

Minimum Feed-in Tariff Review 2025-26

Submission received on our draft decision paper on minimum feed-in tariff review 2025-26

Submission prepared by:

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Organisation:

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Yes

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Date submitted:

29 January 2025

Submission to pricing team inbox:

Introduction

Thank you for the opportunity to provide feedback on the 2025 draft decision concerning minimum Feed-in Tariffs.

I am providing the feedback below on the draft report, from the perspective of a residential homeowner who has solar panels, and who is extremely concerned about the damage already done and continuing to be done to the environment through pollution and climate change.

I should also say at the outset, that I am concerned that the draft report reads very much like the decision is already made! I wonder if I and others, are providing feedback into something that is a 'fait accompli'? I am therefore providing my feedback in the hope this is not the case!!!

I am also providing this feedback in the context of being very concerned that (per capita), Australia is one of the highest polluters of greenhouse gas in the world and we should be pursuing every avenue to reduce it.

The current level of electricity production from renewables is approximately 35% and the Government target is 95% by 2035. I would suggest that household solar must be a large part of achieving that target and every possible incentive to get there should be utilised – including what the Essential Services Commission can contribute through a fair & reasonable feed-in tariff. It would be wrong to assume that all households install solar panels to reduce climate impacts; the feed-in tariffs play an important economic roll for those trying to reduce their costs. Getting to the target earlier than 2035 would in fact be desirable as the impact of global warming is clearly starting to show in many disastrous ways.

The report from the Australia Institute “*Fossil fuel subsidies in Australia 2024*”, states that in 2023-24 Australia’s subsidies to fossil fuel producers and major users from all governments totalled \$14.5 billion, and that was an increase of 31% on the \$11.1 billion recorded in 2022–23. In comparison, the support offered to household solar electricity producers is looking very meagre and well out of balance when compared to these subsidies to industries that are major contributors to pollution and global warming.

Comment on Report Summary

I will provide comment on the statements in the Summary of the report – pages 3 & 4.

- The draft minimum flat feed-in tariff is 0.04 cents per kWh starting 1 July 2025.

When my solar was installed in March 2021, I received a feed-in tariff of 10c per kWh and I paid 24c per kWh for any retail electricity I purchased. Currently I receive a feed-in tariff of 3.3c per kWh and I pay 36c per kWh for retail electricity. That’s a period of less than 4 years for the feed-in tariff to drop by 66% while the price of my retail electricity has increased by 50%. This does not pass a fairness test in my view and so I cannot agree with a further decrease of the feed-in tariff and no decrease in the price for retail electricity that consumers purchase from the network.

- The draft minimum time-varying feed-in tariffs will range from 0.0 to 7.5 cents per kWh starting 1 July 2025
- This is lower than previous years due to an abundance of solar electricity generated during the day. This indicates that market forces are driving this change

To assess fairness, it would be helpful to know the wholesale prices commercial electricity generators are being paid for their power per kWh.

- In setting the minimum feed-in tariffs to apply from 1 July 2025, we must have regard to the wholesale electricity costs of solar exports; avoided costs faced by electricity retailers; the social cost of carbon; and human health costs as outlined in the *Electricity Industry Act 2000*

These are reasonable criteria, although, I would add fair compensation to this list. I think “commercial interests” are being unreasonably placed ahead of household electricity producers, as if home solar producers don’t deserve fair compensation and that potential new solar households don’t need an additional financial incentive.

The other comment I will make on this point is that reducing the feed-in tariff is likely to negatively impact the uptake of new household solar installations, thereby slowing the reduction of pollution and the improvements in the human health costs.

- The number of solar installations has increased significantly from around 446,000 in 2019 to around 787,000 by 30 November 2024.¹ This has been part of the Victorian community’s effort to reduce its carbon emissions and increase renewable energy generation. This has increased supply while demand is lower, resulting in the decreasing value of solar exports during the day since the introduction of feed-in tariffs.

While solar installations have increased, it should be noted that this is in a context where the population and the number of households is also growing significantly in Victoria. Although not directly comparable by year, the Victoria in Future (VIF) 2023 Report on Population, Households & Dwellings, indicates that from 2021 – 2026, the number of households will increase by 277,000 and the population will grow by around 634,000. That is an additional 277,000 houses and 634,000 people using electricity. The VIF data also projects that the population growth will continue and that from 2023 - 31 Victoria’s population will grow by over 1 million. Alongside this growth, the ESC report only focusses on the loss of approx. 341,000 households due to increased solar installation. It fails to consider the increase in households who will solely rely on purchasing electricity from the grid. Therefore, the nett change has not been accurately represented. When the additional households are considered, it is in fact only a loss of 64,000 households. I did not see any reference to this changing consumer environment in the draft report and feel the Commission is presenting a relatively simplistic view of a complex issue.

- It is important to note that even though the feed in tariff is lower than previous years, any electricity used in the home from the household’s solar electricity is ‘free’ as customers avoid paying retail electricity prices.

- For a customer on the Victorian Default Offer, the retail price ranges from approximately 26 to 35 cents per kWh, depending on their distribution zone² – these are the actual costs that solar customers avoid.

Households with solar panels do not get the electricity they generate for “free”!! They paid for the installation, and it will take on average 5-7 years to recover that outlay. They also pay annually for additional home insurance, as well as regular system inspections, maintenance and repairs. They will also pay for the replacement of their system when that is required.

Summary

Through the report I have not read a compelling case to drop the feed-in tariff, it seems the optimum solar generation time 11.00am – 1.00pm, and I assume in summer, has been selected to present a case that generation is high and demand is low and so the feed-in tariff has to be lowered. However, there are days in the sunny months from November – February when, due to overcast conditions the electricity generation is not high. However, there is the 8-month period of the year from March to October when solar generation is low to very low and houses with solar will be drawing electricity from the grid and not exporting.

It seems the Commission is taking the view that solar households are compensated by saving on electricity by purchase less from the grid when the sun shines, and they don't also deserve to be paid for the electricity they feed-in to the grid – I would contend that they do deserve fair compensation and that 0.33 cents is a very low price already.

There is mention of avoided energy costs, as well as social and health costs, but they seem to be mentioned and then largely disregarded. There is no comment on the negative impact a reduction in the feed-in tariff will have on the community. I think this is a very poor position to take, particularly regarding the social and health costs, given this is something the Commission indicates in its report that it “must have regard to”!

I therefore think the Commission needs to completely review its approach and consult more broadly, taking on board views beyond those of the electricity wholesale/retail sector.

Chris Thomson
