

Essential Services Commission
Level 8, 570 Bourke Street
Melbourne Victoria 3000

22 December 2023

Dear Sir/Madam,

I am writing to express my opposition to the proposed reduction in Feed-In-Tariff (FiT) to 3.3 cents per kWh, as outlined in the Essential Services Commission (ESC) of Victoria's Minimum Feed-In Tariff Review 2024-25. The proposed reduction is not justified by the market trend of negative wholesale prices during peak solar generation, as highlighted in the Australian Energy Regulator's (AER) Wholesale Markets Quarterly - Q3 2023 report and the market forces outlined in AER's State of the Energy Market 2023 report.

The Frontier Economics report on Wholesale Price Forecasts for Calculating Minimum Feed-In-Tariff is vastly different from the AER's reports, where the projected quarterly average spot prices have differed significantly from the reality as per AER's charts.

The AER's report also highlights that gas markets play a large role and 2022 supply shortage vulnerabilities remain as a driving issue along with '2023 has seen the exit of a major power station from the NEM with the closure of Liddell Power Station in April.' and such to predict that wholesale energy prices 'continue to fall' year on year would be to disregard how the bulk of energy is generated in Australia. Multiple charts also clearly show that East coast gas market average monthly prices are elevated even compared to 2020 supporting this claim.

New capacity has not entered the market since April in Victoria, and AEMO's 2023 Electricity Statement of Opportunities (ESOO) identified forecast reliability gaps for all mainland regions over the next 10 years. With 8.3 GW of firm capacity scheduled to exit the market in the next decade as coal plants retire, there is a pressing need for new investment to be realized across the NEM;

To lower the FiT to 3.3 cents is to further shift the cost burden to rooftop solar installations and would also be counterproductive to the wider need of investment, while not providing equal distribution of losses as per the ESC's proposal "We protect the interests of solar and non-solar customers". It is stated that solar is affecting spot price mid-day, however, to be considered equitable, energy costs should also be cheaper within this band. However, all energy retailers within Victoria do not offer this and set their FiT in accordance with the ESC's minimum. In cases where retailers that offer elevated FiT's, they also in turn considerably increase daily supply charges and general electricity rates, thus providing a false elevated FiT.

It is also disingenuous for the ESC to claim that "Electricity generators and retailers have different costs" in relation to their overarching point that energy costs are coming down but for some bizarre reason retailer costs will go up. Both points are incorrect where energy costs are stagnant if not elevated due to war and other economic factors, and retail

costs have increased, but the cost is passed on to the consumer. This, along with general inflationary pressures, results in growth of the whole pie not just 2 segments. The AER acknowledges that “Increases in wholesale energy prices were evident in retail prices, with estimated electricity bills rising between 9% and 20% in all NEM jurisdictions in 2022-23, impacting households already experiencing broader cost-of-living pressures.” To only decrease the FiT while all other rates increase is hardly equitable.

While there is an argument to be made that self consumption plays a role this should not be given the significant weight outlined in the ESC’s draft, the reason being the cost is fixed, reducing the FiT will in turn increase ROI, this is just a fact.

I urge you to reconsider the proposed reduction in FiT rates and take into account the market forces and the discrepancies between the Frontier Economics report and the AER’s reports.

Thank you for your attention to this matter.

Sincerely,



Referenced documents:

Frontier Economics – Wholesale Price Forecasts for Calculating Minimum Feed-In Tariff 2024-2025

<https://www.esc.vic.gov.au/sites/default/files/documents/Frontier%20Economics%20-%20FiT%20draft%20report.pdf>

2023-2024

<https://www.esc.vic.gov.au/sites/default/files/documents/23-02-14%20Frontier%20Economics%20-%20FiT%20final%20report%20-%20STC.pdf>

2022-2023

<https://www.esc.vic.gov.au/sites/default/files/documents/Fontier%20Economics%20-%20wholesale%20cost%20forecasts%20draft%20Report%20-%20feed-in%20tariff%20review%202022-23.pdf>

2021-2022

<https://www.esc.vic.gov.au/sites/default/files/documents/RPT%20-%2021-22%20minimum%20feed-in%20tariff%20forecast%20-%20Draft%20FiT%20Report%20-%20Frontier%20.pdf>

2020-2021

<https://www.esc.vic.gov.au/sites/default/files/documents/Wholesale%20price%20forecasts%20for%20calculating%20minimum%20feed-in%20tariff.pdf>

Australian Energy Regulator's 'Wholesale markets quarterly - Q3 2023'

<https://www.aer.gov.au/publications/reports/performance/wholesale-markets-quarterly-q3-2023>

https://www.aer.gov.au/system/files/2023-10/Q3%202023%20Wholesale%20markets%20quarterly%20report_0.pdf

Australian Energy Regulator's 'State of the energy market 2023'

<https://www.aer.gov.au/publications/reports/performance/state-energy-market-2023>

https://www.aer.gov.au/system/files/2023-10/State%20of%20the%20energy%20market%202023%20-%20Full%20report_1.pdf

Australian Energy Regulator's 'Quarterly volume weighted average spot prices – regions' charts

<https://www.aer.gov.au/industry/registers/charts/quarterly-volume-weighted-average-spot-prices-regions>