

**Essential Services Commission**

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Submission on 2014 Minimum Feed-in Tariff

Retailers must be required to pay a feed-in tariff to customers who are also Small Embedded Renewable Generators (SERG), not of 8 cents per KWh, but the price that the retailers charge the SERG for the electricity they supply them. This would be the only fair and reasonable way for the price for the FIT to be set according to Section 40I and 40 J of the Electricity Industry Act 2000. In simple terms, if the retailer charges the SERG 30 cents per KWh, then the retailer must pay the SERG 30 cents per KWh for what the SERG exports back to the grid. This means that there would be no cross subsidies between customers that export back to the grid and those that don't. The retailer would not be losing out.

To stop any allegation of cross subsidies for people with large systems, generally 5 KW or over systems, it should only go down to 8 cents per KWh when the total amount exported each period is more than the total used, which would be fair and equitable. Therefore, if a SERG sent back 150 KWh into the grid but used 200 KWh, the SERG should be paid at the same rate for what they send back as what they buy it for. If they sent back 250 KWh, they would be paid 8 cents per KWh for the extra 50 KWh they exported over the 200 they had used. This would be easily able to be worked out by the retailers as they have all the information needed from the smart meters which have been installed in all Victorian homes at a cost of over 1.5 billion dollars to customers.

At the moment, retailers have different and higher rates that they charge SERG against the rates that they charge for customers that aren't SERG. This is a reverse cross subsidy from people that are not a SERG. The ESC should ensure that all rates are the same for SERG customers and non-SERG customers.

A SERG does not make a profit at 8 cents per KWh due to the high cost of a SERG system and the customer is in effect giving away the electricity they make to the retailers who then profit by selling it for more money at retail rates.

The SERG has invested to reduce pollution, with their system costing thousands of dollars with well over a decade to pay off the system. By making the FIT 8 cents will simply now encourage all SERG to use as much electricity in their own home as they can as the SERG will receive little benefit of electricity sent back into the grid by being frugal with the electricity they use in their home. This is against the reason for renewable energy being promoted by the Government, to reduce pollution.

The prices retailers are charging for the electricity they supply and their supply charges are going up substantially yet the minimum FIT charge suggested of 8 cents per KWh is not going up. This is simply leading to the retailers and generators making more profits at the expense of SERG customers.

Seeing that most electricity generated by Solar Systems is made at off-peak times during daylight and not at peak use times when it is dark, the next time the FIT for 2015 is assessed by the ESC, the retailers will try to reduce the FIT they pay a SERG even more.

By making the FIT paid to a SERG the same amount as what a SERG customer pays for electricity they buy off the retailer now, then people considering buying a SERG will have far more certainty about what they can expect their system to save them in the future, will not be of detriment to the retailers and generators and will be fair and reasonable.

Even though in making a determination of the minimum FIT the ESC must have regard to prices of electricity in the wholesale electricity market and any distribution and transmission losses avoided in Victoria by the supply of small renewable energy generation electricity, that does not preclude the ESC from making the retailers pay the FIT at the same rate as they charge their customers for the electricity they supply as I have suggested and I request the ESC make that determination.

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