

Feed-In Tariff for Grid-Connected Solar Power Systems

A feed-in tariff is a rate paid for electricity fed back into the electricity grid from a designated renewable electricity generation source such as a rooftop solar panel system or wind turbine.

At present, feed-in tariff regulations for renewable energy exist in over 40 countries around the world and they are widely considered one of the most effective ways to increase solar energy uptake.

Why do we need feed-in tariffs?

Residential solar power is disadvantaged in Australia. The market fails to take into account the true value and many benefits to the electricity network which arise from the adoption of renewable energy technologies embedded within the electricity grid.

Solar PV, like other renewable energy sources, provide environmental benefits through reduced atmospheric pollution, and social benefits through industry development and job creation – for example through the installation of grid connect solar systems, each with related economic benefit.

When electricity is transmitted over a distance, some is lost through what is known as line loss. By installing rooftop solar arrays on houses, the electricity can supply not only the house on which it's installed, but the surplus can feed other houses close by.

Centralised power generation facilities also provide a relatively easy target for hostile parties and can be destroyed in natural disasters such as cyclones or fires. A decentralised network or grid connected systems allows for better energy security as it's much cheaper and faster to repair a sub-station than it is to replace an entire plant. It's in the interests of our national security to decentralise power generation.

During the summer months, it's becoming increasingly common for blackouts to occur due to an overload of the mains grid. It's during these months that solar power installations can make their greatest contribution.

A feed-in tariff for grid-connected systems redresses these systemic market failures and threats and rewards solar eclectic generation for its true value to the electricity market and wider society, by providing a financial incentive for the adoption of renewable energy.

Gross vs. Net Feed in Tariff

A Net feed in tariff, also known as export metering, pays the PV system owner only for surplus energy they produce; whereas a gross feed in tariff pays for each kilowatt hour produced by a grid connected system. It's a very important difference.

Is an income from a feed in tariff taxable?

There doesn't appear to be any specific taxation legislation dealing with income derived from feed in tariffs at this point.

In most cases, systems installed at domestic sites would not be taxable as they would be considered personal use / hobby (i.e. not in the nature of a business or profit making scheme).

If the system is installed at a commercial site, it will most likely be considered taxable. Whether it is assessable income depends on the income producing nature of the activity. If it can be demonstrated that the system was installed with a view to making a profit, then receipts under the feed in tariff would be considered assessable income while all expenses associated with the income generating activity would be deductible (e.g. depreciation).

System owners should consult their accountant for advice.

Feed in tariff income and social security

Feed in tariff credits where applied as a credit on an electricity account are not included in Centrelink's income test for pensioners, but credits converted to cash payments such as a cheque or direct deposit will be.

The adjusted policy applies from 14 May 2010 and is relevant to not just pensions, but all Social Security income support payments such as NewStart.

However, it is unclear if this applies to payments such as Family Tax Allowance and Parenting Payments. We advise people who may be affected should consult with their local Centrelink Office.

Is GST payable on feed in tariff revenue?

Individuals will not need to pay/remit GST from their feed in tariff income. The reason being that selling electricity back to the utility providers is considered an enterprise but you need to receive \$75k per annum from this source to be required to register for GST. However, businesses will need to pay/remit GST for their feed in tariff income.

Feed in Tariffs in Australia – At a glance

Australia currently has no nationalised program, only state run schemes. Below is a brief summary of state arrangements as of November 2015.

It is definitely worth shopping around for solar-friendly electricity retailers when considering accessing feed in tariffs to ensure you won't be penalised in other ways in regards to your electricity bill once they have a system installed.

Some retailers also offer an additional incentive over and above the legislated amount; where a legislated amount exists.

Australian Capital Territory

ACT's feed in tariff provided a 1:1 payment for all electricity generated for those who have their applications submitted by close of business, June 30, 2013. The 1:1 rate is payable until 2020.

For those submitting applications now, the rate is 6.0c – 7.5c per kWh, depending on the electricity retailer, and is based on a net model (surplus electricity export).

Feed in tariffs are not payable in the ACT if a system includes a storage device connected to any other source of electricity, except in the case of a compliant renewable energy generator under the Act.

New South Wales

The Independent Pricing and Regulatory Tribunal's final determination for the 2013/14 financial year is that a fair and reasonable value for surplus solar electricity exported to the mains grid for systems not covered under the previous Solar Bonus scheme is in the range of 6.6 to 11.2 cents per kilowatt hour (c/kWh).

IPART's determination for solar feed in tariffs for 2014/15 recommended a retailer contribution of 5.3c/kWh for solar energy exported back into the grid; however some retailers are offering less (and some, more).

On August 31, 2015, IPART released a Draft Report recommending voluntary solar feed-in tariffs in 2015-16 to be 4.4 to 5.8 cents per kilowatt hour (c/kWh).



In regard to battery storage, in NSW, it depends on the setup of the solar + storage system. For example, exports under the Solar Bonus Scheme are payable only if the PV system generated the electricity. In this scenario you're not able to charge a battery system with cheap off-peak electricity and then export it; earning a higher rate.

Northern Territory

For new connections, the Northern Territory feed in tariff is 1-for-1 – whatever the customer's consumption tariff is:

- residential customers: 19.23 c/kWh
- commercial: 22.37 c/kWh
- commercial time-of-use customers: peak 28.63 c/kWh and off-peak 16.12 c/kWh

Customers under the Alice Springs Solar City initiative receive 51.28 c/kWh, still capped at \$5/day, but that rate is only for existing customers under the initiative. The funding has been fully allocated now, so no new customers can receive this rate.

In regard to battery storage, the NT's 1:1 solar feed in tariff is not affected by the installation of an energy storage system.

Queensland

The Queensland Solar Bonus Scheme feed-in tariff was reduced from 44 cents per kilowatt hour to 8 cents + in some cases a 6-8 cents retailer contribution for those lodging applications after 9 July 2012.

On March 6, 2014, Energy and Water Supply Minister Mark McArdle announced the mandated 8 cent tariff paid by Energex will end on 30 June 2014.

On May 23, 2014 the Queensland Competition Authority stated the appropriate feed-in tariff for regional Queensland in 2014–15 is 9.07 cents per kWh while the carbon tax was still active.

It estimated the value would be 6.53 cents per kWh after the carbon tax was repealed.

On June 2, 2015, the Queensland Competition Authority determined the feed-in tariff for regional customers will be 6.348c cents per kilowatt hour.

In South East Queensland, there will be no regulated feed-in tariff from 30 June 2014 for those not signed up under the 44 cent arrangement. Instead, electricity retailers will determine the rates.

In regard to battery storage, the Clean Energy Council states the situation in QLD is unclear and may be clarified through a review.

South Australia

South Australia's solar feed in tariff is comprised of two components; the distributor (SA Power Networks) contribution, plus a minimum electricity retailer contribution.

Households that joined the program before October 31 2011 receive 44c per kilowatt hour from SA Power Networks for a period of 20 years. Households joining after that date, but before September 30, 2013 receive 16c until September 30, 2016.

Additionally, the electricity retailer contribution is as follows:

- 1 July 2013 to 31 December 2013 – 9.8c per kilowatt hour
- 1 January 2014 to 30 June 2014 – 7.6c/kWh
- From 1 July 2014, a minimum 6.0c/kWh – which takes into account the abolishing of the carbon tax.
- From 1 January 2015, 5.3c/kWh

In regard to battery storage, installing a home energy storage system in SA will result in ineligibility for continuing feed in tariff payments.

Tasmania

Applicants to Tasmania's solar feed in tariff who lodged applications by August 30, 2013 receive a 1:1 rate until 1 January, 2019

For applications lodged after August 30, 2013 a transitional feed-in tariff rate of 8 cents per kWh applied until December 2013. The feed in tariff rate from 1 January 2014 – 30 June 2014 was a rate of 8.282c.

From 1 July 2014, the rate set is 5.551 cents per kWh.

In regard to battery storage, there are no restrictions at the current time.

Victoria

The Essential Services Commission (ESC) adopted a minimum feed-in tariff rate of 6.2 cents per kilowatt hour (inc GST) to apply from 1 January 2015.

In August 2015, ESC announced the minimum feed in tariff will be cut by 20% from January 1, 2016 to 5.0c/kWh.

Which distributor should you choose if I live in Victoria?

Unfortunately, you have no choice. A distributor is assigned to specific geographic areas:

Citipower

CitiPower distributes electricity to Melbourne's CBD and inner suburbs.

Jemena

Jemena Electricity Networks distribute electricity to the north-west greater metropolitan region of Melbourne.

Powercor Australia

Supplies electricity to Melbourne's outer western suburbs and regional and rural centres in the central and western areas including Ballarat, Bendigo and Geelong.

SP Ausnet

Supplies electricity to eastern metropolitan Melbourne and eastern Victoria.

United Energy Distribution

Supplies electricity to south-east Melbourne metropolitan area and the Mornington Peninsula.

Which retailer should you choose?

While you cannot change distributors, you can switch retailers. Some retailers are far more solar friendly than others and will offer better rates, higher payments for the power your system produces and/or better arrangements regarding your account generally.

Western Australia

New systems connected under the State Government's Renewable Energy Buyback Scheme receive 7.135c per kilowatt hour. However, Horizon Power has introduced area-specific solar feed-in tariffs. While owners of systems in some towns will receive a much higher rate, others will receive less.

In regard to battery storage, battery storage and electric vehicle systems will be permitted to export surplus electricity to the mains grid from December 1 2015.

