

# Frequently asked questions

## Solar Feed-in Tariff Review

### Why has the tariff rate decreased by so much?

In the early years of solar feed-in tariffs, the feed-in tariff (FiT) rate paid to solar generators was very generous and was not related to the underlying value of the energy produced.

Also as solar was still in early stages of domestic application the systems themselves were much more expensive than today. The price of installing a solar panel system has dropped significantly over the last 10 years.

In 2012 the government of the day joined with all other Australian governments to agree to close premium FiT tariff schemes which were recognised as being excessively generous.

This led to the introduction of Tasmanian legislation which closed the previous premium FiT tariff and established the regulated FiT rate for new solar generators. Existing recipients of the premium rate at the time were “grandfathered” at a transitional FiT rate for five years, ending on 31 December 2018, after which it was made clear they would revert to the fair and reasonable regulated FiT rate determined by the independent Tasmanian Economic Regulator.

The current regulated FiT rate is around 8.5 cents per kilowatt hour (kWh) compared to the “grandfathered” transitional rate of 28.283 cents per kWh. An extra 5 cents per kWh is being provided for a further year for those customers coming off the transitional rate which means those customers will receive a tariff just under half of what it was previously. This will smooth the transition to the regulated rate.

This will mean that those transitional customers will have received at least six years of taxpayer support.

### Why aren't I paid the same amount as retail prices?

Retailers' retail electricity prices recover the total costs of the electricity supply chain, including network, metering, retail, generation and other costs. The cost of purchasing the actual electricity from any source is only a small part of the operating cost of a retailer. This is regardless of whether the retailer buys electricity from a generator like Hydro Tasmania or household solar generation. Solar generators do not incur any of these costs, as such setting the feed-in tariff at the retail price would overstate the value of the solar generation and provide compensation for services that a solar producer does not provide.

If the solar Feed-in Tariff is set higher than the value of other generation, this will result in higher total costs that will ultimately be passed through to all other Tasmanians.

## Why is the government cutting the amount I get for selling my solar energy back to the grid?

The government doesn't set the rate paid to households for feeding their excess solar power into the network, it is determined by the independent Tasmanian Economic Regulator. A major component of the regulated FiT rate is the wholesale rate the retailer pays for energy from other power generators. If retailers were to pay more for solar energy than they can pay for energy from other sellers, then other electricity customers or taxpayers would have to pay more.

The transitional rate of 28.283 cents per kWh was to allow for a period of adjustment for households that had already installed solar panels prior to the regulated feed-in tariff coming into effect in 2013. The end of the transition rate (after the one-year 5 cents-per-kilowatt-hour payment ends on 31 December 2019) means all households feeding power into the network will receive the same amount.

## Why is the government increasing the tariff from what was already decided?

The Government acknowledges the significant drop in the FiT rate from the current 28.28 cent transitional rate to the regulated 8.5 cents at January 2019. In order to ensure a smoother transition, the Government has decided to provide an additional 5 cents on top of the regulated rate for a further 12 months.

## Shouldn't there be incentives for installing solar panels?

Installing solar is a long-term proposition to save money, not to make profits. An Australian Government program subsidises solar panels already, typically through the up-front cost that people pay for panels. This up-front discount would equate to a subsidy of approximately \$3 000 for a customer installing a 5 kW solar system in Hobart.

The regulated tariff rate itself remains an incentive for households to install solar and will continue to help cut their ongoing costs for their household electricity bills.

The main benefit of solar is that it saves you money on your power bills by reducing the amount of energy you need to take from the retailer

The Tasmanian Government is also continuing to incentivise solar installation through its support of the interest-free Tasmanian Energy Efficiency Loan Scheme (TEELS). Rooftop solar is the most popular product selected in the scheme, comprising 37 per cent of total applications.

## Don't we need higher tariff levels to drive investment in solar?

Over recent years the cost of installing solar panels has decreased dramatically.

With the cost of systems now being much lower, there is still an incentive for households to install solar.

For example since 2013 only the fair and reasonable regulated FiT rate has been available for new solar systems in Tasmania, but solar installations have continued at a healthy pace. The number of solar customers in Tasmania has increased by approximately 2 000 per year.

## Why don't I get more because I'm not using the transmission or distribution network?

Investment in the distribution network is required irrespective of where generation occurs. A significant amount of a customer daily supply charge (the 'fixed' charge), recovers the fixed costs of the network.

In short, customers pay for being connected to the network.

It is also the case that the key factor in network costs is building and maintaining the network for the benefit of all Tasmanian customers to cope with peak demand. Solar generation plays very little role in reducing peak demand.

The addition of rooftop solar can actually create challenges that may require additional expenditure on the network which is currently funded by all customers, which some may consider unfair to those not using solar.

## Won't higher tariffs help reduce carbon emissions?

Solar at around one per cent of the state's electricity generation plays a very minimal role in reducing Tasmania's carbon emissions. Hydro and wind play the primary role in reducing carbon emissions. Tasmania already has the lowest per capita greenhouse gas emissions of any Australian state or territory.

The latest Clean Energy Australia report released by the Clean Energy Council of Australia highlights that Tasmania is the most advanced state in terms of renewable energy penetration (over 88 per cent). We are on target to reach the Government's goal of being 100 per cent self-sufficient in renewable energy generation by 2022.

## Won't more people using solar help our energy security?

Solar at around 1 per cent of the State's electricity output plays a very minimal role in energy security. This is especially the case given further large scale developments in wind farm generation and the potential of renewable energy projects like Battery of the Nation. The long-term energy security position of the State has also been strengthened by the Government's implementation of a comprehensive Energy Security Framework.

## Why don't I get more when Tasmania is selling my energy into the national market?

Under current arrangements, excess solar power generated from householders is guaranteed to be purchased at a fixed price per kWh no matter what time of day nor what the demand for energy in the market is at the time of generation.

Most sales of excess solar electricity occur during the middle of the day at the time of lowest demand for electricity and when the energy has its lowest value. Rooftop solar energy is generally not available at peak times (morning and evening) when energy is at its highest value.

The regulated feed-in tariff rate is based on the wholesale energy price and set annually by the Tasmanian Economic Regulator.

## Why doesn't Tasmania have a time-of-use pricing tariff like other states?

At this time it is unclear what the benefits are of introducing a time-of-use feed-in tariff in Tasmania.

Accordingly, the government will be asking the Tasmanian Economic Regulator to investigate the possibility of Time-of-Use Feed-in Tariffs and to report back by the end of 2019.