



MEDIA STATEMENT

Final Recommendation on Electricity Feed-in Tariff Premium Rate for 2010–11

The Independent Competition and Regulatory Commission has today released its final report and recommendation on the electricity feed-in tariff premium rate to be paid in 2010-11.

‘Following consideration of submissions received on its draft report, the Commission has made a final recommendation that the premium rate for 2010-11 be set at 45.7 cents per kilowatt hour of electricity generated’, Senior Commissioner, Paul Baxter, said today.

‘In addition, the Commission has recommended that the Minister for Energy consider increasing the premium rate payable to generating systems of 10 kW capacity and above from 80% of the premium rate to 100%’, Mr Baxter said.

‘The Commission has sought to achieve a balance in the various objectives and aims of the feed-in tariff scheme with a premium tariff that provides potential investors with sufficient financial incentive to participate in the scheme’.

‘To this end, the Commission has been particularly conscious of the need to attract investors in larger, relatively more efficient solar generation systems as a means of achieving greater emission reductions over time’.

‘Thus, the Commission’s recommendation is for a premium rate that will allow customers with generators of 5kW capacity and above to achieve returns of around the Commonwealth bond rate, thereby matching a relatively risk-free market rate of return’, Mr Baxter said.

Participants in the Government’s feed-in tariff scheme are guaranteed payment of the premium rate for the electricity they produce for a period of 20 years from the date that the renewable energy generator is connected to the ACT distribution network.

Mr Baxter noted that in arriving at the recommended premium rate for 2010-11, the Commission had continued to use the model outlined in its draft report which was released in early February. This model has been updated to take into account more recent data provided in submissions received on the draft report, and recently announced changes to the Commonwealth Government's Renewable Energy Target/Solar Energy Scheme.

'The Commission has also recommended that the 45.7 cents/kWh premium rate be retained for two years subject to unforeseen changes in the Commonwealth RET scheme', Mr Baxter said.

'There is merit in keeping the rate at the same nominal level for the next two years, although the Commission recognises that there may need to be adjustments to take into account external factors such as changes to other support programs that are outside of the control of the ACT Government', Mr Baxter said.

The Commission has also recommended a model and adjustment mechanism for reviewing the premium rate for the years 2012-13 to 2014-15.

'While the Commission favours certainty in the setting of the premium rate over the next five years, it is recognised that the ACT's feed-in tariff scheme is part of a wider range of programs operated at a Commonwealth and jurisdictional level where decisions taken in other places can impact on the appropriate premium rate to apply in the ACT', Mr Baxter said.

'Thus, there needs to be a degree of discretion in setting the rate for future years, particularly as the Commonwealth further considers its own renewable energy support programs,' Mr Baxter said.

The Commission's report has been forwarded to Mr Simon Corbell MLA, the Minister for Energy, who has ultimate responsibility for determining the premium rate for 2010-11.

Copies of the final report can be found on the Commission's website at www.icrc.act.gov.au.

STATEMENT ENDS 15/03/10

For further information, please contact Paul Baxter on 0418 633 396.

Summary of Outcomes from Commission's Recommendations on the Premium Rate

Outcomes for a 45.7 cent tariff: Current Premium Payment Levels

| | | Installation size | | | | |
|---|-------|-------------------|--------|--------|--------|---------|
| | | 1.5 kW | 2.5 kW | 5 kW | 15 kW | 30 kW |
| Current premium payment levels | % | 100 | 100 | 100 | 80 | 80 |
| Initial net investment (after RECs) | \$ | 3,463 | 10,348 | 25,494 | 85,119 | 175,037 |
| Energy generated in year 1 | kWh | 2,025 | 3,375 | 6,750 | 21,750 | 43,500 |
| Feed-in tariff received in year 1 | \$ | 925 | 1,542 | 3,085 | 7,952 | 15,904 |
| Annual maintenance and inverter replacement costs | \$ | 250 | 350 | 600 | 1,600 | 3,100 |
| Payback period | years | 6 | 10 | 12 | 15 | 16 |
| Rate of return | % | 16.9 | 8.1 | 6.0 | 2.7 | 2.5 |

Outcomes for a 45.7 cent tariff: Proposed Revised Premium Payment Levels

| | | Installation size | | | | |
|---|-------|-------------------|--------|--------|--------|---------|
| | | 1.5 kW | 2.5 kW | 5 kW | 15 kW | 30 kW |
| Proposed premium payment levels | % | 100 | 100 | 100 | 100 | 100 |
| Initial net investment (after RECs) | \$ | 3,463 | 10,348 | 25,494 | 85,119 | 175,037 |
| Energy generated in year 1 | kWh | 2,025 | 3,375 | 6,750 | 21,750 | 43,500 |
| Feed-in tariff received in year 1 | \$ | 925 | 1,542 | 3,085 | 9,940 | 19,880 |
| Annual maintenance and inverter replacement costs | \$ | 250 | 350 | 600 | 1,600 | 3,100 |
| Payback period | years | 6 | 10 | 12 | 11 | 12 |
| Rate of return | % | 16.9 | 8.1 | 6.0 | 6.3 | 6.0 |