

## BENCHMARK NSW SOLAR FEED-IN TARIFF

**28 June 2013**

The Independent Pricing and Regulatory Tribunal (IPART) has today released a determination on voluntary benchmark solar feed-in tariffs to be paid by electricity retailers in NSW from 1 July 2013.

The determination provides a benchmark range of **6.6 to 11.2 c/kWh** as a guide for the feed-in tariff for electricity exported by PV customers from their solar PV units to the grid in 2013/14. This is a guide for non-Solar Bonus Scheme customers, and while some retailers do not offer a feed-in tariff, it is intended to inform customers in assessing retailers' competitive offers.

The benchmark range is lower than last year primarily because the wholesale cost of electricity from generators is lower as a result of lower electricity demand.

There is no change in the tariff received by customers in the Solar Bonus Scheme. The benchmark range applies to retailer offers to customers who installed solar PV units outside of the Solar Bonus Scheme (closed to new participants in 2011). Retailers set their own feed-in tariffs to these customers and the feed-in tariffs along with other discounts can be compared at [www.myenergyoffers.nsw.gov.au](http://www.myenergyoffers.nsw.gov.au).<sup>1</sup>

IPART Chairman Dr Peter Boxall said that the benchmark feed-in tariffs are less than the retail price of electricity due primarily to the costs retailers incur in transporting the energy across the network and in meeting their green scheme obligations. To set the feed-in tariff at the retail price would increase the cost of serving solar customers compared to non-solar customers.

"Mandating a higher benchmark range would create a risk that retailers would choose not to supply PV customers and would involve a subsidy to PV customers, incurring costs that need to be recovered from higher electricity prices or from the NSW budget," Dr Boxall said.

"The primary financial benefit of having a PV unit is likely to be reduced electricity bills, as in most cases the electricity they generate is first used to meet household needs, so the feed-in tariffs relate only to any 'excess' electricity that is exported to the grid."

IPART has also determined a mandatory contribution to be made by retailers to the NSW Government of **6.6 c/kWh** of PV electricity exported by Solar Bonus Scheme customers in 2013/14. This contribution reflects the financial benefit retailers receive from their customers' participation in the scheme and reduces the costs passed through to general electricity prices. The retailer contribution does not affect the subsidised feed-in tariffs customers receive under the Solar Bonus Scheme that will continue to be either 20 or 60 c/kWh until the scheme closes in 2016.

IPART's final report and accompanying documents are available on IPART's website, [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

For further information, media should contact: T (02) 9290 8403 or 0409 514 643

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<sup>1</sup> From 1 July 2013 this service will be provided at [www.energymadeeasy.gov.au](http://www.energymadeeasy.gov.au)

## Background

### Solar Bonus Scheme customers

To encourage NSW households and small businesses to install small-scale solar PV units, the NSW Government established the Solar Bonus Scheme in 2010. This scheme provides Solar Bonus Scheme customers with a generous subsidised feed-in tariff for the electricity they export to the grid (either 20c or 60c/kWh), and will do so until it ends on 31 December 2016.

Many more households joined the scheme than expected and, as a result, its costs were higher than expected. Because these costs are funded through the NSW Climate Change Fund levy they are included in retail electricity prices paid by all consumers.

The Government closed the Solar Bonus Scheme to new participants in 2011, to prevent the costs from rising further and, in response to IPART's recommendation, also requires electricity retailers to contribute to the costs to reduce the impact on retail electricity prices.

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### Non-Solar Bonus Scheme customers

At the Government's request, IPART developed a mechanism for establishing a **non-subsidised** solar feed-in tariff for customers who installed solar PV units outside of the Solar Bonus Scheme (closed to new participants in 2011).

The terms of reference specified that this mechanism and value must not increase retail electricity prices, and must support competition in the retail electricity market. In our March 2012 final report,<sup>2</sup> we recommended that a non-subsidised solar feed-in tariff should be encouraged (not mandated) by publishing a benchmark range for a fair and reasonable tariff. Customers could then assess retailers' competitive offers, including feed-in tariffs (for exported electricity) and discounted usage prices (for imported electricity).

The Government accepted these recommendations and asked us to determine the benchmark range annually, starting in 2013/14, and provided us with standing terms of reference. IPART has determined a benchmark range of **6.6 to 11.2 c/kWh** that retailers may voluntarily offer non-Solar Bonus Scheme customers exporting electricity generated from their solar PV units to the grid.

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<sup>2</sup> IPART, *Solar feed-in tariffs, Setting a fair and reasonable value for electricity generated by small-scale solar PV units in NSW*, March 2012.