

Falling wholesale electricity prices hit feed-in tariff, but solar value remains

Victoria's energy regulator says falling wholesale electricity prices mean the minimum feed-in tariff paid to solar customers who feed their power back into the grid is likely to continue falling.

The Essential Services Commission has [released its draft decision](#) on the minimum feed-in tariff rates energy companies will pay from 1 July 2021 and says the days of high feed-in tariffs are likely over.

The commission's pricing director Marcus Crudden says the main benefit of solar panels is avoiding paying retail electricity charges.

"We need to shift the expectation that a feed-in tariff is a big part of the value of having solar power – the real and enduring value of renewable generation and storage is in not having to pay retail electricity charges for the electricity you use.

"Conservative estimates say installing solar panels will [save a typical household around \\$890](#) per annum off their electricity bill," he said.

Historically, feed-in tariffs were higher to encourage take up of solar power, but this role has been taken over by more direct support in the form of solar rebate schemes.

The proposed minimum single rate feed-in tariff for 2021–22 is 7.1 cents per kilowatt hour, down from 10.2 cents while the minimum time-varying feed-in tariffs will also fall.

Mr Crudden says the drop in the proposed minimum tariff is largely being driven by falling wholesale electricity prices which make up almost two-thirds of the feed-in tariff.

"This is being driven by a significant fall in gas prices as well as an increase in solar installations across the state," he said.

The commission is also proposing changes to the [Energy Retail Code](#) to require electricity retailers to give solar customers at least five days' notice before any changes to their tariffs can take effect.

This change would mirror other requirements in the code to notify customers about changes in contract benefits, giving customers time to shop around for a better deal.

The proposal is open for consultation on [Engage Victoria](#) until 8 January 2021.

For further information call: Michelle Bryne, Head of Strategic Communication 0437 677 385

Proposed minimum feed-in tariff rates from 1 July 2021

Rate	Time applicable	Current / kWh	Proposed / kWh
Single	All times	10.2 cents	7.1 cents
Peak	3–9pm weekdays	12.5 cents	11.7 cents
Shoulder	7am – 3pm and 9–10pm weekdays 7am – 10pm weekends	9.8 cents	6.5 cents
Off peak	10pm – 7am all days	9.1 cents	7.1 cents