

Essential Services Commission
Level 8/570 Bourke St
Melbourne VIC 3000

20 December 2023

Re: Minimum electricity feed-in tariff to apply from 1 July 2024 – draft decision

Geelong Sustainability is a not-for-profit community organisation and registered charity that supports residents of Geelong and surrounds to be more sustainable in their everyday lives. Our vision is for people and our planet to thrive within sustainable limits. Our mission is to empower people to regenerate and protect the planet.

As a leading organisation focused on the continual transition towards net zero emissions, Geelong Sustainability supports effective regulation to facilitate individual investment, positive consumer outcomes and the reduction of barriers to participate in the electricity market.

Absence of non-wholesale value of energy or volume price determination methodology

Victoria's energy retailers certainly benefit from solar customers within their respective portfolios. However, significant energy flows from energy consumers to the wholesale energy market are generally undesirable in periods of extremely low or negative wholesale energy prices. Victorian household energy consumers and their retailers are not completely exposed to the wholesale market. What has failed to be considered is that electricity retailers generally aim to onsell solar energy within their customer portfolio (often as green power) at an additional 4-8 cents per kWh, enabling additional revenues. It is our belief that any mFIT determination that only considers wholesale energy prices is perceived by energy consumers as transferring the price risks to them without passing through potential upsides.

As valuations of wholesale solar energy as component of the mFIT trends toward zero, upsides of solar within the total energy system are not distributed to the individuals and family households who have invested in solar. This degradation of value will likely also lead to perverse outcomes where retailers are no longer self-incentivised to increase daytime energy consumption in solar periods to mitigate their respective wholesale risk. Geelong Sustainability asserts that this will stifle investment into mechanisms (education and innovation) that support solar utilisation resulting in a negative incentive feedback loop that further decreases daytime energy demand and therefore energy prices.

Geelong Sustainability maintains its position that an enhanced commercial value of solar export exists for the first few kWh fed into the grid and is demonstrated by several retailer offers. The Essential Services Commission should consider that feed-in tariffs be determined by the volume of solar exported rather than a time of use or flat minimum. Outcomes of which influence the market for selection of renewable energy system sizing, while further reduction of the mFIT does not appear to further incentivise solar self-consumption.

Social licence and community engagement

Geelong Sustainability recognises the intent of the Essential Services Commission's minimum feed in tariff (mFIT) draft determination of a fair market price for renewable energy. If the commission continues to trend the mFIT towards zero, the commission's responsibility to inform and consult with energy consumers increases.

The 2024 mFIT valuation has reduced by ~36% relative to 2023, and Geelong Sustainability asserts that the essential service commission must now take a significant role in facilitating the support and education of energy consumers. This need is twofold; firstly nearly 15% of customers are on the Victorian Default Offer. These customers are generally accepted to be among the most at-risk among energy users as they are generally not considered able to seek better commercial offers for their energy supply. A proportion of these customers will have solar energy, thus they are unlikely to seek a market offer that enables access to a FIT above the mFIT determined by this review. Geelong Sustainability acknowledges that the interplay between tariffs regulated by the ESC and work to harmonise the mFIT and VDO can deliver improved outcomes for both solar and at-risk customers.

The need for this education is supported by the subset of energy consumers that are adequately energy- and governance-literate to participate in this review's current format. This is evidenced by individual submissions addressing the mFIT value determination and not the methodology or inputs that result in the mFIT value. The value of feed-in tariffs impacts the simple economic case used by most households to determine their investment in renewable energy. The Essential Services Commission as agent of the Victorian State Government, through its management of the mFIT, has a duty to energy consumers to ensure its decisions do not inhibit participation or investment at any level of the energy market. This could be overcome through facilitated consultation and could remove barriers to participation in the energy market.

Social cost of carbon and social cost of non-carbon emissions

Geelong Sustainability asserts it is important to recognise local energy mix as a relevant factor for the determination of a mFIT and suggests that existing methodologies in fact under-value the social cost of carbon and costs to human health.

The valuation of a social cost of carbon as part of the mFIT at 2.5c becomes the dominant component of the tariff as peak of day minimum demand pushes the national energy market price to zero or below. However actual electricity demand is non-zero and significant volumes of energy are served by coal and in victoria - notably brown coal. Geelong Sustainability would suggest that this valuation is likely insufficient due to the prevalence of carbon certificates that are overstated or not realised. This is an important consideration when valuing the cost of carbon in metered renewable energy which has consistently held up to scrutiny when tested. This method could also be extended to particulate, SO₂ and NO_x emissions to create additional value for solar customers.

Human health cost

Geelong sustainability maintains its position that the mFIT review recognises a tangible avoided human health cost benefit associated with the proliferation of distributed renewable energy, particularly rooftop solar. Geelong Sustainability asserts that the Essential Services Commission can no longer assign zero human health costs avoided as numerous methodologies have been pioneered and a reliable methodology must be sought. Geelong Sustainability disagrees with the position of the Essential Services Commission - that overlap exists between the subsidisation of solar panels and human health costs – and this does not align to the methodology for the determination of mFIT. This position should be reconsidered as the subsidies of solar panel installation have reduced significantly (small scale technology certificates); while the human health costs of non-renewable energy only appears to be growing. In addition, the subsidies inferred by the commission's determination do not appear to make public a consideration of human health costs in their own value determination, therefore excluding this from the mFIT methodology has a deficiency of merit.

Concluding remarks

Geelong Sustainability broadly supports the Essential Services Commission's approach to determining a mFIT to apply from July 1 2024. Noting that as the wholesale value of solar feed-in diminishes, the Commission can no longer neglect value streams not currently considered such as cost to human health, valuation to the social cost of carbon, how retailers manage consumer energy resources within their portfolio as well as the need to educate energy consumers.

Geelong Sustainability maintains there is significant room for improvement in how the commission engages with non-expert energy consumers, particularly those who operate consumer energy resources.

Yours sincerely,



Dan Cowdell
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Geelong Sustainability