

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

17 October – 18 October 2012

Question: SBT 98-101

Topic: Solar Feed-In Tariffs

Written: Received from Committee – 26 October 2012

Senator JOYCE asked:

From the viewpoint of the Productivity Commission regarding solar feed-in tariffs:

98. Prior to 2012, what were the PC's views or attitudes on solar feed-in tariffs and their impact and efficacy?
99. For each State and Territory, what are the key incentives and subsidies currently on offer in relation to solar feed-in tariffs? How have these incentives and subsidies changed from the past (ie what were their peaks and when)?
100. Based on announcements to date, how will these key incentives and subsidies be different going forward, and what will be the rank order of States and Territories in terms of the extra costs and distortions that their solar feed-in tariff policies impose?
101. Since undertaking the "Electricity Network Regulation" inquiry, has the PC's views or attitudes on solar feed-in tariffs been altered or enlightened much? If so, in what key ways?

Answer:

98. The Commission found that the costs of the subsidy equivalent provided by solar feed-in tariffs are passed on to electricity consumers (PC 2011, *Carbon Emission Policies in Key Economies*, pp. 98–102). These tariffs did not lead to any additional abatement, and added to the total financial costs of meeting the abatement target (ibid, pp. 84–5).
99. The Commission has not undertaken work on the key incentives and subsidies currently on offer in relation to solar feed-in tariffs in each state and territory.
100. The Commission has not undertaken work on the key incentives and subsidies currently on offer in relation to solar feed-in tariffs in each state and territory.
101. Given its focus on the costs of networks, the Commission's draft report into Electricity Network Regulation examined the role that distributed generation – including household PV installations – could have in reducing peak demand, and therefore costly investment in network infrastructure for such peak periods. The Commission's draft report found that household PV was currently not a cost effective option for alleviating network constraints – partly reflecting that network constraints do not coincide with peak solar generation periods. The Commission draft recommendation was that subsidies to rooftop solar PV units be removed, but with grandfathering for contracts currently in place. (PC 2012, *Electricity Network Regulatory Frameworks*, draft report, chapter 13).