



**MARCHMENT HILL**  
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## MHC Finkel Review Submission - PFiT Financing Storage

### the challenge

Australia's electricity system has been undergoing significant change driven by technological, societal and regulatory pressures. As such, the system has struggled to cope with rapidly evolving technologies and shifting policy priorities. To assist with this transition the COAG Energy Council commissioned Dr Alan Finkel to lead a Review Panel to recommend enhancements and policy options for the National Electricity Market to optimise security and reliability at the lowest possible cost. The Review Panel sought submissions from the public, of which MHC made its recommendation to utilise existing Premium Feed-in Tariff (PFiT) schemes to finance a battery storage subsidy (BSS).

### what MHC did

MHC submitted its recommendations to the Finkel Review which including a list of endorsements and reservations of the current analysis presented in the Interim Report.

MHC's primary recommendation to the Finkel Review was to utilise existing PFiT schemes across Australia to facilitate the creation of additional residential battery storage. MHC's analysis found that approximately one third of all solar installations (approximately 500,000) are benefitting from a PFiT subsidy which have a total residual value of \$5.4 billion in future payments.

MHC believes customers would be willing to accept the BSS at a discount to the estimated residual value in order to secure and enjoy more benefit upfront. Overall, as long as the discount accepted by the customer on the residual value of their PFiT is greater than the financing and administration costs of the BSS, then the cost pass through will be a positive financial outcome (as shown in Figure 1 below)

## PFiT vs BSS total costs

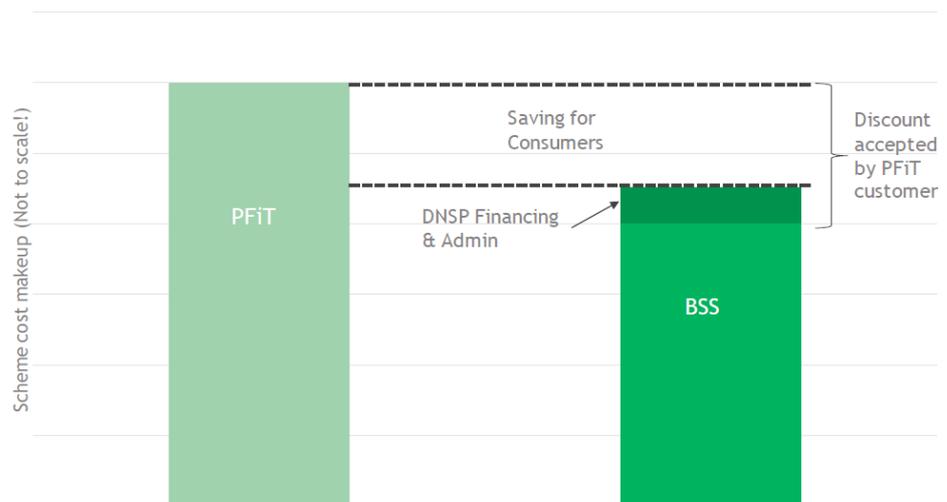


Figure 1: The total cost of the BSS scheme is less than the PFiT, representing a saving to all electricity customers

### the benefit

Under MHC’s proposal, the broader customer base would receive both a reduction in the quantum of the subsidy that they are funding, plus a significant increase in the benefit they receive from that expense, through both lower network charges (due to reduced network capital costs) and wholesale energy costs (due to reduced market volatility).

MHC’s analysis found that the financial legacy of the state PFiT policies could be used to catalyse the installation of up to 960MW of distributed storage across Australia - at no cost to the customer base. Specifically, we estimate that the impact on each customer’s bill due to the reduced environmental charges from the BSS would be, on average, a reduction of \$8/year.

Additionally, if individuals chose to supplement the value of the BSS with additional funds to purchase a larger sized battery storage system commensurate with their solar PV specifications, the scale of the distributed storage could rise to 1.24GW.