Minimum feed-in tariff 2023-24

Submission received through Engage Victoria

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From December 2022, we began accepting submissions on our Minimum feed-in tariff review 2023-24 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.

What parts of our proposed methodology for setting the minimum single and time-varying feed-in tariff rates do you consider are appropriate?

- Forecast solar-weighted average wholesale electricity price

- Avoided market fees and ancillary service charges

- Value of avoided distribution and transmission losses

What parts of our proposed methodology should we change?

- Value of avoided social cost of carbon.

The Draft Decision has disregarded the requirements of the methodology prescribed by the Order in Council in relation to updating the Price factor for the relevant period (being 2023-24). The FiT is properly calculated to be 8.5 c/kWh when using current Victorian Government forecast data for the Price factor as opposed to the suggested 2.5 c/kWh. As this the Pricer factor has not been properly updated for the past six years, solar customers are also due back payments as is their right under legislation, as the resulting FiT rate has been higher for each year than as published by the ESC.

- Value of avoided human health costs.

The Draft Decision totally disregards research presented by the ESC in last year's Final Decision to consider a rate of 1.3 c/kWh. The FiT rate should be set at 1.4 c/kWh (which includes an allowance for CPI), instead of the zero rate proposed. A counter argument is made in the attached Submission to the Draft Decision's argument to accept a rate of zero, which is clearly not supported by a logical analysis.

For our overall methodology, or parts of it, what alternative methodologies should we consider?

A major omission in the Draft Decision is the failure to recognise the role of grid-scale battery storage in Victoria's electricity network system, which is expanding every year and due to become the second highest source of network electricity within 10 years. Daytime solar energy produced by roof-top solar is stored in the batteries and released at a higher wholesale rate during the evening. Solar customers rightfully expect a thorough examination of all new FiT components that command a higher price return to them. This FiT component may also attract back payments to 2018-19 for the failure to recognise this component.

The ESC's overall methodology appears to be one biased (perhaps unconsciously so) towards thoroughly investigating those FiT components that reduce in price, but avoid a similarly thorough investigation (or in fact, avoiding the prescribed methodology) for those FiT components that have upward price pressure.

The inescapable conclusion is that the Draft Decision requires a major review of the components identified.

The attached submission makes a number of recommendations where the overall methodology for this Draft Decision can be improved which will ensure that solar customers can be confident that the legislation is being properly followed and that their legislated interests are being properly considered by the ESC.