

Information booklet

Solar feed-in tariff 2023–24

Applying to customers in regional Queensland

Draft determination

March 2023



Our task and proposed approach

Our task

The Minister for Energy, Renewables and Hydrogen directed us to set a flat rate solar feed-in tariff to apply in regional Queensland for 2023–24, using an ‘avoided cost’ methodology.

Consultation

We invite stakeholder views on our draft approach for determining avoided costs—specifically, whether the approach is appropriate, or if a different approach might better reflect avoided costs in 2023–24.

We will consider all submissions received within the stated timeframes before we set the solar feed-in tariff rate.

Our proposed approach

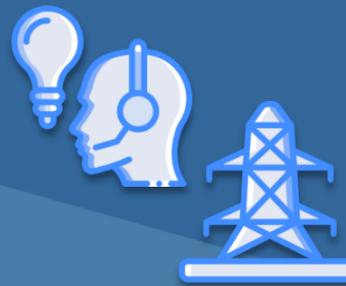
We intend to maintain an approach that is broadly consistent with our previous methodology, but to update it to reflect recent market developments.

The avoided-cost methodology



When a retailer sources electricity from solar PV customers rather than the National Energy Market (NEM), it avoids certain costs. The ‘avoided cost’ methodology estimates and sums these avoided costs to determine the feed-in tariff rate.

The avoided costs we use to set the feed-in tariff are the same costs used to set some regulated retail prices (notified prices) for regional Queensland.



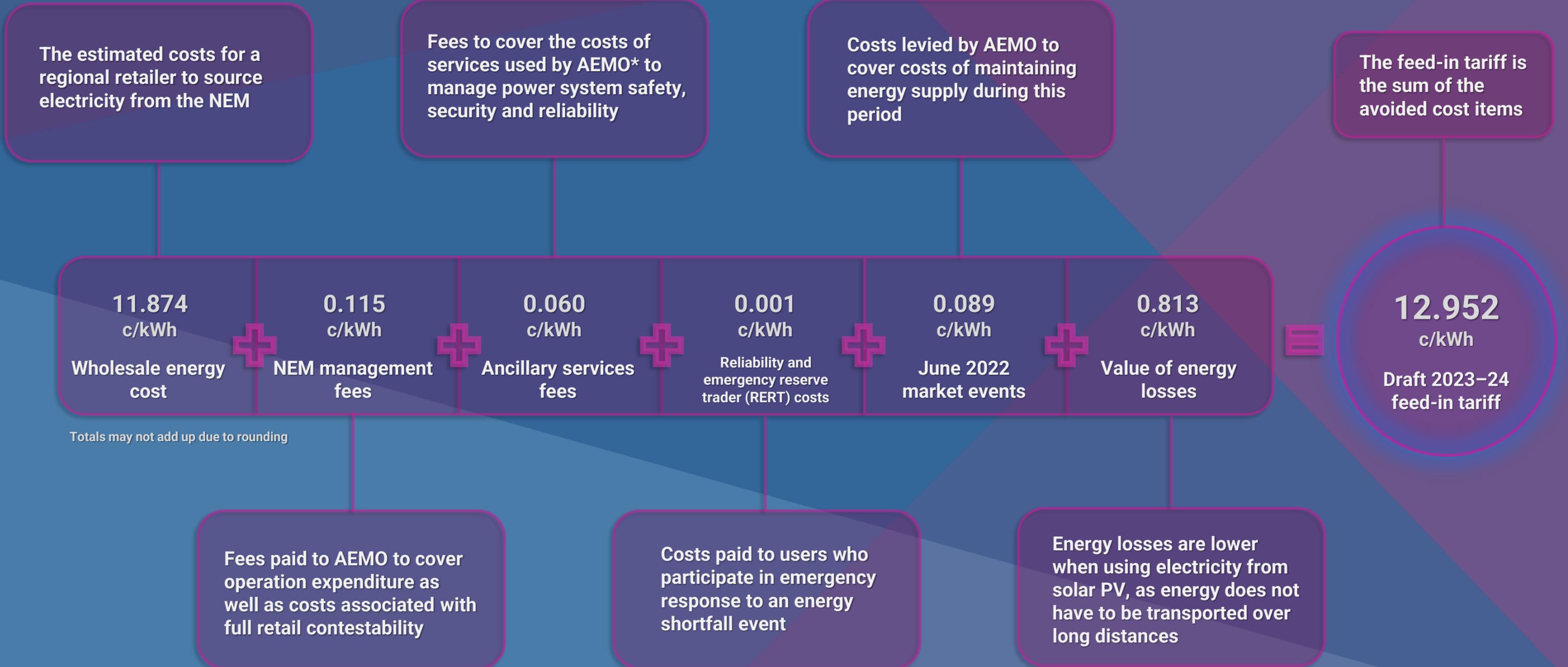
Retailers still incur other costs when providing retail electricity services to solar PV customers, including retail operating costs and network costs.

Stakeholder submissions are due by 14 April 2023.

Information on making a submission is available on our [website](#).

Draft 2023–24 regional solar feed-in tariff

Avoided cost items and estimated values



* Australian Energy Market Operator

New issues for 2023–24

Approach to estimating wholesale energy costs

We have made some refinements to our approach, which we think are necessary to better reflect latest market developments. These include:

Smart meter demand profiles



The number of smart meters installed in regional Queensland has increased. It has therefore become necessary to take into account when and how much electricity smart meter customers use when we are estimating wholesale energy costs.

ASX option contract prices



Option contracts allow retailers to buy electricity, at a future date and at an agreed price. Retailers use options as a way to manage fluctuations in wholesale electricity prices.

We have refined the way we estimate the price of option contracts, to better reflect the costs a retailer faces.

Impact of temporary price caps



Our methodology takes into account the potential impact of the temporary coal and gas price caps implemented by the Australian and Queensland governments in December 2022.

We do this by observing the effect of price caps on the wholesale price of electricity and financial instruments (like options).

Irregular avoided cost pass-through items

These are extraordinary costs that retailers do not incur regularly as part of their standard activities. We think these costs should be included in the calculation of the feed-in tariff when the cost:

- would be incurred by electricity retailers sourcing electricity from the NEM
- would be avoided if electricity retailers purchased energy from their solar PV customers
- has not already been accounted for in our avoided cost methodology.

An example is the costs associated with the June 2022 market events.

June 2022 market events

A period of unusually high prices triggered a cap on wholesale electricity prices. For some generators, this cap was below their cost of producing electricity, and they stopped supplying electricity.

In response, AEMO activated the Reliability and Emergency Trader Scheme (RERT), which pays participants to supply emergency electricity or reduce usage. AEMO also directed generators not participating in the RERT scheme to begin supplying electricity again.

RERT participants and directed generators who operated at a loss during this period can receive compensation.

Compensation costs are recovered from retailers as fees on energy purchased from the electricity market, and are avoided when sourcing electricity from solar PV customers.