

Solar Feed-In Tariff Review



About the Review

The Government is committed to delivering secure and reliable electricity supply and lower power prices through its Tasmania-First Energy Policy. Key objectives of this policy are:

- 100 per cent self-sufficiency in renewable electricity generation by 2022; and
- the lowest regulated electricity prices in the nation by 2022.

As part of the policy, the Director of Energy Planning, the Department of State Growth, and the Department of Treasury and Finance have been tasked with reviewing the current arrangements for the Solar Feed-in Tariff in Tasmania.

The Feed-in Tariff (FiT) review will consider the current FiT arrangements to determine its appropriateness in suitably rewarding those people who have installed solar and whether it incentivises further installation of solar in Tasmania. Appropriate incentives could assist Tasmania in diversifying its renewable energy generation capacity and help deliver the Government's target for Tasmania to be 100 per cent self-sufficient in renewable electricity generation by 2022.

Background

In December 2012 at a meeting of the Council of Australian Governments (COAG) all states and territories agreed on revised National Principles for Feed-in Tariff Arrangements. These revised principles included a commitment that all premium FiT arrangements were to be closed to new participants by 2014. All other FiT customers were to receive a 'fair and reasonable' value for their exported electricity.

In Tasmania, the 'fair and reasonable' FiT rate is determined by the Tasmanian Economic Regulator.

Households and small business premises with an electricity generating system connected to the distribution network (solar, wind or water power) can make significant savings on electricity bills when they use electricity generated by their system rather than buying it from the grid. When they don't use all the electricity they generate themselves, the excess electricity is exported to the grid, and they are paid a FiT by an electricity retailer for these exports.

These 'distributed generators' are connected to the network through import/export meters which record the amount of electricity imported from, and exported to, the network.

This review of the FiT arrangements will be conducted by an Interdepartmental Committee comprised of the Department of State Growth, Department of Treasury and Finance, and chaired by the Director of Energy Planning. There will also be ongoing consultation with the Office of the Tasmanian Economic Regulator.

The review will also take account of the significant changes to the energy market in the last few years, such as increasing levels of solar generation, battery storage, digital metering and consumer energy contribution to the grid.

Current situation

There are two FiT rates available to Tasmanian electricity customers, as prescribed in the *Electricity Supply Industry Act 1995*:

- The Regulated FiT Rate. This represents the 'fair and reasonable' rate, determined by the independent Tasmanian Economic Regulator. On 21 June 2018, the Tasmanian Economic Regulator determined, in accordance with the 2016 Regulated FiT Rate Determination (2016 FiT Determination)¹, that the Regulated FiT Rate for 2018-19 will be 8.541 cents per kilowatt hour (c/kWh).
- The Transitional FiT Rate. This rate is only available to customers who had a qualifying solar generation system connected prior to 31 August 2013. Eligible residential customers receive a premium FiT rate of 28.283 c/kWh for a transitional period until 1 January 2019. After this date, these customers will be reverted to the Regulated FiT Rate. In 2016-17 the cost of providing the Transitional FiT to those customers was \$11.7 million. This cost is paid for by TasNetworks causing a reduction in its bottom line, which in turn reduces the revenue available to the Government to provide services to the community.

The Clean Energy Regulator references that approximately 32 000 small generation unit-solar systems have been installed in Tasmania. Solar accounts for less than one per cent of electricity generation in Tasmania.

Issues

The Government has committed to review and reshape the solar Feed-in Tariff, and that the review will aim to determine a Feed-in Tariff that will suitably reward those who have installed solar and look to incentivise further installation of solar.

The 2012 COAG commitment of all states and territories required that all premium FiT arrangements closed to new participants by 2014 and all other FiT customers received a 'fair and reasonable' value for their exported electricity. In Tasmania, the 'fair and reasonable' FiT rate is determined by the Tasmanian Economic Regulator. That rate is currently 8.541 c/kWh and, after 31 December 2018, all solar customers will revert to this rate. A key issue therefore is whether this tariff structure provides incentive to install rooftop solar generation and appropriately rewards consumers who have already installed solar.

It is noted that in Victoria a time of use solar tariff option has recently been made available.

Energy security is an important consideration for Tasmania and has recently been the subject of a taskforce investigation. It is important to ensure that the future development of solar is consistent with the need to provide reliable and affordable electricity.

Network charges are a key component of the final retail price that a customer pays for their electricity bill. A primary cost component of network charges is the infrastructure required to supply peak demand.

Expansion of solar could have positive or negative impacts on the operation of the electricity network at the local level which needs to be carefully managed. There has been ongoing technological development

¹ Determination made by the Tasmanian Economic Regulator on 5 May 2016.

in solar equipment, and it appears that solar systems with modern smart technology could provide future network benefits.

Smart metering and battery storage systems are emerging technologies. Battery systems are becoming more common and affordable. Pilot programs are being trialled, including in Tasmania, to enhance flexibility in meeting the needs of customers and the network.

The expansion of solar in states with a high intensity of fossil fuel generation provides environmental benefits. In Tasmania the electricity generation network is already overwhelmingly renewable, and therefore such benefits are reduced.

At present it is considered that most residential solar installations are likely to be in owner occupied dwellings. There may be social benefits in encouraging more installation of solar in rental housing stock.

Consultation processes

There will be two separate consultation processes conducted in relation to FiTs during 2018-19.

As part of this Solar FiT Review, consultation will be undertaken with a range of organisations and public submissions will be invited.

Also during 2018-19, the Tasmanian Economic Regulator will conduct an investigation to determine the regulated FiT rate that is to apply from 1 July 2019.

The Solar FiT Review and the Office of the Tasmanian Economic Regulator's investigation have different objectives.

The objective of the Solar FiT Review consultation is to conduct a review into the policy settings to ensure that those who have already installed solar are appropriately rewarded, as well as identifying policy options that will incentivise further installation of solar.

In relation to the Tasmanian Economic Regulator's investigation, the *Electricity Supply Industry Act 1995* requires the Regulator to determine the FiT rate. The FiT rate determination sets the formula for the amount to be paid by authorised retailers to FiT customers for electricity exported to the grid. This formula is then used by the Regulator to set an updated annual rate.

The 2016 FiT Determination expires on 30 June 2019. Prior to the expiry of that determination and before making a new determination, the Regulator is required to conduct an investigation. In carrying out this investigation the Regulator must take into account, amongst other things, the COAG National Principles for Feed-in Tariff Arrangements and approaches in other jurisdictions, and ensure that cross-subsidies are not created between customers.

The Regulator will commence the next investigation later this calendar year. The investigation will also be informed by the results of the Solar FiT Review of the operation of the current FiT scheme in Tasmania. The investigation by the Tasmanian Economic Regulator will occur after the consultation by the Solar FiT Review.

Invitation for submissions to the FiT Review

The Tasmanian Government now invites submissions from members of the public and interested groups to the Solar FiT Review.

The closing date for submissions to the Solar FiT Review is 6 August 2018. Submissions must be in writing and should identify and detail evidence in support of views and arguments.

Unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission), submissions may be published on the Department of State Growth's website at the discretion of the Department. Regardless of requests for confidentiality, submissions may be released under the requirements of relevant legislation such as the *Right to Information Act 2009*.

Following consultation a report will be delivered to the Minister for Energy and the Treasurer. The new arrangements resulting from the review will be implemented by 1 January 2019.

Those lodging submissions are invited to address the following:

1. What changes could be made to current Feed-in Tariff arrangements (for example, a different Feed-in Tariff rate structure) to provide incentive to install rooftop solar generation and appropriately reward consumers that have already installed rooftop solar generation?
2. Would those changes be likely to result in any other indirect or unintended impacts (beneficial or otherwise)?
3. What contribution does rooftop solar generation make to Tasmania's energy security?
4. What are the social and environmental benefits and costs of rooftop solar generation? What is the value of these benefits and costs?
5. Do the community benefits of incentivising further solar installations outweigh the costs of providing those incentives?
6. Are there alternative mechanisms (other than changes to Feed-in Tariffs) that could be used to incentivise and reward the installation of rooftop solar generation?
7. Is there potential for rooftop solar systems, smart metering and battery storage systems to help manage or limit peak demand?
8. Are the opportunities to benefit from rooftop solar available equitably across the community?
9. Any other relevant matters that the person or group submitting would like to raise for consideration.



Department of State Growth

GPO Box 536
HOBART TAS 7001 Australia

Phone: 1800 030 688

Email: solarfeedinreview@stategrowth.tas.gov.au

Web: www.stategrowth.tas.gov.au