

## FACT SHEET

# Why feed-in tariffs are less than the retail price of electricity

November 2016

Retailers currently offer unsubsidised feed-in tariffs of around 5 to 12 cents per kilowatt hour (kWh). Solar customers often ask why retailers do not pay much higher feed-in tariffs equivalent to the full retail price of electricity.

The answer to this question is that the retail price of electricity covers all of the costs involved in supplying electricity – not just the cost of electricity itself. If retailers paid a feed-in tariff equivalent to the full retail price, they would make a substantial financial loss.

As soon as a solar customer's PV electricity is exported to the grid, retailers are required to pay network costs and a range of other costs on this electricity. So, once these costs are paid, the value retailers receive from PV exports is not much more than the wholesale cost of electricity (see Figure 1). This is much lower than the full retail price.

Each year IPART publishes a benchmark range for unsubsidised feed-in tariffs which is a guide to the likely value that retailers receive from solar PV exports. The current benchmark range is 5.5 to 7.2 cents per kWh.<sup>1</sup> Like other components of electricity retailers' market offers, feed-in tariffs are not regulated by IPART. It is up to retailers to decide whether to offer them, and the rate per kWh to offer.

As a solar customer with a net meter, the main source of financial benefit from your PV unit is the savings you make on your electricity bills rather than the credit you earn from a feed-in tariff. This benefit arises when you use the electricity your PV unit generates in your own home at the time of generation. This saves you having to buy that electricity, and so reduces your overall bills. For more details, see our Fact Sheet, *Why SBS customers should change to a net meter*.

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<sup>1</sup> IPART, *Fact Sheet – Solar feed-in tariff in 2016-17*, June 2016, p 1.

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### **Box 1 Further information**

We have published a series of information papers to help SBS customers make informed decisions about the tariff and technology options available to them, including more detailed papers on:

- ▼ why SBS customers should get a net meter
- ▼ why SBS customers should shop around for the best electricity offer
- ▼ why unsubsidised feed-in tariffs are less than the retail price of electricity, and
- ▼ home battery storage systems.

You will find these papers on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

We have also developed an Excel tool to help you compare different offers in terms of their feed-in tariffs and retail prices. You can also find this tool on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au))

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**Figure 1 Why are solar feed-in tariffs less than the retail price of electricity?**

