

FACTSHEET: Fair and Reasonable Solar Feed-in Tariffs for Queensland

The Queensland Competition Authority has delivered its final report into solar feed-in tariffs for Queensland.

In August 2012, the Queensland Government directed the Queensland Competition Authority (QCA) to identify the 'fair and reasonable' value for energy exported into the electricity grid from small scale solar panels. The QCA was also asked to assess the costs of the Solar Bonus Scheme and identify options which could reduce or more equitably share these costs.

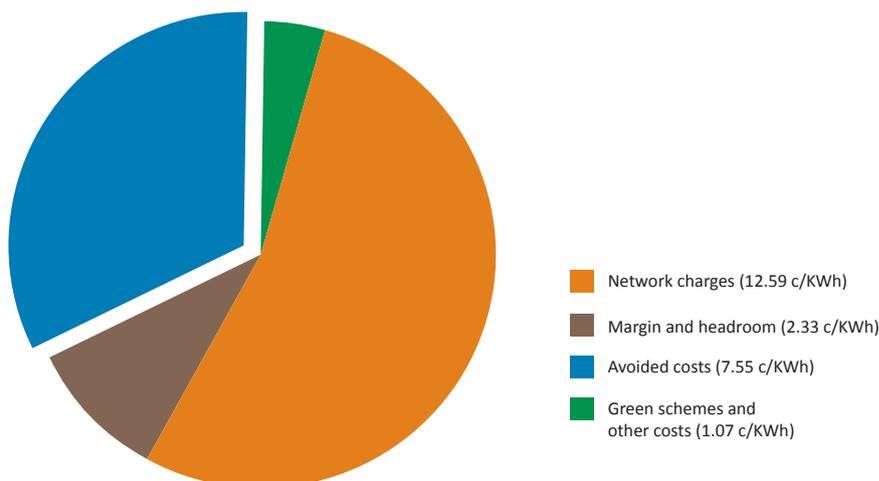
The QCA delivered its final report to the Minister for Energy and Water Supply on 22 March 2013.

The QCA believes it is inequitable for feed-in tariffs to provide subsidies from one group of electricity customers to another. Any future feed-in tariffs should reflect the market value of the energy exported.

As retailers have the financial benefit of on-selling exported energy, future tariffs should be funded by retailers rather than network businesses (as is the case with the Solar Bonus Scheme).

Our investigation concludes that the fair and reasonable value of electricity exported from solar panels in south east Queensland would be about 7.55 c/kWh in 2013-14. This value is lower than the retail electricity price because retailers incur unavoidable costs when on-selling their customers' excess solar electricity. As figure 1 illustrates, retailers incur network costs, 'green scheme' costs, market fees, as well as being entitled to a margin. What is left (the costs that the retailer can avoid) represents the value of solar exports to the retailer. The QCA believes this is the fair and reasonable value.

Figure 1. Financial benefit to electricity retailers from exported solar PV electricity



Consistent with the view that future feed-in tariffs should reflect market value, the QCA recommends that the Queensland Government does not fix prices for future feed-in tariffs in the competitive retail market of south east Queensland.

In the Ergon Energy network area, the value of solar exports varies from 7.06 to 14.05 c/kWh according to the customer's location. This range reflects that the cost of supplying energy in some parts of the network (particularly in western Queensland) is higher than in more populated regional centres along the east coast.

The QCA finds that regulated prices for feed-in tariffs in the Ergon area may be necessary given the lack of retail competition.

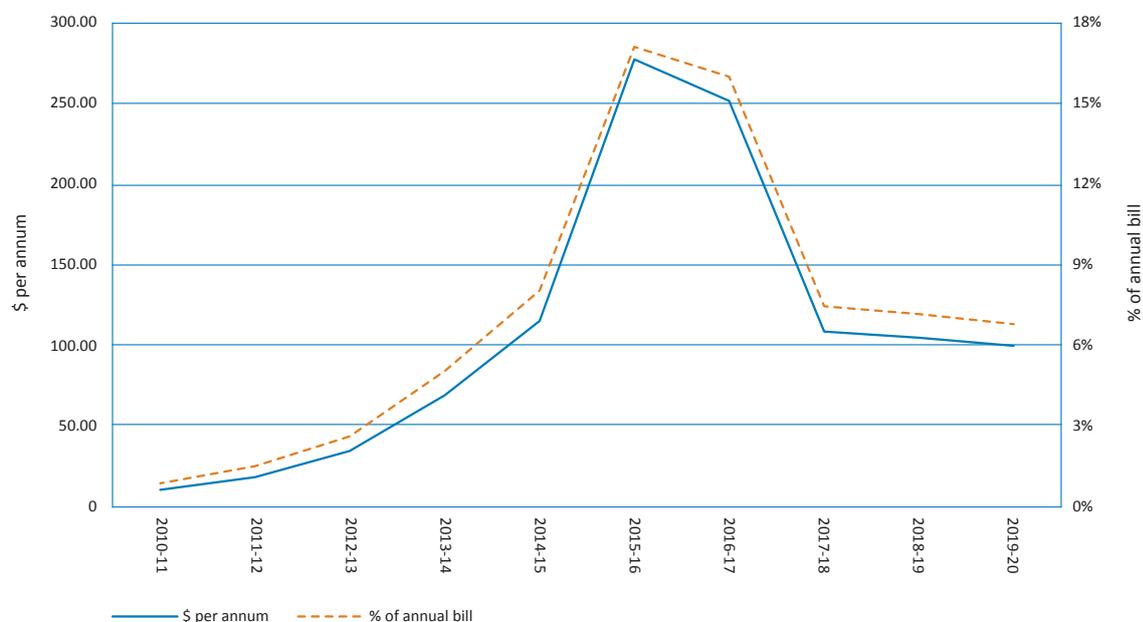
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Cost impacts of the 44 c/kWh Scheme

The QCA has also assessed the ongoing costs of the Solar Bonus Scheme which offers 44 c/kWh.

We found that the Scheme is expected to cost around \$3.4 billion by 2028 – costs which will be recovered through higher network charges for all Queensland electricity consumers. These costs are expected to add around \$67 to the average customer's annual electricity bill in 2013-14 and up to \$276 in 2015-16. Figure 2 shows the significant cost impacts that the Scheme might have on customer electricity bills over the coming years.

Figure 2: Indicative impact of Solar Bonus Scheme on the typical Tariff 11 customer's bill



One way to reduce this cost impact is to require electricity retailers to contribute to the 44 c/kWh Scheme by paying for the exported energy they on-sell. This option would reduce the Scheme costs which have to be added to network charges.

It is important to note that these findings are not Queensland Government policy. The findings represent the QCA's independent advice to the Queensland Government. The Queensland Government will undertake its own review of the Solar Bonus Scheme, which is expected to be completed by 30 June 2013.

More information

For more information on the Authority's investigation into fair and reasonable feed-in tariffs for Queensland visit the Authority's website at www.qca.org.au

For more information on the current Solar Bonus Scheme contact the Department of Energy and Water Supply on 13 43 87 or visit <http://www.cleanenergy.qld.gov.au/demand-side/solar-bonus-scheme.htm>