

Our reference: 16/211

Your reference:

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Solar Stakeholders

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Dear Stakeholders

We are seeking your comment on IPART's 2016 solar feed-in tariff review.

Background

IPART's review of solar feed-in tariffs involves:

- ▼ determining the **retailer contribution** NSW electricity retailers must make towards the cost of the subsidised feed-in tariffs the Government pays PV customers who are part of the NSW Solar Bonus Scheme.
- ▼ recommending a **benchmark range** for the unsubsidised feed-in tariffs some electricity retailers voluntarily offer PV customers who are not part of the Solar Bonus Scheme.

In October last year, we made a final determination that for 2015-16 the retailer contribution would be **5.2 cents per kilowatt hour (c/KWh)**, and the benchmark range **4.7 to 6.1 c/KWh**. Based on stakeholder consultation in our review last year, we proposed to update our decisions in May 2016 using the same analytical approach and updated market information. While we will consult on this approach from time to time, for 2016 we undertook to provide a market update rather than a full review process (involving an issues paper, draft and final report).

Our updated analysis for 2016

For 2016-17, our updated retailer contribution is **5.9 c/KWh**, and the benchmark range is **5.3 to 7.0 c/KWh**.

These results are based on the same methodology that we applied in our 2015 solar feed-in tariff review, and updated ASX electricity futures contract prices, market fees and charges and loss factors as at 29 April 2016. We have not updated solar premiums, as those estimated in our review last year already reflect data on solar premiums to 30 June 2015, which is still the most recent complete year of solar PV export information. Information on our methodology is provided in our 2015 final report, available at this link.

The higher results this year compared to last year are the result of an increase in forward prices for wholesale electricity. Forward prices have increased by around 14% since our

2015 final report. As outlined below, we propose to update ASX electricity futures contract prices for our final determination.

We are inviting stakeholder comment

We are seeking stakeholder comment on our updated analysis for the 2016 review. Please send any comments by return email by **midday 2 June 2016**.

We understand that updating the retailer contribution for the final six months of the scheme would involve some administrative costs for stakeholders. However, we are proposing to update the retailer contribution as we estimate that the additional 0.7 c/kWh would reduce the costs of the scheme for electricity customers in NSW by around \$1.5m over the six months to 31 December 2016.

Following stakeholder consultation, we intend to release a fact sheet which explains our final determination on the retailer contribution and benchmark range in early/mid June. For our final determination we will update ASX electricity futures contract prices.

Please contact me if you have any questions.

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