

13 January 2020

Ms Kate Symons  
Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale Street,  
Melbourne VIC 3000.

Submitted online: <https://engage.vic.gov.au/minimum-feed-tariff>

Dear Ms. Symons

### **ESC Minimum Feed-in Tariff Review 2020-21**

Thank you for the opportunity to provide a submission in response to the Essential Services Commission's (ESC) consultation covering the Minimum Electricity Feed-in Tariff to apply from 1 July 2020 - Draft Decision.

Momentum Energy is a 100% Australian-owned and operated energy retailer. We pride ourselves on competitive pricing, innovation and outstanding customer service. We retail electricity in Victoria, New South Wales, South Australia, Queensland and the ACT. We offer competitive rates to both residential and business customers along with a range of innovative energy products and services. We also retail natural gas to Victorian customers.

Momentum Energy is owned by Hydro Tasmania, Australia's largest producer of renewable energy.

### **Overview of Proposed Changes**

Momentum is generally supportive of the proposed changes to the methodology for determining the wholesale price used for the minimum feed-in tariffs for 2020-21. Using a 12 month average of future wholesale prices instead of the 40 day average used in 2019-20 is more reflective of the wholesale price for the coming year and also aligns with the approach taken to setting the Victorian Default offer.

We also agree that the time-varying feed-in tariff should also be based on solar – weighted wholesale electricity prices rather than the former time weighted approach as the renewable technology mix is now more heavily weighted towards solar than any other renewable technology. As mentioned in the consultation paper this approach will avoid any further cross subsidies to solar customers borne by customers that do not have solar panels.

However, while we acknowledge that the ESC has flagged, for some time, their intention to introduce a mandated time-varying feed-in tariff we believe that due to the following issues this is still not necessary:

- The changes required to our (and other retailer's) system costs to implement a time-varying feed-in tariff are considerable and in excess of any additional customer benefit;
- There are several other mandated market changes (five minute settlement, global settlement, life support, Clear and Fair Contracts Review) taking place over a similar period;
- The difference in the rates for each of the time-varying periods (off peak, shoulder and peak) are minimal and the past trend of these rates are aligning towards the flat rate;
- The competitive market has already delivered time-varying feed-in rates for customers seeking this option; and
- Customers are demanding less change and simplicity in their product offerings.<sup>1</sup>

### Momentum Assessment of Benefit to Customers.

We have conducted an analysis of a representative sample of 12,349 of our Victorian customers that had solar installations and were supplied electricity for the 12 month period 1/01/2019 - 31/12/2019.

A comparison of the benefit these customers would achieve using both the proposed Flat Feed-in rate (10 c/kWh) and the proposed TOU Feed-in rates (Off Peak 9.0 c/kWh, Shoulder 9.7 c/kWh and Peak of 12.3 c/kWh) has been determined with the following results:

TOU Benefit (\$)	NMI count	% of Total NMI along Table (Down)	Avg. TOU Benefit \$ per NMI	Sum of TOU Benefit \$	Avg. TOU Benefit % per NMI
-31- -10000	95	0.77%	-966	-91,775.08	-1.90%
-26- -30	26	0.21%	-27	-701.96	-1.60%
-21- -25	35	0.28%	-22	-785.29	-1.70%
-11- -15	213	1.72%	-12	-2,522.34	-1.70%
-16- -20	84	0.68%	-17	-1,446.45	-1.70%
-6- -10	1,135	9.19%	-7	-7,513.93	-1.60%
-1- -5	7,100	57.49%	-2	-13,963.12	-1.10%
0	692	5.60%	0	0	
1-5	2,470	20.00%	2	4,047.86	0.80%
6-10	378	3.06%	7	2,578.86	1.70%
11-15	68	0.55%	12	817.47	2.10%
16-20	19	0.15%	17	317.29	1.50%
21-25	6	0.05%	23	135.42	1.10%
26-30	7	0.06%	27	190.03	1.60%
31-10000	21	0.17%	643	13,502.30	1.60%
<b>Grand Total</b>	<b>12,349</b>	<b>100.00%</b>	<b>-8</b>	<b>-97,118.92</b>	<b>-0.70%</b>

\*Annualized values.

The table above can be summarised as follows:

- 7,100 customers (NMIs) would be between \$1 and \$5 worse off per annum if they were to choose the TOU Feed -in rates as opposed to the Flat Feed-in rate;
- The 7100 NMIs account for 57.5% of all customer (NMIs) analysed and their average lose per annum per NMI would be \$2;
- For each of these 7100 NMIs, the negative \$2 represents a variation of negative 1.1% from the Flat Feed-in rate value. (For example, if a NMI received \$200 p.a. on the Flat Feed-in rate, they would receive \$198 on the TOU Feed-in rate);

<sup>1</sup> AEMC 2018 Retail Energy Competition Review section 4.1.3 Page 53

- The larger benefit values ( \$-966 and \$643) at the top and bottom of the table represent only 0.94% of the NMIs and are commercial and industrial customers;
- The majority of customers would be worse off if they chose the TOU Feed-in rates over the Flat Feed-in rates with only 25% of customers being better off; and
- For 95.3% of the solar customers the benefit of choosing either the TOU or Flat Feed-in rates would range between negative \$10 to positive \$10 dollars per annum.

### **Specific Questions Raised by the ESC**

1. *Costs and implementation issues associated with mandatory introduction of a time-varying FiT from 1 July 2020.*

The estimated system costs for Momentum to develop, offer and bill time-varying feed-in tariffs from 1 July 2020 is [REDACTED].

2. *Costs and implementation issues that would support mandating a time-varying FiT from 1 July 2021*

The estimated system costs for Momentum to develop, offer and bill time-varying feed-in tariffs from 1 July 2021 is [REDACTED] subject to minimal other major system or regulatory changes that may also be scheduled. The reduction in cost is attributable to an expectation of increased resource availability following the completion of a number of current programs of work.

3. *Costs and benefits that support delaying mandating a time-varying FiT to an unspecified future date.*

This is difficult to determine as many other issues may impact system development including major system upgrades, significant customer growth and/or changes to system support providers.

4. *Method and timing of notifying customers regarding changes to FIT*

New customers are advised of their feed-in tariff in writing within 2 business days of accepting an offer.

Existing customers are advised of changes to their FiT by letter around six weeks before a price change takes effect.

5. *Whether the FiT rate credited and the charges payable by a customer are covered under the customer retail contract, or separate agreements.*

Momentum has both separate market contracts that include special feed-in tariffs and General Solar Feed-in terms for solar customers on all other products.

### **Summary**

Based on the information provided above we do not believe that the implementation of a mandatory TOU Feed-in rate is necessary or justified for 1 July 2020. The imposition of this

additional regulatory change would create a further burden and significant cost on Momentum's already constrained information technology resources. Moreover, it would deliver minimal benefits and more complexity to electricity consumers. We believe that a clear cost benefit, must first be established for TOU Feed-in tariffs, and if found to be positive then a reasonable lead time (at least 12 months) should be allowed for its implementation.



Should you require any further information regarding this submission, please don't hesitate to contact me on 0478 401 097 or email [randall.brown@momentum.com.au](mailto:randall.brown@momentum.com.au)

Yours sincerely

[Signed]

Randall Brown  
Regulatory Manager