

## **SECOND READING SPEECH**

**THE HON BRYAN GREEN, MINISTER FOR ENERGY AND  
RESOURCES**

### **ELECTRICITY SUPPLY INDUSTRY AMENDMENT (FEED-IN TARIFFS AND OTHER MATTERS) BILL 2013**

**Mr Speaker**

I move that the Bill now be read a second time.

Mr Speaker, the Government wants to provide certainty for Tasmanian solar customers, the solar industry and the electricity market by putting in place a fair and equitable feed-in tariff regime from 1 January 2014.

Last month, I announced the Government's feed-in tariff policy, under which we have committed to lock in, until 1 January 2019, the current feed-in tariffs for customers who were part of Aurora Energy's buyback scheme when it was closed on 30 August 2013.

Further, I announced that, from 1 January 2014, all retailers operating in Tasmania who supply eligible small customers would be required to pay, as a minimum, a fair and reasonable feed-in tariff, as determined by the independent Tasmanian Economic Regulator.

Mr Speaker, the Government did not arrive at its feed-in tariff policy lightly. It closely considered current policy practice in other jurisdictions, other relevant schemes and policies (including the national carbon pricing scheme), and the commitment made by the states and territories in 2012 through the Council of Australian Governments to phase out feed-in tariffs that are in excess of the fair and reasonable value of exported electricity.

The policy also takes account of the feedback received from more than 130 Tasmanians who made public submissions to the Government's feed-in tariff Issues Paper, released in May this year. These included individual householders as well as the solar industry and climate change advocates.

Let me be clear - this was not a token consultation effort. We have made significant changes to the Government's initial position to reflect stakeholder input, including an extension of the transitional period from three to five years – at an additional estimated cost of close to \$20 million – and providing transitional feed-in tariff customers with greater choice in the retail arrangements they can enter into without impacting on their transitional rate.

I would also like to bring to the attention of Honourable Members that the Clean Energy Council has publicly congratulated the Government on its handling of this complex policy issue, and supports the arrangements we are implementing.

Mr Speaker, the Bill I am introducing today provides the necessary legislative support for the Government's feed-in tariff policy, including provisions to ensure the preservation of existing feed-in tariff rates for approximately 20 000 eligible customers until 2019.

The Bill comprises two key components:

- Firstly, the Bill provides customers who were part of the Aurora scheme, immediately prior to its closure, with clear transitional protection for an additional five years from 1 January 2014. The Bill provides that these customers will continue to receive the same feed-in tariff they received under the Aurora scheme as at 30 August 2013, subject to certain eligibility criteria, until 1 January 2019; and
- Secondly, the Bill provides for the introduction of a new fair and reasonable feed-in tariff – set by the independent Tasmanian Economic Regulator – which retailers operating in Tasmania will be required to offer to all eligible small customers as a minimum for every net kilowatt hour of exported electricity, from 1 January 2014.

The Bill also provides for a number of miscellaneous amendments to support the smooth transition to full retail competition.

### ***Protection for Aurora feed-in tariff customers***

Currently, there are no legislative, regulatory or contractual arrangements in place in Tasmania that guarantee customers with micro renewable generation systems a minimum rate for the electricity they export to the grid.

Aurora's 'Net Metering Buyback Scheme' – which offers small business and residential customers a feed-in tariff at the relevant retail rate – is a voluntary scheme only.

This means that when Aurora exits the retail market and the transition to full retail competition begins on 1 January 2014, customers will not have access to a guaranteed feed-in tariff, unless the Government introduces a new scheme that is supported by legislation.

The Government is committed to ensuring that customers who have made significant capital investments in micro renewable generation under Aurora's previous voluntary scheme are treated fairly as the State moves to full retail competition and transitions to new feed-in tariff arrangements.

Last month, the Government formally directed Aurora Energy to close its scheme to new applicants from 30 August 2013. The Government also directed Aurora to continue to offer to all eligible customers at this date, their existing feed-in tariff until 31 December 2013.

However, legislative support is required in order to continue to preserve feed-in tariffs for eligible customers from 1 January 2014, when Aurora will no longer be operating in the Tasmanian retail market.

To this end, the Bill establishes a category of customer – known as a transitional feed-in tariff customer – who will be eligible to receive from their retailer, until 1 January 2019, the feed-in tariff rate that they received from Aurora Energy at the time the net buyback scheme closed.

For residential customers, this rate is **28.283c** per kilowatt hour. For small business customers, it is **38.5777c** per kilowatt hour for the first 500 kilowatt hour of exported electricity in a quarterly billing period and **28.319c** per kilowatt hour thereafter.

The Bill fixes these rates for the five-year period to provide customers with price certainty. It also establishes certain eligibility requirements for the transitional feed-in tariff, consistent with the Government's policy.

Transitional feed-in tariff customers include residential and small business customers with solar or other eligible systems that were physically connected to the distribution network as at 30 August 2013. Also captured in this category, once they connect a qualifying system, are those customers who could prove - as part of a connection application received by Aurora Energy prior to 30 August 2013 - that they had signed a contract and paid a deposit to an installer for an eligible qualifying system.

Eligible applicants who have not yet connected their systems to the network will have until 30 August 2014 to connect, to maintain their eligibility for premium pricing.

Mr Speaker, the Bill provides that transitional customers may change retailers or switch between contracts without affecting their eligibility for the transitional rate.

However, customers will only remain eligible where they continue to hold an electricity account with an authorised retailer in their name at their current premises, and where the capacity of their current system is not upgraded. An allowance is made, however, for the transfer of an electricity account to a spouse or partner.

The Bill provides that customers will not be able to transfer their eligibility to a new property, even where they take their system with them. Similarly, a customer moving into premises where there is an existing system will not be able to 'inherit' any transitional rate eligibility.

In simple terms, this means eligibility for the transitional feed-in tariff will be tied to the customer who has made the financial investment in their existing system at their current premises. Limiting the ongoing eligibility of the scheme in this way is necessary to manage the costs of the transitional arrangements, which are already estimated to be significant.

Where customers cease to be eligible for the transitional rate – whether it be at any time prior to 1 January 2019, or at the conclusion of the transitional period – they will still be eligible to receive the prevailing minimum regulated feed-in rate at that time.

The Bill provides that, where customers are eligible for the transitional rate, retailers will be required to pay these customers at this rate, the same way Aurora currently does.

However, the retailer will only be liable for the amount that is equal to the ‘fair and reasonable’ component of the tariff – as determined by the Regulator – and the balance will be met by the State-owned network business.

For transparency, the network business will be required, under the supporting regulations, to provide an annual report to the Regulator with regard to the cost of the transitional scheme, as one of a range of reporting arrangements that will be specified in the supporting regulations.

The Government has previously stated publicly that the cost of funding the transitional feed-in tariff – now estimated with the recent rush of applications to be in the vicinity of \$9 million per annum over the five years – will not be passed through by the network business to electricity customers and will be absorbed as a cost to the business.

### ***Establishing the new fair and reasonable feed-in tariff***

Mr Speaker, the Bill also provides for the establishment, from 1 January 2014, of a new fair and reasonable feed-in tariff for customers who are not – or who cease to be - eligible for the transitional rate.

The Bill requires the Tasmanian Economic Regulator to determine the fair and reasonable rate according to principles that take into account Tasmania's COAG commitments and arrangements in other jurisdictions.

The rate will reflect the fair market value of the electricity that is exported to the grid by taking into account factors such as the price that retailers can buy electricity from the wholesale market, as well as the value of any reduced line losses and the avoidance by retailers of fees associated with transmission and distribution.

The Bill also allows the Regulator to consider, where it is relevant and appropriate to making a feed-in tariff determination, any other costs and benefits to the electricity network of the electricity that is supplied from micro renewable systems, and any other relevant costs or benefits more broadly. It also allows the Regulator the flexibility, in the future, to set different feed-in rates based, for example, on customer location or system type.

Given the need to provide certainty to customers and the market as soon as possible, the Government has already requested that the Regulator conduct an investigation based on terms of reference that mirror the principles in the Bill. Therefore, for the first feed-in tariff



determination, the Regulator will be required to make a determination based on this investigation.

The supporting Regulations set out in more detail the process the Regulator will undertake in making all future feed-in tariff determinations. The process closely mirrors that for a retail price determination and includes almost identical public notice and consultation provisions.

The first feed-in tariff determination will commence from 1 January 2014 and will be aligned with the period of the retail pricing determination, also commencing 1 January 2014. The feed-in tariff determination will be subject to annual adjustment to reflect any changes to input factors over the determination period.

All authorised retailers operating in Tasmania will be required to offer the fair and reasonable rate to eligible small customers with qualifying systems for every kilowatt hour of net exported electricity, irrespective of the customer's retail contract.

Mr Speaker, it is very important to note that retailers will, of course, be free to offer feed-in tariff rates to customers in excess of the rate set by the Regulator. This has been the experience in other jurisdictions where retailers wish to attract solar customers as part of their broader market strategy.

The new fair and reasonable feed-in tariff will apply to all customers who:

- Are small business and residential customers who use less than 150 megawatt hours of electricity per year;
- Live on mainland Tasmania (including Bruny Island); and
- Have a grid-connected renewable generation system – being solar, wind or hydro – that has a total capacity of no more than 10 kilowatts.

While a 10 kilowatt capacity limit applies to all connections going forward for those customers who want to access the legislated feed-in tariffs, it should be noted that the Bill also ‘grandfathers’ a small number of existing customers – including schools and churches – with systems slightly over the 10 kilowatt capacity who were previously accepted into Aurora’s net metering buyback scheme., This ensures that these customers do not lose eligibility to receive their feed-in tariff.

### ***Payments to customers***

Feed-in tariffs will be paid to both transitional and standard customers through a credit against their electricity bills with their retailer, as is currently the case.

As with the Aurora scheme, the supporting Regulations will provide that where total credits to the customer exceed the amount that is payable to the retailer at the end of a billing period, the customer will be given the

option of either rolling their credit over to the next bill or 'cashing out' their credits.

The prescribed feed-in tariffs for both transitional and standard feed-in tariff customers will only be payable for net electricity exports from one system per premises, to avoid the installation by customers of additional systems in order to circumvent the capacity limitations that apply to customers being eligible to be paid a feed-in tariff.

### ***Arrangements on the Bass Strait Islands***

Mr Speaker, it is important to place on the record that the new feed-in tariff arrangements apply only to customers on mainland Tasmania. The current '1:1' feed-in tariff rate offered by Hydro Tasmania through its electricity retailer, Momentum Energy, to Bass Strait Island customers is unaffected by this Bill.

### ***Miscellaneous amendments to support FRC***

Mr Speaker, the Bill also provides for several minor amendments that ensure that the regulatory framework adequately supports the Government's reform objectives, including the introduction of full retail competition.

There are three main amendments, which provide, respectively:

- for the removal of some doubt that public lighting installations – which include street lighting – will be contestable from 1 January 2014, consistent with Government policy;
- additional clarity with regard to certain meter removal costs that may be recovered from the network business with regard to the Pay as You Go product, to remove a possible liability to the merged network business that was never intended; and
- refinements to the definition of ‘transitional customers’ for the purposes of the staged introduction of retail competition to remove doubt that certain types of customers that were intended to be captured by this definition may not be captured.

### ***Concluding remarks***

Mr Speaker, it is important to remember that feed-in tariffs only apply to electricity that is being exported to the grid because it is not being used at the premises at the time it is being generated.

This means that customers who intend to use all or most of the power that is generated at their homes and business to off-set their own consumption will be largely unaffected by changes to the feed-in tariff rate over time.

And even where customers export a substantial portion of their generation, the power bill savings from having a solar system can still be

significant, in addition to receiving a guaranteed minimum feed-in tariff that is fair and reasonable.

Mr Speaker, we believe the Government's feed-in tariff policy – to be given effect through this Bill – strikes the right balance between providing existing customers with fair transitional protections, putting in place a fair market price for all new customers, and ensuring that those customers who cannot afford to install solar systems, are not penalised through higher electricity prices to fund any scheme into the future.

I commend the Bill to the House.