Minimum feed-in tariff review 2022-23

Submission received through Engage Victoria

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From 2 December 2021, we began accepting submissions on our Minimum feed-in tariff review 2022-23 via Engage Victoria (www.engage.vic.gov.au). On this website, people were given the opportunity to send us a response to a set of questions we provided.

Are there any other matters relevant to the review we should consider?

What I was trying to ask for from the FIT FY 2021-2022 to be provided, was similar to that which is displayed in Figure 1: Draft decision on VDO prices – estimated average residential annual bill of the Victorian Default Offer from 1 January 2022 Draft decision. Whereby the overall costs to supply electricity are broken down into a dollar value is applied to each.

The Figure 2.2: Retail cost of providing electricity and costs avoided with solar exports on page 17 does not display a $ figure as to the break down of the retail costs components.

What I am trying to understand is that while I understand that the wholesale costs of electricity is coming down, are retails actually passing on the same savings (as a percentage) to customers for this particular component? If they are great? If they are not what is the markup? Again this information appears to be missing from the report, so lets at least try to work from the whole to the part and not the other way around?

At the same time, I am also concerned that whilst retailers maybe be passing on “some” savings for the wholesale component they may very well be increasing other component costs to offset this reduction? Again the actual details and figures do not appear to be forthcoming in this report, regardless of the claims (which seem to be largely unfounded without actual evidence) made by retailers on page 43, and further still only pertain to the electricity costs, not to the other retail costs components.

Origin energy have made the claim on page 43 that “Prices are falling due to a significant reduction in wholesale electricity costs and network costs, which make up a large share of a customer’s bill.” even though my understanding is that the wholesale electricity rate only accounts for approximately 30-33% of the total retail components.

Does the ESC actually follow up these claims to ensure that what is being “Advertised” by the

retailer is actually correct? If so can the ESC provide its findings.

This is even more relevant now that the new FIT will be reduced from 6.7c to 5.2c as of July 2022 (subject to final review) however claims are still being made that “The draft minimum feed-in tariffs are lower than the current rates due to a forecast reduction in wholesale electricity prices for 2022-23.” These claims were made in 2021-22, however there is now analysis of whether this was actually the case or if it was what the proportion of the reduction was compared to the previous year (as per my points above).

Also there is a statement made by the ESC on page 30 that reads “We consider that the minimum feed-in tariffs for 2021–22 give solar customers the right payment for their exports without other customers paying too much for electricity” If you reverse this argument and say that households who have invested in solar are ultimately providing decreased prices for their neighbors who have not, it might be considered a reason why most respondents (other than the retailers) are disgruntled by the decision to further reduce tariffs, if not for the environmental benefits.

Finally I believe an alternative option that could be considered by retailers is to “bank” households solar customers feed in energy, and then sell these back to the customer at a discounted rate. For example if I export 1kwh at a rate of 6.7c/kwh into the grid, it would be nice to be able to buy back that 1kwh at a discounted rate say 20c/kwh as opposed to the full rate 30c/kwh during the peak times when my solar isn’t generating.

Also with the FiT decreasing at a rapid rate there is less and less incentive to feed back into the grid. For example its 45oC outside and I have my air con on at 22oC and I’m generating an excess of 2kwh generation from my solar system which is getting exported back into the grid at 6.7c. If I then drop my aircon down to 18oC, put all my devices on charge and vacuum my house I will consume the additional 2kwh that was being exported back into the grid at 6.7c, but I am saving myself 30c/kwh which is far more economical for me.

Can you see the problem here? It’s actually better value for me to “consume/waste” all of my solar generation that export it back into the gird, or not export it at all.

My final comment is in relation to what the ESC will be working on between now at 2030 when Australia is set to drastically reduce its reliance on coal and gas, and further more by 2050 whereby coal and gas are essentially replaced solely by renewables?

Note I submitted much of the above prior to the feed-in tariff info session held on 26/10/21 whilst some may have been addressed during this session some was not. So hence the reason for resubmitting these again.

Additional document uploaded:

Figure 2.2: Retail cost of providing electricity and costs avoided with solar exports