



17 January 2020

Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne, Victoria 3000

Lodged electronically: <https://engage.vic.gov.au/>

### **Minimum electricity feed-in tariffs to apply from 1 July 2020**

Alinta Energy welcomes the opportunity to make a submission regarding the Essential Services Commission's Draft Decision for the Minimum electricity feed-in tariff to apply from 1 July 2020.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, and in excess of 1.1 million electricity and gas customers.

Alinta Energy recognises the importance of the Commission's role in determining one or more Feed-In-Tariff's (FIT) an electricity retailer must pay customers for the electricity exported to the grid. We commend the Commission's change in methodology of applying the futures market approach with a 12-month average of future wholesale electricity prices instead of the 40-day average used in the 2019-20 Final Decision. This change in methodology was made to align the FIT methodology to that of the VDO methodology. Alinta Energy firmly believe that applying consistent and complete approaches to regulatory determinations will ensure that risks, errors and unintended consequences are minimised for both retailers and consumers.

### **Implementing Time varying Feed-in tariffs should be delayed to 1 July 2021**

Although the proposal to introduce a Time-Varying solar Feed-In-Tariff (TVFIT) has merit, Alinta Energy has significant concerns regarding the inadequate implementation timeframe to deliver the TVFIT by 1 July 2020. We acknowledge that the TVFIT currently being offered by retailers voluntarily was a transitional arrangement, but we note that retailers have had no prior indication from the Commission that the transitional arrangements would end on 1 July 2020. Given the Final Decision will be released in February 2020, this provides retailers with only four months to fully deploy and test our systems and processes.

As the terms and conditions associated with our solar FIT customers are under separate legal agreements, Alinta Energy will need to develop new terms and

conditions that meets the needs of the TVFIT product for our customers. These terms will also need to be submitted to the Commission for approval under Section 40J of the *Electricity Industry Act*. The process to develop, submit and approve the terms and conditions is alone likely to take several months.

Once approval is provided, our systems and processes will then need to be tailored to the delivery of the TVFIT terms and conditions. In order to effectively deliver the TVFIT product to our customers the changes must be managed through Alinta Energy's change management program.

Alinta Energy's change management program is a planned schedule of works that budgets and forecasts change management initiatives and projects. If the TVFIT was required to be offered by 1 July 2020, the schedule of works would need to be adjusted for the aggressive delivery times associated with a timely delivery. This re-scheduling would also result in unnecessary, avoidable and unaccounted for increase in retailer costs to develop the TVFIT within this timeframe.

In addition, Alinta Energy is concerned that a forced change to our change management program may impact the effective delivery of other regulatory projects. There are several regulatory consultation underway in Victoria and other East Coast states, and in particular, the Commission's consultation on "Ensuring energy contracts are clear and fair" is ongoing and scheduled for enactment on 1 July 2020. The significant changes relating to this consultation will be extremely challenging to deliver by 1 July 2020. Implementing both reforms within four months will undoubtedly increase the risk of errors and challenge the quality of services delivered to Victorian customers.

For these reasons Alinta Energy urges the Commission to delay the mandatory offering of a TVFIT until **1 July 2021**

### **The cost of implementing the TVFIT not considered as part of the VDO in 2020**

Alinta Energy also notes that the VDO determination effective 1 January 2020 did not consider the costs associated with developing and maintaining a TVFIT product in the 2020 calendar year. As raised in previous submissions, the Commission continues to exclude the reasonable operating and implementation costs associated with regulatory reform.

As part of the Commission's advice to the Victorian Government on 3 May 2019, the Victorian Default Offer to apply from 1 July 2019 included an allowance of approximately \$3 per customer for the implementation and maintenance of the Payment Difficulty Framework (PDF). As noted in the 1 July VDO advice;

'Given that the benchmark data we used is unlikely to fully include these net costs, we proposed in our draft advice to include an allowance in the VDO for PDF related compliance costs at the upper end of the range adjusted for inflation.'



Alinta Energy welcomes the Commission's consideration of PDF regulatory compliance costs but notes that costings for the PVFIT has not been considered as part of the 2020 VDO.

We look forward to participating in the ongoing consultation process and would encourage consideration of the matters raised above. Should you require any additional information or wish to discuss any aspect of our submission please contact Ante Klisanin, Retail Regulation Manager on (03) 8533 7344 or via email: [ante.klisanin@alintaenergy.com.au](mailto:ante.klisanin@alintaenergy.com.au).

Yours sincerely

A handwritten signature in blue ink, appearing to read "G. Hamilton", is positioned below the text "Yours sincerely".

**Graeme Hamilton**

General Manager – Government & Regulation