

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

24 January 2025

Dear Sir/Madam,

I am writing to express my opposition to the proposed reduction in Feed-In-Tariff (FiT) from 3.3 c/kWh to 0.04 c/kWh effectively a zero FiT.

Again I reiterate from my 22 December 2023 Submission that the proposed reduction is not justified by the market trends of negative wholesale prices during peak solar generation, and the projections by Frontier Economics being flawed.

There are 4 key points I want to cover.

1. Most retailers have historically set the FiT to minimum.
2. Projections from Frontier Economics vs. Reality with AEMO data spot price.
3. The premise "Households can save more by using the solar electricity they produce"
4. PV Installation Numbers a factor in FiT.

Point 1: Most retailers have historically set the FiT to minimum.

Electricity retailers have historically set the Feed-in Tariff (FiT) at the minimum level, offering little incentive for consumers to invest in renewable energy sources like solar panels. This practice ensures that retailers benefit financially, while consumers receive minimal compensation for the excess energy they feed back into the grid.

For retail energy plans that advertise a higher FiT, the daily supply charge is often artificially inflated. This tactic offsets the cost of the higher FiT, meaning consumers end up paying more through increased daily charges, undermining the financial benefits of higher FiT rates. This practice calls for greater regulatory oversight to protect consumer interests.

Point 2: Projections from Frontier Economics vs. Reality with AEMO data spot price.

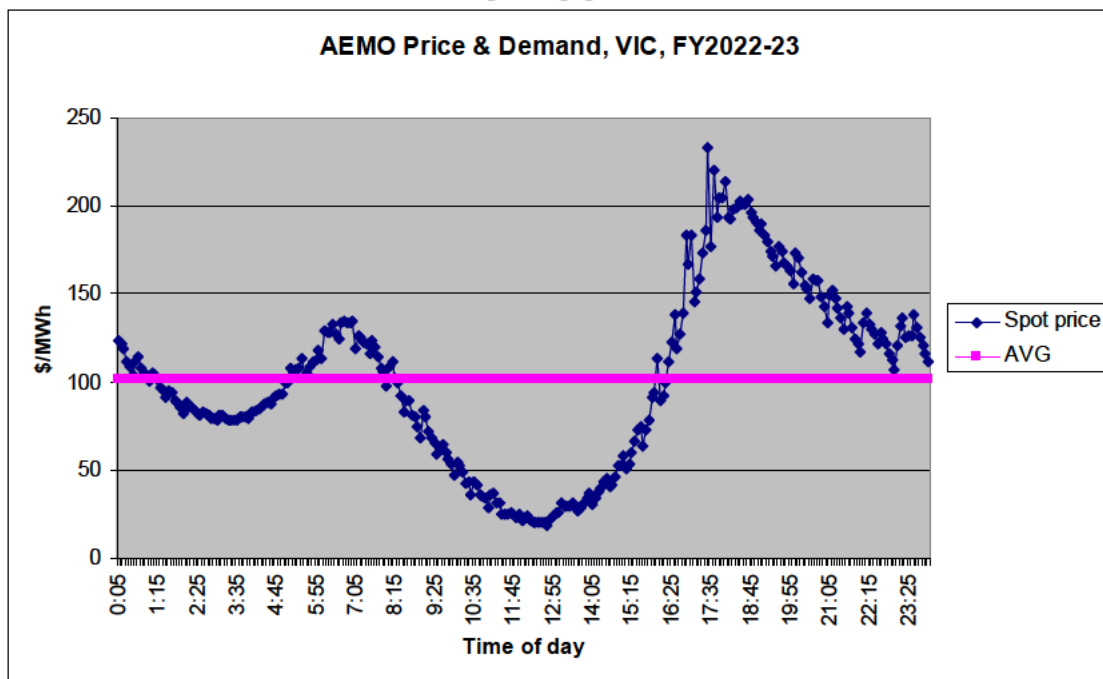
I have taken the time to export and chart the figures floated by Frontier and ESC as follows.

For the Minimum feed-in tariff review 2022-23, Frontier Economics Final report projected the Average price as follows: [2]

Period	Average projected price (\$/MWh) – 2022/2023
Q3	\$44.62
Q4	\$34.59
Q1	\$52.81
Q2	\$40.04

Using Simple averages as per how Frontier and in turn ESC have done charting, that would equate to a projected average spot price of \$43.015

This is what happened in the 2022-2023 financial year
 Taking July 2022 to Jun 2023 AEMO Historical Aggregated Price and Demand Data
 Averaging it per 5 minute time slot for all 12 months, gives this chart, matching closely to the charts in the ESC and Frontier reports.[1]



The Average spot price was \$101.5033415
 This is very large disparity from \$43.015

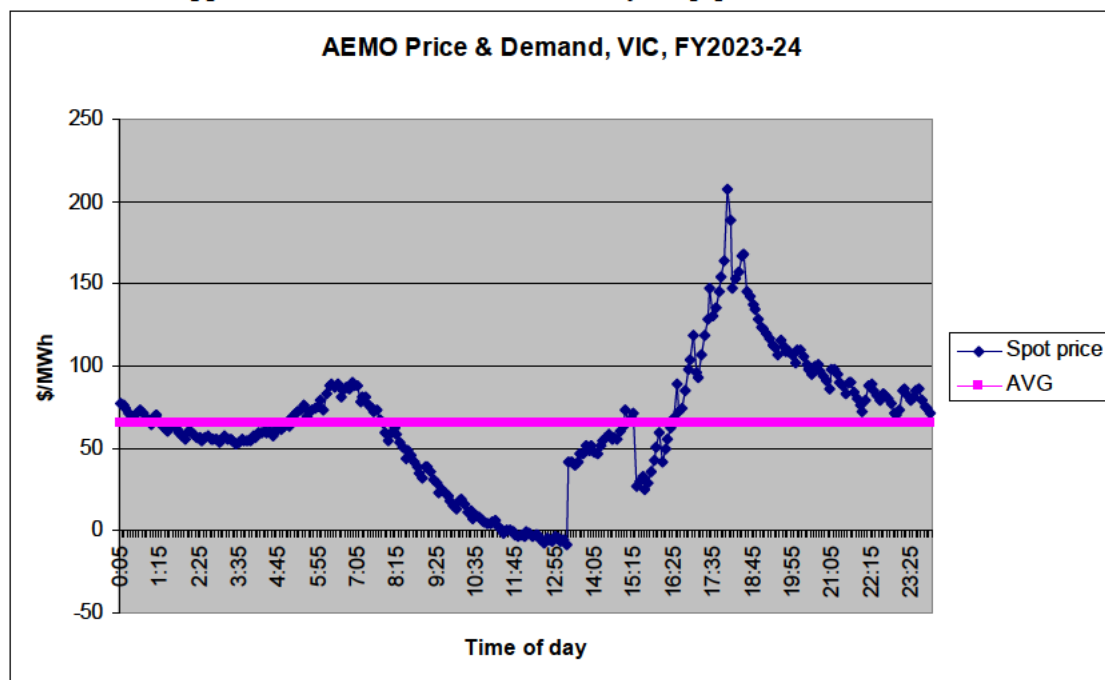
It is a figure off by around 135% the projections in the 2022-23 review were used to justify a reduction of the FiT from 6.7 to 5.2 cents per kWh, 22 per cent lower as per the report.

For the Minimum feed-in tariff review 2023-24, Frontier Economics Final report projected the Average price as follows: [3]

Period	Average projected price (\$/MWh) – 2023/2024
Q3	\$134.67
Q4	\$68.52
Q1	\$82.35
Q2	\$94.89

Using Simple averages as per how Frontier and in turn ESC have done charting, that would equate to a projected average spot price of \$95.1075

This is what happened in the 2023-2024 financial year.[1]



The Average spot price was \$65.5115641

Even double averaging the projections to AEMO data

The projected spot price over 2 years was, \$69.06125

AEMO FY2022 – 2024 was, \$83.5074528

Resulting in a difference of \$14.45 higher than projections.

Taking into historical context around the instability of global energy trade, you can clearly see that these 2 data sets were essentially for a better word tainted, but to be framed in reality we are now entering again, into a period of instability so the projections will have a very high likelihood of being largely incorrect.

And with these flawed projections we have now come to ESC wanting to reduce the FiT to 0.04.

Point 3: The premise “Households can save more by using the solar electricity they produce”

I wholly rebut this sentiment. The sole premise that households can save more by using the solar electricity they produce requires a nuanced understanding of energy economics and market dynamics. While households can generate their own solar power, the assertion that this translates into significant savings overlooks several critical factors beyond maintenance costs.

Firstly, households are classified as "small-scale generation" and thus face regulatory and compliance requirements (whether enforced or not) that can be complex and time-consuming. PV systems require System health & safety checks every few years, at current market rates costing ~\$400

Other costs also not considered as follows: PV panel cleaning ~\$12 per panel
(20*12=\$240)
System Inverter failure ~10 years,
~\$3000, cost of Inverter and Labour

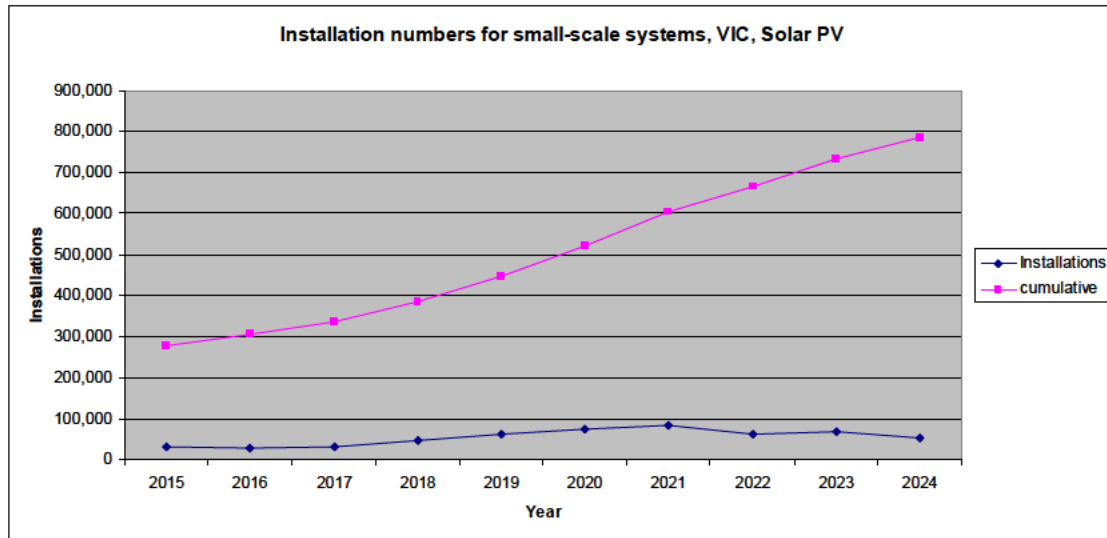
The decentralized nature of small-scale solar generation also means that individual households lack the bargaining power of larger entities, leading to less favourable buyback rates for excess energy fed back into the grid. Retailers are not incentivised to offer competitive rates for this excess energy, as their profit margins depend on the differential between buying and selling electricity.

Additionally, the initial investment in solar panels and associated equipment can be substantial, and the return on investment (ROI) is influenced by fluctuating energy prices and potential changes in government incentives and policies. The variability in solar energy production due to weather conditions also necessitates reliance on grid electricity, further complicating the potential for consistent savings.

Given that energy retailers are profit-driven entities, their pricing structures and policies may not always align with the best interests of consumers. Therefore, while solar electricity offers environmental benefits and potential savings, the financial advantages for households are not as straightforward as they might appear when considering the broader economic context and market forces at play.

Point 4: PV Installation Numbers a factor in FiT.

There is peculiar use of PV Installation numbers for justifying a FiT decrease. Page 15, of the Draft report tries to frame that installations numbers have exploded but Looking at the data paints a different story.[4]



	Installations	Cumulative	Δ from AVG	
2015	31,354	278,872	- 22,640	[AVG = 53,994]
2016	26,740	305,612	- 27,254	
2017	31,358	336,970	- 22,636	
2018	47,216	384,186	- 6,778	
2019	61,740	445,926	7,746	
2020	74,310	520,236	20,316	
2021	83,137	603,373	29,143	
2022	62,487	665,860	8,493	
2023	68,443	734,303	14,449	
2024	53,154	787,457	- 840	

As you can see installations are quite linear, there was some pick up in 2020 and 2021 but otherwise normalised this is pretty flat, in 2024 there is a fall of 840 difference from a average of the last 9 years.

ESC trying to use this to justify a cause that FiT needs to fall is peculiar, given ESC's role in setting the minimum FiT. Why was 2019 highlighted with any significance?

In closing I find the ESC's attitude toward this review process to be in complete contempt to the Victorian Public, akin to smearing faeces and lacquer coating it and calling it wood grain.

In the Last review, "Minimum Electricity Feed-in Tariffs from 1 July 2024 FINAL" I found a point 6 in the summary very laughable. 'The commission considered all stakeholder submissions in making this final decision.' Given that my previous submission was not addressed at all.

I urge you to reconsider the proposed reduction in FiT 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.

Regards,



Referred documents:

[1]<https://aemo.com.au/energy-systems/electricity/national-electricity-market-nem/data-nem/aggregated-data>

[2]<https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/minimum-feed-tariff/minimum-feed-tariff-review-2022-23#tabs-container2>

[3]<https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/minimum-feed-tariff/minimum-feed-tariff-review-2023-24>

[4]<https://cer.gov.au/markets/reports-and-data/small-scale-installation-postcode-data>