid-day, resulting in a distorted wholesale price, and eventually it will push up the retail energy cost as a result of significantly higher wholesale energy cost at other times of the day.

Looking at what happened in South Australia, we can see the wholesale and retail price soar as a result of the higher percentage of renewable intermittent energy. The entire state even suffered a complete blackout due to intermittent nature of the wind and solar generation. If it wasn't for the interconnectors that give the SA access to a continuously supply of dispatchable power from other states at times when the sun is not shining and the wind has stopped blowing, the whole state would suffer far more frequent blackouts.

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From the South Australian experience, it is apparent that for the industry to sustain a higher percentage of renewable energy, it desperately needs renewable technology other than wind and solar in the mix. Therefore, it is necessary to send a stronger price signal to support other small-scale generation that can make up the reduced generation capability when roof top solar is not generating, the state could enjoy a higher volume of renewable energy without paying the price of a higher wholesale cost and an unstable grid.

To achieve this, GloBird would suggest the commission consider one of the following two options:

- Adjust the proposed tariff for the time-varying minimum feed-in tariff structure, by reducing the shoulder rate, and use the savings to encourage generation technology of other times by increasing the peak and off-peak rates.
- Enable the industry to design its own time-varying minimum feed-in tariff structure, similar to the method used in the Victoria Default Offer (VDO), which allows the industry to define their own time of use tariff providing the total annual cost does not exceed the total annual cost based on the single flat rate VDO tariff on the assumed load profile.

GloBird is in favour of the VDO style time-varying minimum feed-in tariff structure, as it will spur innovation from the industry which would pave the way towards achieving a truly technology neutral renewable generation mix, compared to a single tariff option defined by the government.

Compulsory switching into the Time of Use tariff structure

The distributors and the government have been pushing for more cost reflective tariff structures for years now, but unfortunately there has been little progress made in this regard, this can be seen by low take up of these tariffs and the number of customers remaining on flat tariffs.

While the best outcome for achieving cost reflective tariff structure is to see every customer move into a demand tariff. However, this has proven to be difficult due to the complexity of the demand tariff structure, and the lack of understanding from the general public. On the other hand, Time-Of-Use tariffs are a reasonable middle ground as they go some way towards the goal of demand tariffs because they give consumers price signals in times of peak use. TOU tariffs have been around for a long time, they are easy to understand and largely accepted by the public. Although not as ideal as demand tariffs, they are more cost reflective compared to flat tariffs.

Therefore, if the commission believe it is necessary for the retailer to offer a time of use feed-in tariff, we logically suggest linking the way the feed in is paid to the way the customer pays for their power. This can be done by limiting time of use feed-in to customers who switch to (or already have) a time-of-use tariff. This simple step helps guide the industry toward more improved take up of cost reflective tariffs for both feed-in and usage together which will in turn provide better support toward innovation.

Mitigate poor subsidising rich issue

While designing the Feed-in tariff structure, it is important not to make the poor subsidising rich issue worse than it already is now, and even more importantly, with the VDO in place, we suggest the commission mitigate the issue by lowering the FiT tariff and pass the savings on to other consumers under VDO.

Currently, there are multiple subsidies available for customers who wish to install roof top solar panels, in detail:

- 1) The federal level Small Renewable Technology program (SRES)
This is a federal level scheme paid at the time of solar panel installation. To install a 5KW system in Melbourne, the owner could receive about \$2600 towards their purchase of solar panels in 2019. The program is funded by every energy consumer on an ongoing basis. Based on the state government's 2020 VDO tariff, the SRES costs \$25.63 per year to an average household who uses 4000 kWh of electricity.
- 2) The Victoria Solar Homes solar PV panel rebate program
This is a program funded by Victoria State government, the eligible household could receive a cash rebate toward their solar panel purchase for up to \$2225. Being a government funded rebate, it means the cost is ultimately passed on to taxpayers.
- 3) The Social Cost of Carbon
This is a built-in component in the Solar Feed in Tariff, it was set to be 2.5 Cents per kWh of solar generation that was fed into the grid. The amount paid to every solar panel owner is then recovered and paid by all electricity consumers. Based on the 2020 VDO price, this costs an average household who consumes 4000KWh of electricity a total of \$8.39 plus GST per annum, or \$9.23/year including GST. Based on GloBird's customer profile, customers with roof top solar panels installed, on average feed in 4000 kWh of energy per year into the grid, this is about \$100 per customer of additional income per year. With larger and more efficient solar panels being installed today, this number is likely to increase further, which will inevitably push up the recovery cost required to all customers on the VDO.
- 4) The Premium Feed in Tariff (PFIT)
This is another state government rebate to rooftop solar panel owners who installed their panels between 2009 and 2011. The eligible owner receives an extra 60Cents per kWh of credit on their solar generation that was fed into the grid. The amount paid to every solar panel owner is then recovered and paid by all electricity consumers via the network distribution tariff. A basic 3KW system owner could easily receive a few hundred dollars extra credit per year, paid again by every electricity consumer as part of their network cost.

In addition to the range of incentives and rebates mentioned above, customers with roof top solar further enjoy significant cost savings from their reduced energy consumptions. However, it is worth noting that solar panel installations will cause lower total energy consumptions across the whole system. Therefore network transmitters and distributors need to charge a higher unit rate on energy consumption for the use of network service in order to maintain necessary network security, and

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retailers then have to charge a higher retail unit rate to recover the loss of revenue so they can continue to provide service. The customers with no solar panels will end up paying more for their energy usage because they don't have means to reduce their consumptions.

In reality, it is mainly property owners who own a house with a descent sized roof (and who have access to cash) who are most likely to install solar panels, they are, in general, financially better off compared to the remaining customers who don't own a house, I.E. renters or apartment owners or those who can't afford to install roof-top solar panels. Therefore, while everyone appears to be paying to recover the cost of the various solar panel programs, it is only those who are financially better off that benefit, effectively subsidized by the consumers that are financially worse off, many of whom are low income or vulnerable customers.

With all the government incentives and cost saving benefits mentioned above, it is no surprise to see the return on investment of solar can be as high as 40% per annum, a return hardly achievable anywhere else. But such a mammoth return, is built at the expense of low income and vulnerable customers. The decision to install rooftop solar panels has now become a question of ethics, that is: should anyone build their wealth explicitly at the expense of lower income and vulnerable customers?

To mitigate the situation where financially better off roof-top owners are building their wealth at the cost of low income and vulnerable customers, we suggest the commission further reduce the Feed in Tariff and pass on the saving to every household through the VDO.

Please contact John McCluskey directly for further information on this submission.

Yours sincerely,

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