



Queensland

Electricity Amendment Regulation (No. 3) 2012

Explanatory Notes for SL 2012 No. 99

made under the

Electricity Act 1994

General outline

Short title

This regulation may be cited as the *Electricity Amendment Regulation (No. 3) 2012*.

Authorising law

Sections 44A of the *Electricity Act 1994* (the Act).

Policy objectives and reasons for them

Section 44A(1)(b) of the Act provides for an amount of \$0.44 per kilowatt hour to be credited by the distribution entity against the charges payable by a small customer for electricity produced by small photovoltaic generators, unless another amount is prescribed under regulation. The credit is payable for electricity produced by a qualifying generator that is in excess of the electricity used by the small customers and is supplied to the Queensland electricity network. The *Electricity Regulation 2006* currently does not prescribe another credit amount. This amendment seeks to prescribe another amount.

The policy objective for the amendment regulation is to limit the rapidly escalating future costs of the Queensland Solar Bonus Scheme (the Scheme) and its contribution to cost increases for electricity in Queensland. Future costs of the Scheme will be limited by reducing the prescribed credit amount (known as the 'feed-in tariff') for small customers who apply to join the Scheme on or after 10 July 2012.

Achievement of policy objectives

The amendment regulation achieves its objective by prescribing two credit amounts for electricity produced by small photovoltaic generators: an amount of \$0.44 per kilowatt hour for small customers who apply to join the Scheme before 10 July 2012, and a new lesser amount of \$0.08 per kilowatt hour for small customers who apply to join the Scheme on or after 10 July 2012.

Reducing the credit amount payable to future Scheme customers will directly limit the future costs of the Scheme and the impact of the pass through of these costs to the bills of Queensland electricity consumers.

As section 44A(1)(b) of the Act sets the current feed-in tariff and provides a head of power to prescribe an alternate amount in regulation, the proposed regulatory amendment is a reasonable and appropriate means of achieving the policy objective.

Consistency with policy objectives of authorising law

The regulation is consistent with the objectives of the Act and amends the *Electricity Regulation 2006* in relation to the condition to allow credit for electricity produced by small photovoltaic generators permitted under the Act.

Inconsistency with policy objectives of other legislation

The regulation is not inconsistent with any policy objectives of any other legislation

Alternative ways of achieving policy objectives

There are no alternative means to achieve the policy objective to reduce Scheme costs other than by reducing its feed-in tariff. The cost of the Scheme is primarily determined by the feed-in tariff.

Benefits and costs of implementation

The benefit of implementation is that future costs of the Scheme will be reduced and these savings will pass through to electricity bills. No additional costs to the Government are anticipated with the proposal. Network distributors and electricity retailers may incur additional costs where systems, administration and operational adjustments are required to implement tariff changes.

A Preliminary Impact Assessment determined that a Regulatory Assessment Statement (RAS) was warranted to consider the potential impacts on the solar PV industry, but also found that there were exceptional circumstances that warranted a RAS exemption being sought. On 24 May 2012, the Treasurer and Minister for Trade approved a RAS exemption on the basis of the significant costs, and detriment to electricity consumers via increased electricity prices that would occur if changes to the Scheme were delayed.

Compliance with Part 5 of the *Statutory Instruments Act 1992* (SIA) is determined pursuant to section 43 of the SIA, as the proposal will not impose appreciable costs on the community.

Consistency with fundamental legislative principles

The amendment has been drafted having regard to the Fundamental Legislative Principles (FLPs) outlined in the *Legislative Standards Act 1992* and there are no matters that are inconsistent with the FLPs.

Consultation

Consultation about the regulation has been undertaken with the Department of Premier and Cabinet (DPC) and the Department of Treasury and Trade. The Treasury Department was also consulted regarding the need for a Regulatory Assessment Statement (RAS).

DPC and the Treasury Department have no objections to the proposed regulation. The Treasurer and Minister for Trade approved an exemption from preparing a RAS. The exemption was approved on the basis that a delay in making changes could lead to a spike in applications to take advantage of the current feed-in tariff and would delay cost savings anticipated for electricity bills. Therefore no industry or community consultation about the proposed regulation has occurred. This is consistent with changes by other State Governments to feed-in tariffs.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Energy and Water Supply.

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