

2013 Solar Feed-in Tariff Premium - Draft Determination

27 March 2013

The Essential Services Commission of South Australia (**ESCOSA**) is reviewing the Feed-in Tariff premium (**FIT Premium**) to be paid by electricity retailers from 1 July 2013.

All residential and small business customers who have an eligible solar photovoltaic (**PV**) unit (**solar customers**) are entitled to receive a FIT Premium payable by retailers for electricity fed into SA Power Network's distribution network. The FIT Premium is in addition to the Feed in Tariff (**FIT**) payable by SA Power Networks.

FIT PREMIUM DETERMINED BY ESCOSA

The FIT Premium paid by retailers reflects the fair and reasonable value to retailers of electricity fed into the network by solar customers. All retailers selling electricity to solar customers are required to pay this amount.

ESCOSA proposes to make a new FIT Premium determination, setting the minimum FIT Premium payable by retailers from 1 July 2013 until 31 December 2013 at 9.8 cents per kWh, revised from the previously determined 11.2 cents per kWh. The revised Premium reflects the reduction in the value of wholesale electricity relative to the value that was forecast under ESCOSA's 2012 FIT Premium determination.

The proposed amount represents the minimum FIT Premium that retailers must pay to PV customers. Electricity retailers may voluntarily pass on a higher amount as part of their unregulated market offers. The draft determination also proposes that the FIT Premium be reset on 1 January of each year using a set methodology.

FIT PAID BY SA POWER NETWORKS

In addition to the FIT Premium provided by electricity retailers, the electricity distributor, SA Power Networks, is also required to provide a FIT to solar customers for electricity fed into its network. The amount of the FIT paid by SA Power Networks is 44 cents per kWh (for pre-October 2011 eligible PV installations) and 16 cents per kWh (for post-October 2011 eligible PV installations).

HOW MUCH WILL A SOLAR CUSTOMER RECEIVE?

Solar customers are entitled to receive both the FIT Premium from electricity retailers and the FIT from SA Power Networks.

South Australia Feed-In Tariff Scheme Credits (nominal cents per kWh and GST exclusive)

| PV Installation/Approval Date | FIT Premium (Draft) | FIT | Total (Draft) |
|--|---------------------|-------|---------------|
| Class 1 Before 1 October 2011 | 9.8c | 44.0c | 53.8c/kWh |
| Class 2 1 October 2011 to 30 September 2013 | 9.8c | 16.0c | 25.8c/kWh |
| Class 3 From 1 October 2013 | 9.8c | 0.0c | 9.8c/kWh |

Both the FIT and the FIT Premium are credited on quarterly electricity bills issued by electricity retailers. The value of feed-in credits shown on a solar customer's electricity bill is determined by multiplying the amount of electricity (measured in kWh) fed into SA Power Networks' network and the relevant feed-in credit amount (the amount proposed to apply from 1 July 2013 as shown in the table above). When the feed-in credit amount changes during a billing period (between financial years), the feed-in amounts will be pro-rated.

WHO FUNDS THE FEED-IN SCHEMES?

Under the feed-in legislation, the FIT amounts credited by SA Power Networks to solar customers are funded by all electricity customers, adding approximately \$65 to an average annual household electricity bill.

The FIT Premium paid by retailers is intended to be cost neutral to retailers and customers. It is therefore set by ESCOSA to reflect the fair and reasonable value to a retailer of electricity fed into the network and thereby reflects the direct benefits to retailers of solar PV generation.

If the FIT premium is set above the value of wholesale energy, as would be the case if ESCOSA did not reduce the 11.2 cents per kWh that would ordinarily apply from 1 July 2013, energy retailers would be paying an amount that is higher than the cost of the energy fed in, and retailers may look to recover those additional costs from other consumers, placing upward pressure on energy prices for all customers.

REQUEST FOR SUBMISSIONS

ESCOSA welcomes comment from all interested parties on the Draft Determination and will consider all submissions in making its Final FIT Premium Determination. Comments are sought by **COB 22 April 2013**.

The full Draft FIT Premium Determination can be downloaded from the ESCOSA website (www.escosa.sa.gov.au) and written submissions can be made via email (escosa@escosa.sa.gov.au) or letter (GPO Box 2605 Adelaide SA 5001).

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