

## **Terms of Reference**

### **INQUIRY INTO FEED-IN TARIFF ARRANGEMENTS AND BARRIERS TO DISTRIBUTED GENERATION**

I, Kim Wells MP, Treasurer, pursuant to section 4 of the State Owned Enterprises (State Body – Victorian Competition and Efficiency Commission) Order (“the Order”), in conjunction with Michael O’Brien MP, the Minister for Energy and Resources, hereby direct the Victorian Competition and Efficiency Commission (“the Commission”) to conduct an inquiry into feed-in tariff arrangements and barriers to distributed generation.

#### **Background**

Victoria currently has in place a number of programs that are designed to reduce greenhouse gas emissions and facilitate an adjustment towards a low emissions economy.

These programs include feed-in tariff schemes such as the standard feed-in tariff scheme for customers with installations up to 100kW capacity and the premium and transitional feed-in tariff schemes applying to eligible customers with solar inverter systems up to 5kW capacity. In the context of the implementation of a national carbon price, it is appropriate that the Commission undertakes a review of Victoria’s feed-in tariff schemes.

Addressing any state and local regulatory or other barriers to the uptake of low emissions generation, including co-generation and tri-generation, is also important to ensure that any transition to low emissions generation occurs as smoothly and as cost-effectively as possible.

#### **Scope of the Inquiry**

In this inquiry, the Commission is required to:

1. Assess the design, efficiency and effectiveness of feed-in tariff schemes, including market-based gross feed in tariff schemes, in the context of a national carbon price.
2. Provide a recommendation as to whether existing feed-in tariff arrangements should be continued, phased-out or amended. Where phase-out of existing arrangements is proposed, the appraisal should give consideration to whether any transitional arrangements may be necessary. Any changes to existing arrangements would not be applied retrospectively.
3. Identify any State and/or local regulatory and other barriers to the development of a network of distributed renewable and low emission generation in Victoria, including co-generation and tri-generation.

In conducting this inquiry, the Commission should have regard to:

- recent reports by the Australian Energy Market Commission on planning and connection arrangements for distributed energy generation;
- reviews currently being undertaken by the Victorian Government; and
- relevant reports by Commonwealth forums and bodies such as the Productivity Commission.

## **Inquiry Process**

In undertaking this inquiry, the Commission is to have regard to the objectives and operating principles of the Commission, as set out in section 3 of the Order. The Commission must also conduct the inquiry in accordance with section 4 of the Order.

The Commission is to consult with key interest groups and affected parties, including representatives of end-use electricity consumers, and may hold public hearings. The Commission should also draw on the knowledge and expertise of relevant Victorian Government departments and agencies.

The Commission is required to produce a draft report for public consultation, ahead of a final report to the Government within 6 months of receipt of this reference.



**KIM WELLS MP**  
**Treasurer**

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