

CONSUMER FACT SHEET

A fair and reasonable solar feed-in tariff for NSW

Based on *Solar feed-in tariffs - Setting a fair and reasonable value for electricity generated by small-scale solar PV units in NSW, Draft Report*
November 2011

In recent years, governments have provided generous subsidies to customers installing solar photovoltaic units (PV units). At the same time, the cost of installing PV units fell significantly. This made pay-back periods very short. As a result, the amount of customers installing PV units was much greater than governments anticipated and the costs of the subsidy schemes were also greater than expected.

In an environment of already increasing electricity prices (and continued access to subsidies from the Federal Government), the NSW Government closed the Solar Bonus Scheme to new participants on 1 July 2011. It then asked IPART to recommend a 'fair and reasonable' value for a feed-in tariff for customers who are not in the Solar Bonus Scheme, and also a regulatory or other mechanism by which this value could be implemented in NSW. However, it stipulated that our recommendations:

- ▼ should not result in an increase in electricity prices in NSW, and
- ▼ should not involve funding from the NSW Government budget.

In other words, any future feed-in tariff for these customers must be subsidy-free.

This Fact Sheet briefly explains our draft findings and recommendations. If you want more information, our [Draft Report](http://www.ipart.nsw.gov.au/) is available on the IPART website, <http://www.ipart.nsw.gov.au/>.

1.1 What is a fair and reasonable value for an unsubsidised feed-in tariff in NSW?

Our draft recommendation is that a fair and reasonable value for this feed-in tariff is in the range of **8 to 10 cents per kilowatt hour (c/kWh)** in 2011/12. This value reflects the direct financial gain electricity retailers make when their PV customers export electricity to the grid (PV exports).

We cannot estimate the fair and reasonable value for 2012/13 until June 2012, as the data we need is not available until then. However, the value will increase when the new carbon pricing mechanism is introduced on 1 July.

Many stakeholders have called for a feed-in tariff to be set equal to the retail price of electricity (currently 20 to 30 c/kWh). They believe that retailers 'sell' PV exports to other customers for this price, and so should pay the same price to the customers that generate it (a '1-for-1' scheme).

However, this is not the case. Retailers do make a gain from their customers' PV, but they only gain around 8 to 10 c/kWh for this electricity. This is because they still incur other costs including network costs,¹ and the costs of meeting their obligations under government green schemes (including the Renewable Energy Target scheme) on this electricity. Both these costs are based on the total electricity a retailer supplies to its customers, which includes PV exports.

We believe that the tariff of 8 to 10 c/kWh we have recommended is fair and reasonable in that it is equal to the gain made by retailers from their customers' PV. To set the tariff any higher would mean retailers would need to receive funding from the Government or increase their prices for other electricity customers. Alternatively, they could choose not to supply customers with PV units to avoid paying the tariff, which would undermine competition in the market. None of these outcomes are desirable, and all are contrary to the terms of reference for our review.

1.2 How should an unsubsidised feed-in tariff be implemented in NSW?

Our draft recommendation is that IPART should determine and publish an annual benchmark range for a fair and reasonable feed-in tariff. This will guide retailers in designing their feed-in tariff offers and will guide customers in assessing these offers. Setting a range that covers different customer characteristics, including location and types, will allow retailers to tailor their feed-in tariffs to suit their customers.

In reaching this recommendation, we considered whether retailers are likely to offer a fair and reasonable feed-in tariff in response to competitive pressures alone. We also considered the risks to customers, retailers and competition of regulating to require retailers to offer such a tariff. We found that it is currently difficult for customers to access clear and concise information on feed-in tariffs.

¹ These network prices are regulated by the Australian Energy Regulator (AER) and are intended to reflect the costs of operating and maintaining the electricity transmission and distribution system.

We think that if customers know the benchmark range and can access retailers' offers more readily, they should be more likely to shop around to attract the fair and reasonable value for their PV exports. We are therefore recommending improvements in information disclosure by retailers, particularly through their call centres and door-to-door marketers, and publishing retailers' feed-in tariff offers on our myenergyoffers website, <http://www.myenergyoffers.nsw.gov.au/>.

To further improve customer information, we have released a separate consumer [Fact Sheet](#) on the IPART website, which provides information on generation and consumption of electricity by PV customers. We also believe there is a role for Government and the solar industry (including retailers who are increasingly involved in the installation market) to play in improving customers' understanding. This could build on the information that the NSW Government currently provides.²

Currently 2 of the 3 Standard Retailers are not currently offering feed-in tariffs (except for the statutory feed-in tariff for customers eligible for the Solar Bonus Scheme). Therefore, we are seeking comment on whether Standard Retailers should be obliged to offer a feed-in tariff (at a rate that they set) so that PV customers are not forced off a regulated price in order to access a feed-in tariff.

1.3 How stakeholders can provide comment on our draft report and recommendations

Our [Draft Report](#) is available on the IPART website, <http://www.ipart.nsw.gov.au>. We invite all interested stakeholders to make written submissions in response to this draft report by 23 January 2012. In addition, we will hold a round-table discussion on 12 December 2011 and will invite key stakeholders to participate, and the general public to observe proceedings.

We will release our final report by early April 2012. Table 1 sets out our timetable for completing this review.

Table 1 Timetable for review

What	When
Release draft report	24 November 2011
Public forum	12 December 2011
Submissions on Draft Report due	23 January 2012
Release final report	Early April 2012

² For example, the NSW Government (Trade and Investment NSW) has prepared a short number of frequently asked questions (FAQs) on its website. <http://www.trade.nsw.gov.au/energy/sustainable/renewable/solar/solar-scheme/questions>