From: [redacted]
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Submission on Default Market Offer 7 (DMO 7): Advocating for Fairer Feed-in Tariffs to Reduce Income Inequality

To the Australian Energy Regulator (AER),

We submit this response to the consultation on Default Market Offer 7 (DMO 7) with the intention of advocating for an increase in the feed-in tariff (FiT) provided to residential solar producers. We argue that a higher FiT is not only a matter of fairness for households investing in renewable energy but also a crucial mechanism for reducing income inequality in Australia. By ensuring residential solar producers receive a greater share of the value they generate, we can encourage broader participation in clean energy investment, alleviate financial burdens on lower- and middle-income households, and promote a more equitable distribution of wealth in the energy market.

Background: The Role of Residential Solar in the Energy Market

Australia has one of the highest rates of residential solar adoption in the world. Over three million households have invested in rooftop solar systems, providing significant environmental and economic benefits. However, despite their contributions to the national grid and the broader transition to renewable energy, many residential solar owners receive disproportionately low compensation for the electricity they export.

Feed-in tariffs have steadily declined over the years, even as retail electricity prices continue to rise. This discrepancy reflects an imbalance where energy retailers profit from purchasing cheap solar exports and selling electricity at much higher rates to non-solar customers. If this imbalance persists, it risks discouraging future residential solar investment and disproportionately benefiting large energy corporations at the expense of everyday Australians.

Income Inequality and the Energy Market

Australia is facing growing income inequality, and energy costs play a significant role in financial hardship for many households. Lower-income families spend a larger proportion of their earnings on electricity, making energy affordability a pressing issue. Households that have invested in rooftop solar—many of whom are retirees, low-to-middle-income earners, or families who financed their solar systems to reduce their bills—should be rewarded fairly for their contributions to the grid.

By offering higher feed-in tariffs, we can:

- Ensure households receive a just return on their investment, making solar more financially viable for lower-income families.
- Reduce overall electricity costs by increasing the share of distributed generation, thereby lowering wholesale electricity prices.
- Support regional communities and renters who could benefit from shared solar initiatives and community energy projects.

Unfair Disparities in Energy Pricing

Under the current pricing structure, residential solar households effectively subsidise the profits of large energy retailers. Retailers purchase excess solar energy at minimal cost and resell it at significantly higher rates, with minimal redistribution of those profits to the producers—households who have invested their own money into solar infrastructure. This creates a dynamic where corporate energy providers extract excessive value from consumers while failing to pass on benefits equitably.

Large-scale renewable energy projects enjoy government support and lucrative power purchase agreements, while residential solar owners are left with diminishing financial returns. This situation discourages household participation in the transition to renewable energy and locks lower-income households into perpetual reliance on high retail electricity prices, exacerbating economic disparity.

Policy Recommendations

To address these inequities and promote a fairer energy market, we propose the following adjustments to the Default Market Offer framework:

1. **Increase the Minimum Feed-in Tariff**
    - Establish a higher regulated minimum FiT that reflects the real market value of solar exports, accounting for network benefits, reduced transmission losses, and wholesale price reductions.
    - Set FiT rates that ensure residential solar generators receive a fairer share of the profits derived from their contributions to the grid.
2. **Mandate Transparent Pricing and Fair Compensation**
    - Require energy retailers to disclose the profit margins derived from solar exports and ensure a fairer proportion of those profits are returned to residential producers.
    - Introduce regulations that limit excessive markups on solar-generated electricity resold by retailers.
3. **Develop Income-Targeted Incentives for Solar Adoption**
    - Expand subsidies and zero-interest financing for lower-income households to access rooftop solar and battery storage solutions.
    - Implement targeted incentive programs for renters and social housing tenants to benefit from community solar projects.
4. **Encourage Local Energy Trading and Community Solar**
    - Support peer-to-peer energy trading models that allow households to sell excess solar power directly to their neighbours at competitive rates.
    - Promote community solar initiatives where local households can invest in and share the benefits of collective renewable energy projects.

Economic and Social Benefits of a Fairer Feed-in Tariff

Implementing a more equitable FiT policy would have multiple positive effects, including:

- **Greater Financial Relief for Households**: Increased FiT rates would allow solar households to see quicker returns on investment and lower overall electricity bills, easing cost-of-living pressures.
- **Stronger Energy Independence**: Higher FiTs would encourage greater uptake of battery storage solutions, reducing peak demand pressures and reliance on fossil fuels.
- **Job Creation and Economic Growth**: Strengthening incentives for household solar could boost employment in the renewable energy sector, supporting local installers, electricians, and energy innovators.
- **Lower Carbon Emissions**: By making rooftop solar more attractive, we accelerate the transition away from coal and gas, reducing overall greenhouse gas emissions.

Conclusion

We urge the Australian Energy Regulator to take decisive action under DMO 7 to correct the imbalance in feed-in tariff structures and ensure fairer economic outcomes for residential solar owners. By increasing the minimum FiT and implementing policy measures that prioritise household solar equity, we can help bridge the gap in income inequality while fostering a cleaner, more sustainable energy future.

Now is the time to support the millions of Australians who have invested in rooftop solar by providing them with a fair return on their contributions. We call on policymakers to seize this opportunity to align energy pricing with the principles of justice, fairness, and sustainability.

Sincerely,
Jason Page
Residential Supply Generators
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