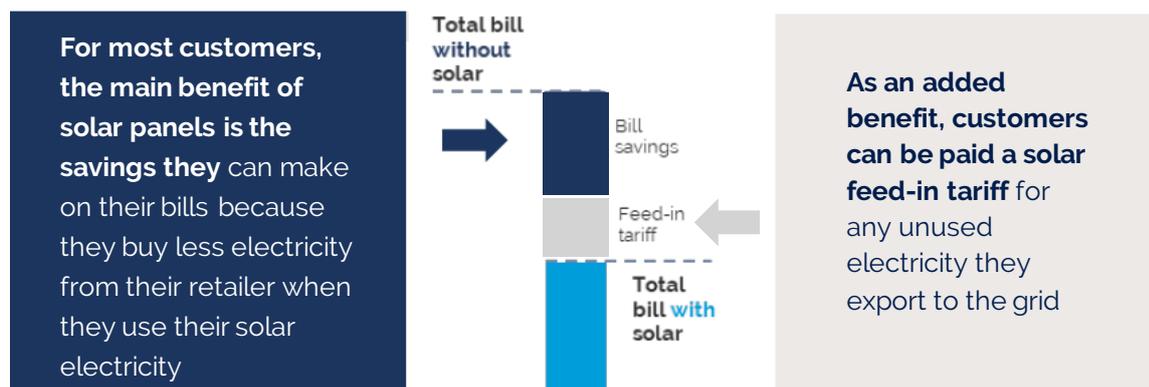


Solar feed-in tariff benchmark 2022-23

10 June 2022

IPART publishes a benchmark range for solar feed-in tariffs each year to help guide retailers and consumers about what their solar exports are worth.



For 2022-23, our benchmark range is 6.2 to 10.4 c/kWh.

Retailers are not required to offer feed-in tariffs in line with our benchmark. Many retailers are offering feed-in tariffs above our benchmark. However, the offer with the highest feed-in tariff may not be the best overall deal, as some high feed-in tariffs may also be paired with higher retail prices. You need to consider the entire energy plan, as well as your electricity consumption and solar exports. You can compare rates on the Commonwealth Government [Energy Made Easy](#) website.

Higher forecast wholesale prices have increased our benchmark for 2022-23

Our benchmark range for 2022-23 is higher than our current benchmark of 4.6 to 5.5 c/kWh. This is driven by higher forecast wholesale electricity prices for 2022-23.

Factors that are contributing to the higher forecast wholesale prices include:

- reduced thermal generation from planned and unplanned outages at power plants
- higher coal and gas prices, exacerbated by the ongoing war in Ukraine
- extreme weather conditions in NSW and Queensland which have affected coal supplies and electricity demand.^a

However, beyond 2022-23, we expect additional solar capacity would put downward pressure on wholesale prices.^b



Could IPART set a higher feed-in tariff benchmark?

A higher feed-in tariff would need to be paid for by charging higher prices for electricity. This could mean that customers without solar panels would pay more overall. Many of these customers are unable to install solar because they rent or live in an apartment.

^a AER, [Default market offer prices 2022-23: Final determination](#), 26 May 2022, p 2

^b AEMC, [Residential electricity price trends report](#), 25 November 2021, p 10

Why is our benchmark lower than the retail electricity price?

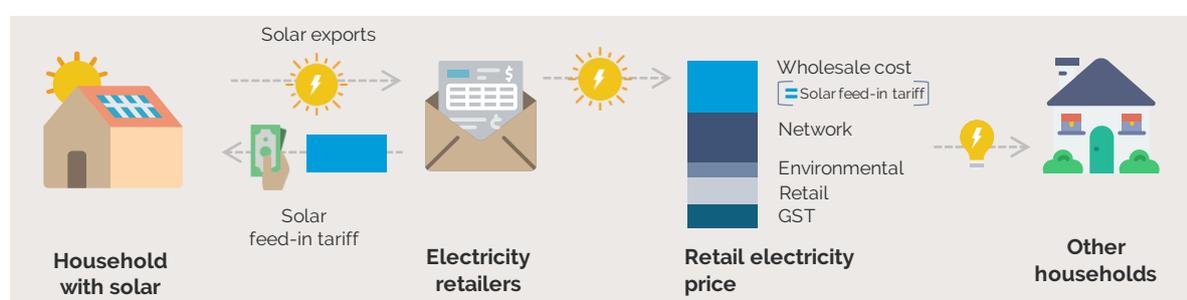
Households are paid for the wholesale electricity that they provide into the grid. We forecast that this is worth 6.2 to 10.4 c/kWh in 2022-23.

However, when this electricity is supplied to other households, retailers must pay charges on each kilowatt hour recorded by their meter. The main charges are to the network operator for using the energy grid. This can be more than 10 c/kWh.

Retailers also have to recover other costs, including:

- around 2.3 c/kWh for their environmental obligations to purchase renewable energy, demand reduction certificates, and paying into the climate change fund
- the costs of their billings services and running their call centres, and other operations.

When these costs are added up, the retail price of electricity is significantly higher than just the cost of the wholesale energy supplied into the grid by households.



Components of the solar feed-in tariff benchmark

The table below shows the components of the solar feed-in tariff benchmark range. For more information on our methodology, see our [2021 Technical Paper](#).

Benchmark component	2021-22	2022-23
Forecast wholesale electricity price range	4.9 to 5.7 c/kWh	7.6 to 12.7 c/kWh
- ASX futures baseload contracts for the 12-month period using the 40-trading day average price (including 5% adjustment to remove contract premium)	4.9 c/kWh	12.7 c/kWh
- ASX futures baseload contracts for the 12-month period using a volume-weighted average of all historical trades	5.7 c/kWh	7.6 c/kWh
Solar multiplier range	0.88 to 0.90	0.76 to 0.77
- Ausgrid	0.89	0.76
- Endeavour Energy	0.88	0.77
- Essential Energy	0.90	0.76
Network loss factor	1.06	1.06
NEM fees ^a and ancillary charges	0.09 c/kWh	0.11 c/kWh
Solar feed-in tariff benchmark range	4.6 to 5.5 c/kWh	6.2 to 10.4 c/kWh

a. We based our estimate of the NEM fees for 2022-23 from [AEMO 2022-23 Budget and Fees](#), 26 May 2022. We understand the final NEM fee will be published in June 2022.

Source: Refinitiv, ASX Energy wholesale electricity futures contract for 2022-23, data inclusive to 13 May 2022; solar export and low voltage consumption data from Ausgrid, Endeavour Energy and Essential Energy, January and May 2022; AEMO, volume weighted marginal loss factors, April 2022; AEMO, ancillary services payments and recovery 2019 to April 2022; AEMO, Draft budget fees for consultation, 26 May 2022.