

Election Costing Request Form

Details of request	
Party:	Liberals & Nationals Government
Name of Policy:	Empowering Homes program
Date of request:	4 February 2019

Description of policy	
Summary of policy (please attach copies of relevant policy documents and include information on what the policy aims to achieve):	<p>The Empowering Homes program will:</p> <ul style="list-style-type: none">• Support the rollout of up to 300,000 solar-battery and battery systems across NSW over 10 years, unlocking up to \$4.5 billion in clean energy investment.• Provide the funding for solar-battery and battery system installations at no upfront cost via an interest free loan, to help households reduce their power bills.• Enable households to re-pay the costs of the solar-battery and battery systems through their energy bill savings.• Partner with NSW based manufacturers of solar-battery and battery systems in the rollout, where possible.• Increase our energy security by adding around 3,000 megawatts of clean power once the program is fully rolled out.
Has the policy been publicly released yet?	No

	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
Impact on GGS expenses					
Impact on GGS revenue					
Impact on General Government Sector (GGS) net operating result ¹					
Impact on GGS capital expenditure ²					
Impact on GGS net lending/borrowing					

Note: Has the policy been costed by a third party?
If yes, can you provide a copy of this costing and its assumptions?

Key assumptions made in the policy	
Does the policy relate to a previous announcement? If yes, announcement?	Yes, \$50m in funding will be used from the Smart Energy for Homes and Businesses program.
What assumptions have been made in deriving the financial impacts in your estimated costing? <i>(See checklist)</i>	<ul style="list-style-type: none"> - Up to 300,000 battery and solar-battery systems will be installed over 10 years from 2019/20 onwards. Uptake will ramp up from 2019/20 onwards. - The number of installs of battery and solar-battery systems will depend on take up and demand. However, for costing purposes, it has been assumed that the annual amount is capped and 70% will be for battery systems and 30% will be for solar-battery systems.

¹ Negative for a saving that reduces expenditure

² Negative for a reduction in capital expenditure.

	<ul style="list-style-type: none"> - No interest loans will be provided for loans of up to \$9,000 for battery systems and up to \$14,000 for solar-battery systems. - The Government will pay for the interest costs for the loans and for any loan defaults. - Loan defaults are assumed as a maximum of 2% of installs a year. - Interest rate of 5.31% is assumed, consistent with the average RBA data market lending rate. - Payback periods for loans are assumed to be 8 years for solar-battery systems and 10 years for battery systems. - The Government will select delivery partners through a competitive tender process and delivery partners will be responsible for the solar-battery and battery systems, installation processes, warranties, loans and any admin costs. - The tender process will be re-run every 3 years to ensure that the maximum loan amount is reflective of developments in the market. For example, reduction in the price of solar-battery and battery systems and an increase in the number of installers. - Owner occupiers of homes with an annual household income of up to \$180,000 would be eligible for the program. - Administration costs associated with the program will be absorbed by the Department of Planning and Environment.
<p>Is there a range for the costing or any sensitivity analysis that you have undertaken?</p>	<p>No</p>
<p>Are there associated savings, offsets or, in the case of a revenue proposal, offsetting expenses? If yes, please provide details.</p>	<p>Yes, \$50m from the Smart Energy for Homes and Businesses program will be allocated to this program.</p>

Are there significant costs or savings outside the forward estimates period which should be considered in costing this policy? ³	Yes, program will run for 10 years from 2019/20 onwards.
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Administration of policy	
Intended date of implementation:	1 July 2019
Intended duration of policy ⁴ :	10 years
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	NSW Department of Planning and Environment.
Are there any specific administrative arrangements for the policy that need to be taken into account (e.g. agreements between different levels of government)?	The NSW Government will sign contracts with delivery partners, which will be selected through a competitive tender process. The delivery partners will in turn sign contracts with individual households.
Are there transitional arrangements associated with policy implementation?	No

If the policy is mainly an expenditure⁵ commitment	
Demand driven or a capped amount:	Total number of solar and solar-battery installations are capped each year over 10 years.
Eligibility criteria or thresholds:	Owner occupiers of homes with an annual household income of up to \$180,000 would be eligible for the program. Each eligible household would only be able to take up one system (ie. either a battery system or a solar-battery system).

If the policy is mainly a revenue commitment	
Transaction based or capped:	
Thresholds and/or exemptions:	
Collection method:	
Additional expenditure associated with collection:	

³ Particularly important for large projects with long lead times, policies with a delayed timetable for implementation, or policies where up-front investment is required to achieve long term savings.

⁴ Where a policy is intended to be ongoing, please indicate "ongoing" in the space to the right

⁵ Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

If the policy is mainly a capital costs⁶ commitment	
Nature of Capital Spending	
Type of work, size and capacity:	
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Associated asset sell off (if any):	
Recurrent Impacts	
Offsetting expenditure savings:	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	
Delivery model ⁷	

Checklist for key assumptions (please be comprehensive and include all relevant assumptions).
Assumptions could include, but are not limited to, questions such as:

- What is the expected community impact?
- How many people will be affected by the policy?
- What is the likely take up or other behavioural response you expect?
- Is there a cap on total spending proposed, a funding formula, resource agreement or other mechanism of this nature associated with the policy?
- Will third parties have a role in funding or delivering the policy (e.g. Commonwealth Government)?
- Will funding/program cost require indexation?
 - If yes, do you have any assumptions about the index that should be applied?
- What assumptions have you made about costs of administering the policy?
- Will additional staff be needed in the agency responsible for the policy?
 - How many and at what approximate levels?
- Are there other resources required?
- Are you assuming administrative costs will be absorbed within the agency?

Please note that:

- The costing will be on the basis of information provided in this costing request.

⁶ Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance.

⁷ There is a range of possible delivery models, e.g. built, owned and operated by a NSW government agency; built and transferred to a private operator; privately built for public operation; privately built and operated with government assuming risk or providing a guarantee in relation to future income (often applicable to public/private partnership arrangements), and so on. The policy should provide assumptions about the proposed delivery model.

- The PBO is not bound to accept the assumptions provided by the requester. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requester in advance of the costing being completed.
- Where the details of the policy costing request differ from the announced policy, the costing will be on the basis of the information provided in the costing request.
- These guidelines are intended to facilitate requests for costing election policies. Persons preparing such requests who wish further assistance are invited to contact the staff of the Parliamentary Budget Office.