Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By:	Australian Labor Party	Proposal No:	B417
Date Referred:	12/03/2019	Date Published:	18/03/2019

Proposal Title: Solar Homes

Cluster: Planning and Environment

General Government Sector Impacts

	2018-19 $'000	2019-20 $'000	2020-21 $'000	2021-22 $'000	4 year Total $'000
Expenses (ex. depreciation)	-	36,000	57,500	110,000	203,500
Depreciation	-	-	-	-	-
Less: Offsets	-	36,000	57,500	110,000	203,500
Revenue	-	-	-	-	-
Net Operating Balance:	**-**	**-**	**-**	**-**	**-**
Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	**-**	**-**	**-**	**-**	**-**
Net Lending/(Borrowing):	**-**	**-**	**-**	**-**	**-**

Total State Sector Impacts

Net Lending/(Borrowing):	**-**	**-**	**-**	**-**	**-**

Notes and costing assumptions

The Solar Homes policy proposes to provide solar panel installation rebates of up to $2,200 per household for 500,000 households by 2028-29. The policy specifies the following profile for the rebate disbursements:

- 12,500 households in 2019-20
- 25,000 households in 2020-21
- 50,000 households in 2021-22.
- 55,000 to 60,000 households per year, between 2022-23 and 2028-29.

In addition, the policy proposes to provide $8.5 million in funding in 2019-20 and $2.5 million in funding in 2020-21 to support the accreditation of electricians to install solar panels. The policy states that the program is to be fully funded from uncommitted funds in the Planning and Environment Cluster's Climate Change Fund.

The PBO estimates the net impact of the policy as nil. The maximum total cost of rebates and accreditation framework ($203.5 million million by 2021-22 and $1.1 billion by 2028-29) is absorbed using reprioritised funds from the Climate Change Fund.

Cost of the policy

The PBO estimates the total cost of the policy is $1.1 billion, as summarised in the table overleaf. Nearly all of this cost is driven by rebates. This estimate assumes that the Solar Homes rebate is fully subscribed between 2019-20 to 2028-29 for the full $2,200 amount.

Notes and costing assumptions continued:

For 2022-23 and onwards, the PBO has phased in the number of households, from 57,500 in 2022-23 to 60,000 for 2027-28.

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total by 2028-29
Rebate ($000s)	-	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	
Households (no.)	-	12,500	25,000	50,000	57,500	58,000	58,500	59,000	59,500	60,000	60,000	500,000
Cost of rebates ($000s)	-	27,500	55,000	110,000	126,500	127,600	128,700	129,800	130,900	132,000	132,000	1,100,000
Cost of accreditation framework ($000s)	-	8,500	2,500									11,000
Total cost ($000s)	**-**	**36,000**	**57,500**	**110,000**	**126,500**	**127,600**	**128,700**	**129,800**	**130,900**	**132,000**	**132,000**	**1,111,000**

Reprioritising funding from the Climate Change Fund

The PBO considers it feasible for the cost of the policy to be fully funded from the Planning and Environment Cluster's Climate Change Fund.

The NSW Climate Change Fund was established in 2007 through an amendment to the *Energy and Utilities Administration Act 1987*. The Climate Change Fund is primarily funded by contributions from electricity distribution businesses e.g. Ausgrid. The Fund uses these contributions to develop strategic plans and programs related to climate change.

The Cluster advised that the total balance of monies to be spent from the fund is approximately $1.0 billion by the end of 2021-22. However as at December 2018, there are currently no funding obligations from signed contracts for 2019-20 onwards. As such, there is scope for the NSW Government to reprioritise monies from the Climate Change Fund to meet the costs of this policy. The PBO assumes that the Climate Change Fund will continue to operate and collect contributions to support the cost of the rebates.

The PBO notes that this may require legislative and regulatory change to the fund, and reprioritisation of funds from existing policy announcements.