



**The Hon Anthony Roberts MP**  
Minister for Industry, Resources and Energy

V15/3001



Mr Peter J Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO BOX Q290  
QVB POST OFFICE NSW 1230

IPART

Doc No .....

File No .....

*Peter*  
Dear Mr Boxall

I write with regard to my recent reference to the Independent Pricing and Regulatory Tribunal (IPART) to set the retailer contribution for the NSW Solar Bonus Scheme (the Scheme) and set a fair and reasonable benchmark tariff for electricity exported from complying generators to the distribution network.

Thank you for advising that the current determination for the retailer contribution will lapse on 30 June 2015. So as to ensure continuity of a retailer contribution for the Scheme I am withdrawing the current reference in accordance with section 43EA (5) of the *Electricity Supply Act 1995* (the Act) and am referring new terms of reference pursuant to section 43ECA of the Act. The new Terms of Reference will allow IPART to make an interim determination to apply from 1 July 2015 until replaced by a subsequent determination.

You will also note that the subsequent determination remains in effect until 31 December 2016 or until replaced.

Pursuant to section 43ECA of the Act, I refer the attached Terms of Reference to IPART for determination.

In developing the proposed Terms of Reference I have given consideration to:

- IPART's previous consultation
- the degree to which the benchmarking method for NSW conforms with the Council of Australian Government's *Revised National Principles for Feed-in Tariff Arrangements*
- observations, including consumer feedback, on the state of retail offers in the market
- allowing consideration of additional factors or changes to methodology where this might enhance the rigour or completeness of establishing a fair and reasonable value and an appropriate retailer contribution to the costs of the Solar Bonus Scheme.

The enclosed Terms of Reference differ from the reference for the 2014/15 period in that IPART is to set the retailer contribution so that the total amount to be contributed by retailers reflects the estimated total value to retailers of the energy generated under the Scheme. This is to address concerns that setting the contribution at the lower-range estimate of the wholesale market value does not fulfil the intent of the introduction of the retailer contribution. I have not prescribed a method that IPART must adopt.

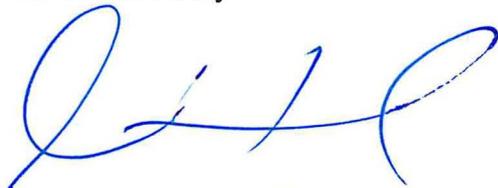
I note that for 2014/15, IPART's calculation of the retailer contribution was based on the value of exports from gross metered customers. I expect that the vast majority of Scheme customers will remain on gross meters for most of the remainder of the Scheme. However, I will advise if I become aware that Scheme participants are switching to net meters in significant numbers.

IPART advised on a benchmark range for time-of-export based feed-in tariffs in its 2014/15 report. Although no retailers have offered time-based feed-in tariffs to date, such an exercise may assist innovation in retail offerings if significant numbers of smart meters begin to be deployed in the future.

In its 2014/15 review IPART identified both a benchmark range, to have regard to the value of PV exports at the time of day of export, and a single (all time) rate. There is merit in repeating both of these approaches and I would encourage IPART to give prominence to both the range and a single rate in its report and subsequent publications.

If you require further information please contact Ms Claudia Huertas, Director Operations and Programs on (02) 9995 0628.

Yours sincerely



Anthony Roberts MP  
**Minister for Industry, Resources and Energy**

03 JUN 2015

Encl.

## TERMS OF REFERENCE

### Investigation and determination by IPART of a retailer benefit component and benchmark range for feed-in tariffs from 1 July 2015

#### Reference to IPART under section 43ECA of the *Electricity Supply Act 1995*

I, Anthony Roberts, Minister for Industry, Resources and Energy, refer to the Independent Pricing and Regulatory Tribunal (IPART) under section 43ECA of the *Electricity Supply Act 1995* (the Act) for investigation and report, the determination of:

- 1) The component payable by a retailer to a customer for electricity produced by a complying generator and supplied to the distribution network by a customer under the Solar Bonus Scheme (the retailer contribution); and
- 2) The voluntary benchmark range for solar feed-in tariffs paid by retailers for electricity produced by complying generators and supplied to the distribution network (the voluntary benchmark range).

IPART is to issue an interim determination of the retailer contribution (Interim Determination) to apply from 1 July 2015 until replaced by a subsequent determination.

IPART is to issue a subsequent determination in respect of the retailer contribution and the voluntary benchmark range (Subsequent Determination) as soon as practicable after the Interim Determination takes effect. The Subsequent Determination is to apply from the date the determination takes effect under section 43EC(1) of the Act until 31 December 2016 or until replaced.

#### Conduct of investigation

In making the Subsequent Determination, IPART is to consider the following matters:

- There should be no resulting increase in retail electricity prices
- The benchmark range should operate in such a way as to support a competitive electricity market in NSW
- The determination should be broadly in conformance with the Council of Australian Government's *Revised National Principles for Feed-in Tariff Arrangements*.

In making the Interim Determination, IPART may set the retailer contribution at the same rate that it determined for the 2014/15 period or may set a different rate.

In making the Subsequent Determination, IPART should set the retailer contribution so that the total amount to be contributed by retailers reflects the estimated total value to retailers of the energy generated under the Scheme.

#### Reporting

IPART is to report on the feed-in tariff offered by each retailer at the time of writing its final report and to note whether that tariff was within the benchmark for the preceding financial year.

#### Consultation

In making the Interim Determination and the Subsequent Determination, IPART may undertake such consultation as it sees fit.

#### Definitions

"Solar Bonus Scheme" means the Scheme established under section 15A of the Act.