



Policy costing request—during the caretaker period for a general election

Name of policy:	Energy Storage Revolution
Person requesting costing:	Senator Di Natale
Parliamentary party:	Australian Greens
Date of request to cost the policy:	30 June 2016
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	http://greens.org.au/sites/greens.org.au/files/20160504_Battery%20Storage_1.pdf

Description of policy											
<p>Summary of policy (as applicable, please attach copies of relevant policy documents):</p>	<ol style="list-style-type: none"> 1. Introduce a 50 per cent refundable tax credit for individuals to assist with the cost of household solar energy storage systems. The credit would apply regardless of income and would be capped at \$5,000 in the 2016-17 financial year, declining to \$1,000 from 1 July 2020. A separate mechanism would be available so that those who do not lodge a tax return could claim the tax credit. 2. Introduce a Low Income Solar Storage (LISS) grant to be administered by the Clean Energy Regulator. The LISS grant would be available in addition to the refundable tax credit for households with adjusted taxable income of less than \$80,000 per year. In the 2016-17 financial year, the LISS grant would be capped at \$5,000 or half of the total cost of the system, whichever is lower. This would gradually decline to be \$1,000 from 1 July 2020. The number of LISS grants would also be capped at 20,000 per year. 3. Fund the Clean Energy Regulator to review the operation of the tax credit and LISS grant scheme and advise Parliament as to whether the scheme should continue in some form beyond 2020. 4. Decrease the period over which the cost of installing battery storage systems at business premises is depreciated from 15 to three years. <p>The following table provides the proposed maximum refundable tax credit and LISS grant amounts in each year under the proposal:</p> <table style="margin-left: 40px;"> <tr><td>2016-17:</td><td>\$5000</td></tr> <tr><td>2017-18:</td><td>\$4000</td></tr> <tr><td>2018-19:</td><td>\$3000</td></tr> <tr><td>2019-20 :</td><td>\$2000</td></tr> <tr><td>2020-21:</td><td>\$1000</td></tr> </table>	2016-17:	\$5000	2017-18:	\$4000	2018-19:	\$3000	2019-20 :	\$2000	2020-21:	\$1000
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<p>What is the purpose or intention of the policy?</p>	<p>To:</p> <ul style="list-style-type: none"> • reduce household and workplace energy bills by making it cheaper for people to install batteries to store renewable energy; and • hasten the uptake of domestic storage of renewable energy as part of Australia’s shift to a zero pollution society. • Assist the creation of a new workforce to develop, build and deploy battery storage technologies.
<p>What are the key assumptions that have been made in the policy, including:</p>	
<p>Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.</p>	<p>No</p>
<p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>	<p>Demand Driven with Caps</p>
<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>No</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>No</p>
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>No</p>

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<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>N/A</p>			
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>No, declines in government support as technology costs come down.</p>			
<p>Expected impacts of the proposal</p>				
<p>If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?</p>				
<p>Estimated financial implications (outturn prices)^(a)</p>				
	<p>2016–17</p>	<p>2017–18</p>	<p>2018–19</p>	<p>2019–20</p>
<p>Underlying cash balance (\$m)</p>	<p>-108</p>	<p>-527</p>	<p>-1070</p>	<p>-1163</p>
<p>Fiscal balance (\$m)</p>	<p>-538</p>	<p>-1087</p>	<p>-1180</p>	<p>-783</p>
<p>(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.</p>				
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	<p>Currently, it is estimated that there are between 1 and 1.25 million households with installed rooftop solar PV (see http://www.cleanenergycouncil.org.au/technologies/solar-pv.html). It is assumed that approximately 50% of these households will be owner-occupiers who install domestic battery storage as a result of this incentive. It is assumed that of the estimated 600,000 households that will seek assistance under the scheme, each household will be entitled to on average 80% of the maximum entitlement, calculated here as an average amount of 80%*\$7500=\$6000. Accordingly, the estimated cost for residential taxpayers is 600000*\$6000=\$3.6b over 5 years.</p> <p>It is assumed that the full amount of LISS grants will be exhausted, which is \$300m over 5 years.</p>			
<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>			

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<p>What is the expected community impact of the policy?</p> <p>How many people will be affected by the policy?</p> <p>What is the likely take up?</p> <p>What is the basis for these impact assessments/assumptions?</p>	<p>See above</p>
<p>Administration of policy:</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	<p>Australian Tax Office</p>
<p>Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).</p>	<p>No</p>
<p>Intended date of implementation:</p>	<p>1 September 2016</p>
<p>Intended duration of policy:</p>	<p>31 December 2020</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	
<p>List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).</p>	<ul style="list-style-type: none"> • http://arena.gov.au/files/2015/07/AECOM-Energy-Storage-Study.pdf • http://www.aemo.com.au/News-and-Events/News/News/2015-Emerging-Technologies-Information-Paper • http://about.bnef.com/presentations/clean-energy-investment-q2-2015-fact-pack/ • http://www.cleanenergycouncil.org.au/technologies/solar-pv.html
<p>Are there any other assumptions that need to be considered?</p>	

NOTE:

Please note that:

The costing will be on the basis of information provided in this costing request.

The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.