

30 January 2023

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

Via EngageVictoria

Dear Commissioners,

Re: Minimum electricity feed-in tariff to apply from 1 July 2023 – draft decision

Geelong Sustainability welcomes the opportunity to provide feedback on the draft decision for the minimum electricity feed-in tariff to apply from 1 July 2023.

Geelong Sustainability is a not-for-profit community association and registered charity. 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. To achieve this, we deliver projects that are focused on four strategic priorities - Climate Change, Renewable Energy, the Circular Economy and Sustainable Cities.

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.

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. However, 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. If the commission continues to trend the mFIT towards zero, the commission's responsibility to inform and consult with energy consumers increases.

Geelong Sustainability asserts that only a small subset of energy consumers 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. 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 broadly agrees that the methodology framework applied to the determination of the mFIT is reasonable from a national energy market perspective. However,

the national energy market price is rarely what the majority consumers with rooftop solar are exposed to. 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 still dominated by fossil fuel with nearly 11,000 MWh served by coal and in victoria - notably brown coal. Geelong Sustainability would suggest that this value is likely insufficient due to the prevalence of phantom carbon credits that are overstated or not realised, relative to the providence of 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.

Human health cost

Since 2017, the Essential Services Commission mFIT review has asserted there is a tangible avoided human health cost benefit associated with the proliferation of distributed renewable energy, particularly rooftop solar. However no value has been applied in any mFIT since its consideration with the assertion that a reliable methodology has not been available. 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. The position of the Essential Services Commission - that overlap exists between the subsidisation of solar panels and human health costs - does not align to the methodology for the determination of mFIT. This position should be reconsidered as the subsidy of solar panel installation has reduced significantly; while the human health costs of non renewable energy only appears to be growing. In addition, these subsidies 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.

Absence of volume price determination methodology

In addition to the existing methodologies for determination of a FIT there is a significant blind spot to the value energy fed into the grid as determined by volume. Several electricity retailers already offer increased value to the first 10kWh of electricity exported per consumer. This demonstrates that an enhanced commercial value of solar export exists for the first few kWh fed into the grid. This could imply that feed in tariffs could be determined by the volume of solar exported rather than a time of use or flat minimum. This could also improve the pricing signals to market for selection of renewable energy system sizing.

Concluding remarks

Geelong Sustainability broadly supports the Essential Services Commission's approach to determining a mFIT to apply from July 1 2023. However, we note that there is significant room for improvement in how the commission engages with non expert energy consumers, particularly those who operate distributed energy resources.

Geelong Sustainability welcomes the opportunity to further discuss the contents of this submission.

Yours Sincerely,

Dan Cowdell
CEO
Geelong Sustainability