1. The Queensland Solar Bonus Scheme (the Scheme) provides for eligible participants, who supply surplus electricity generated from solar photovoltaic (PV) systems into the Queensland electricity grid, to be paid a feed-in tariff (FiT). Participants in the Scheme are paid a FiT of either 44 or 8 cents per kilowatt hour (c/kWh) for their surplus exported electricity. The FiT is paid by distributors and costs are passed through to electricity customers via network prices.
2. In early 2012, the total cost of the Scheme to 2028 was estimated at $1.8 billion. Government made changes to the Scheme in mid-2012 to limit its costs and impact on electricity pricing. Government closed the 44 c/kWh FiT to new customers, legislated to prevent the transfer of the 44 c/kWh rate between electricity customers, and introduced an 8 c/kWh rate for new customers. The 8 c/kWh arrangement was made to end on 30 June 2014.
3. In a report released in March 2013, the Queensland Competition Authority (QCA) forecast that the Scheme will nominally cost $3.3 billion to 2028 and that Scheme-related bill impacts for the average Tariff 11 customer will peak at $276 in 2015–16. The QCA report found the most realistic options to address Scheme costs and bill impacts to be:

* a mandatory retailer contribution to the 44 c/kWh FiT, set at a ‘fair and reasonable’ value (around 7 c/kWh in 2013–14) and reviewed annually; and
* a requirement for solar PV customers to move to Time of Use pricing (Tariff 12).

1. The QCA report recommended future FiT arrangements, including:

* a market-driven rate in South East Queensland (SEQ), on the basis that the SEQ market is capable of offering a fair and reasonable FiT without regulatory intervention; and
* Ergon Energy’s retail business (Ergon Energy Queensland – EEQ) pay a mandatory fair and reasonable FiT to replace the existing 8 c/kWh distributor‑funded FiT, on the basis that without competitive pressure EEQ is unlikely to offer a fair FiT if the 8 c/kWh FiT ceases.

1. Cabinet agreed that the electricity retail market will determine feed-in tariffs for South East Queensland customers from 1 July 2014, once the 8 c/kWh distributor funded feed-in tariff ends.
2. Cabinet agreed to replace the 8 c/kWh feed-in tariff for all small customers of Ergon Energy Queensland, with Ergon Energy Queensland funded feed-in tariffs set by the Queensland Competition Authority (QCA). The QCA at a future date would advise Government on the ongoing appropriateness of the requirement to pay the feed-in tariff as competition emerges.
3. *Attachments*

* Nil.