



**Chris Hartcher MP**  
Minister for Resources and Energy  
Special Minister of State and  
Minister for the Central Coast

V12/2337

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

Dear Dr Boxall

I write with regard to the Independent Pricing and Regulatory Tribunal (IPART) setting the retailer contribution for the Solar Bonus Scheme (the Scheme) and setting a fair and reasonable benchmark tariff for electricity exported from a complying generator to the distribution network for 2012/13.

Pursuant to section 43ECA of the amended *Electricity Supply Act 1995*, I refer the attached Terms of Reference to IPART for determination.

The determination is to be publically available by 27 June 2012.

This work will give effect to key recommendations in IPART's report 'Solar Feed-in tariffs: setting a fair and reasonable value for electricity generated by small-scale solar PV units in NSW'.

If you require further information, I have arranged for Ms Rachel Connell, A/Director, Clean Energy & Legal Policy, Division of Resources and Energy, to assist you. Ms Connell may be contacted on (02) 8281 7316.

Yours sincerely

**Chris Hartcher MP**

## TERMS OF REFERENCE

### Investigation and determination by IPART of a retailer benefit component and benchmark range for feed-in tariffs for 2012/13

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

I, Chris Hartcher, Minister for 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 determination for 2012/13:

- 1) The component payable by a retail supplier 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 benchmark range for solar feed-in tariffs paid by retailers for electricity produced by complying generators and supplied to the distribution network (the benchmark range).

#### Conduct of investigation

In making its determination on the retailer contribution, IPART should have regard to the direct financial gain to retailers method including discounts for market offers as set out in its final report *Solar feed-in tariffs: setting a fair and reasonable for electricity generated by small-scale solar PV units in NSW* (March 2012) (the Final Report).

In making its determination on the benchmark range IPART should use the methodology used in the Final Report. IPART should take into account:

- its modeling of the wholesale market value for 2012/13 as set out in its 2012 Solar feed in tariff report; and
- the direct financial gain to Standard Retailers for 2012/13.

In conducting this investigation IPART is to consider the following key parameters:

- 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.

#### Consultation

No further consultation is required given extensive consultation was undertaken for the “Solar feed-in tariffs” reference.

#### Timing

IPART is to complete the investigation and provide its determination by 27 June 2012.

## Definitions

“Solar Bonus Scheme” means the Scheme established under s.15A of the Act.

## Background

The NSW Government supports the development of sustainable and affordable renewable and low emissions energy at least cost to the energy consumer and with maximum benefits in terms of investment for NSW.

The NSW Government does not support the development or expansion of schemes that deliver subsidies to industry at the expense of the broader community.

The NSW Government previously asked IPART to investigate and report on a fair and reasonable value for electricity generated from small-scale solar photo voltaic systems (PV) consistent with the COAG National Principles for Feed-in Tariffs.

In its March Report, IPART recommended that it should:

- set and publish the benchmark range for 2012/13 in June 2012; and
- recommend the mandatory retailer contribution to Scheme costs.

The NSW Government has adopted these recommendations and amended the *Electricity Supply Act 1995* accordingly.<sup>1</sup>

IPART recommended a fair and reasonable value for a subsidy-free feed-in tariff in NSW to be in the range of 5.2 to 10.3 c/kWh for 2011/12.

For illustrative purposes, IPART recommended a rate of 6.5 c/kWh for the retailer benefit component for 2011/12.

21 June 2012

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<sup>1</sup> See Schedule 7, [State Revenue and Other Legislation Amendment \(Budget Measures\) Act 2012](#).