



4 July 2014

Mr Brett Harrison
Feed-in-Tariff Review 2015
Essential Services Commission
Level 37/2 Lonsdale Street
Melbourne VIC 3000

Via online lodgement: fitreview@esc.vic.gov.au

Dear Mr Harrison,

Draft Decision: Minimum Electricity Feed-in-Tariff to apply from 1 January 2015

Origin Energy (Origin) welcomes this opportunity to respond to the Essential Service Commission's (the Commission) draft decision on the *Minimum Electricity Feed-in-Tariff to Apply During the 2015 Calendar Year*.

Origin broadly agrees with the findings of the Commission's draft determination for 2015 and the methodology that underlines it. With respect to changes to the methodology previously used by the Commission, Origin agrees that it is appropriate for market operator fees to be included as an avoided cost to retailers.

As Origin stated last year in response to the 2014 draft decision, Origin remains of the view that that the market is sufficiently mature not to require a mandated minimum feed-in-tariff, and that it would be better if the Department instead asked the Commission to publish a pricing guide (as is the case in NSW) rather than mandating a minimum price. As the NSW Independent Pricing and Regulatory Tribunal (IPART), stated in their recent solar feed-in-tariff determination:

*"In our view, a competitive market is the best way to provide the fair value for PV exports, and the market should determine the fair value of PV exports through competition. We consider that mandating minimum feed-in-tariffs will lead to fewer offers that consumers can choose from and less incentive for retailers to innovate.... Mandating minimum feed-in tariffs will also not guarantee that PV customers will be better off ... because feed-in tariffs are only one component of a retailer's market offer."*¹

With respect to time varying feed-in-tariffs the most efficient outcome for consumers is to allow retailers to offer tariffs on the basis of the value they attract in the market. As such, in a competitive market like Victoria if there exists an opportunity for a retailer to meaningfully compete for and attract new customers by offering a time varying feed-in-tariff, then that product will be offered. On this matter the view of IPART, which supports these tariffs in principle, is again sound: "we do not support making [time varying] tariffs mandatory. In our view, a competitive market will drive innovation (including price and quality innovations) as retailers compete for customers."²

¹ Independent Pricing and Regulatory Tribunal, *Final report- Solar feed-in-tariffs- The subsidy free value of electricity from small scale solar PV units from 1 July 2014*, 16 June 2014, p. 9.

² Ibid, p. 3.

One of the benefits that retailers find in offering a single rate feed-in-tariff is its relative simplicity compared to the complexity of time varying feed-in-tariffs. As a retailer, we experience a lot of inquiries from our customers concerning their solar panels and the impact they have on their bills, what the expected pay-back rate is, and other matters. Single rate feed-in-tariffs have proven to be the easiest and most effective product to explain and offer to customers, who want to be able to compare the feed-in-tariff they will receive against the electricity tariff they are paying at different times of the day. Similarly, in the context of flexible pricing in Victoria, Origin's experience has been that customers are reluctant to commit to more complicated tariff structures, and prefer simpler existing tariffs like time-of-use or flat rate. Accordingly, it should be left to the market to offer time varying feed-in-tariffs where retailers believe there is adequate customer demand.

Origin would be pleased to discuss any matters raised within this response further with the Commission. Please contact Timothy Wilson (Retail Regulatory Analyst) in the first instance on (03) 8665 7155.

Yours sincerely

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