01 May 2026

Queensland Competition Authority
Level 27,
145 Ann Street
Brisbane 4000.

Dear Queensland Competition Authority,

Re: Queensland Competition Authority - Solar feed-in tariff 2026–27 Draft Determination

We appreciate the opportunity to provide a submission regarding the Queensland Competition Authority (QCA) Solar Feed-in Tariff 2026–27 Draft Determination.

The Smart Energy Council (SEC) is Australia's peak body for the renewable energy and storage industry, representing over 700 member companies across solar, battery storage, energy management, and related clean energy sectors. Our membership spans technology manufacturers, installers, retailers, financiers, and policy advocates - all committed to accelerating Australia's transition to clean, affordable energy.

This submission responds to the QCA's Solar feed-in tariff 2026-27 draft determination, proposing a solar Feed-in Tariff (FiT) of 6.153 cents per kilowatt-hour (c/kWh) for 2026–27 for regional Queensland.

The SEC highlights this proposed 29 per cent reduction raises significant concerns about the effectiveness and long-term sustainability of the avoided cost methodology as currently applied, and its alignment with Queensland's broader energy system and consumer affordability objectives.

The attached submission provides further detail and rationale for the following key recommendations:

1. Review the weighting and value differential between ADM and NSLP export data
2. Incorporate broader system value elements delivered by solar
3. Provide transitional arrangements to avoid sudden value shocks
4. Commission independent analysis of the hedging cost methodology
5. Consider a minimum floor to provide certainty for consumers

We strongly encourage the QCA to address these concerns outlined in the submission below and we would be happy to provide additional technical input prior to the final determination in June.

Executive Summary

Queensland households and small businesses with rooftop solar are facing a significant cut to what they are paid for the excess electricity they export to the grid.

The financial impact of the proposed reduction of the feed-in tariff is significant. A typical regional Queensland home with a rooftop solar system will lose around $135 per year in export income under the proposed rate. For small businesses, which tend to export a greater share of the electricity they generate, the impact is larger. At present, Queensland customers already pay some of the highest power bills in the country and have fewer options to shop around for a better deal.

The cut is not driven by a fall in the value of solar. We are concerned that this reduction is largely the result of a change in how solar exports are measured and calculated, rather than a genuine decline in what solar is worth to the wider electricity grid. Under the current approach, customers can expect further reductions in coming years for the same reason; not because solar has become less valuable, but because of a flawed calculation.

Uncertainty is discouraging new investment. The size and unpredictability of annual FiT changes is making it harder for households and businesses to confidently invest in rooftop solar, at precisely the time Queensland needs more of it to meet its clean energy goals.

At a time when other Australian jurisdictions are exploring ways to better reward distributed solar, Queensland risks moving in the opposite direction, making it less attractive to invest in the clean energy technology the state needs most.

The SEC urges the QCA to review how export values are calculated; account for the full range of benefits solar delivers to the grid; avoid sharp single-year cuts by limiting annual changes; seek independent verification of key cost assumptions; and set a minimum rate to give consumers and investors a reliable baseline.

Context and Key Challenges

The Role of Distributed Solar in the Energy Transition

Distributed solar photovoltaic (PV) systems are a significant contributor to Queensland's energy transition with the state having one of the highest per-capita rooftop solar uptake rates in the world. The expansion of rooftop solar reduces reliance on large-scale generation, provides voltage support and local load balancing in distribution networks, and drives down consumer electricity costs.

A solar Feed-in Tariff (FiT) functions as a positive policy signal that shapes household and small business investment in Consumer Energy Resources (CER). A FiT that fails to reflect the genuine value of solar exports would undermine the financial viability of solar investments and discourage the uptake of new rooftop solar and battery storage technology.

The SEC urges the QCA to ensure that its final determination is informed by a comprehensive assessment of the value of distributed solar that provides a stable and credible signal to investors, households, and the clean energy industry.

Concerns with the Avoided Cost Methodology

Methodological Limitations in Capturing System Value

The SEC recognises the QCA's continued effort to refine its avoided cost methodology and to improve data quality by incorporating Advanced Digital Meter (ADM) data. However, the SEC is concerned that the methodology as currently applied, systematically undervalues the contribution of distributed solar generation to consumers and the broader electricity system.

The avoided cost framework captures only those costs that a retailer directly avoids by sourcing energy from solar customers. It does not account for the broader system-level benefits of distributed solar, including:

- avoided investment in transmission and distribution network infrastructure, as local solar generation reduces peak demand on network assets;
- avoided wholesale market costs that benefit all consumers, not only those with solar systems, by suppressing peak prices;
- system inertia and voltage support services provided by inverter-based distributed generation;
- reduced carbon emissions and associated social cost savings; and
- resilience and redundancy benefits from distributed, decentralised generation.

The SEC highlights that a FiT that captures only the retailer's avoided costs will (by design) fail to reward solar households and small businesses for the full range of system services they provide. This structural limitation is an inherent deficiency of the avoided cost approach that becomes more pronounced over time as the grid becomes more dependent on distributed generation to achieve energy and climate objectives.

ADM-Based Export Valuation Produces Structurally Declining FiTs

The expanding use of ADM data is a dominant driver of the proposed FiT reduction, with ADM-measured exports accounting for 65 per cent of the weighted calculation compared to 54 per cent in 2025–26. We note this decline does not reflect a genuine fall in the value of solar exports; it reflects a methodological impact of meter technology transition.

The QCA acknowledges that "*this effect is likely to continue as ADM roll-out progresses*." Under the current methodology, regional solar customers face a sustained, foreseeable decline in FiT values regardless of underlying energy economics. The meter through which exports are measured, should not determine the price paid for them. The QCA should investigate whether the gap between NSLP-inferred and ADM-measured values reflects a genuine economic difference or a flaw in how the two data sources are being weighted and applied.

Hedging Cost Adjustment is Overstated

The QCA applies an adjustment to the FiT to account for the increased hedging costs that solar exports impose on retailers, on the basis that solar generation during the middle of the day creates a “peakier” residual demand profile outside solar hours, that is more expensive to hedge.

The SEC acknowledges that this is a legitimate consideration in principle; however, we highlight the methodology used to quantify this adjustment may overstate the actual cost for three reasons:

- Hedging models are based on simulations of retailer behaviour in the ASX Energy derivatives market, which may not fully reflect the range of hedging strategies available to retailers in practice, including bilateral contracts, power purchase agreements, and other risk management instruments.
- The cost of hedging against the residual demand peakiness attributed to solar may be offset, at least partially, by reductions in daytime spot price exposure and by the growing use of battery storage and demand response to smooth net load profiles.
- As grid-scale storage and demand flexibility assets are deployed, the incremental cost of hedging residual peakiness will likely decrease — but this benefit is not reflected in the current methodology.

The SEC recommends that the QCA commission an independent review of the hedging cost adjustment methodology, with a view to ensuring it does not systematically disadvantage solar exporters.

Absence of Recognition of Local Network Benefits

The avoided cost methodology also fails to recognise the benefits distributed solar delivers to local distribution networks. Solar PV systems located in residential areas generate electricity that is typically consumed within proximity of where it is generated, reducing demand on network infrastructure and reducing energy losses across the low-voltage network.

The QCA's *other avoided energy costs* component does include a partial allowance for avoided losses based on the network loss factor. However, this is limited to the direct reduction in energy purchased from the NEM and does not reflect the broader network value of local generation.

There is a growing body of evidence from network service providers and regulators across Australia and internationally that distributed energy resources (DER), including rooftop solar, provide measurable value to distribution networks through reduced peak demand, deferred network investment, and improved power quality.

The SEC submits that the QCA should explore mechanisms to incorporate a distribution network value component into the FiT calculation, or at a minimum, commission analysis to determine whether such a component is material and quantifiable in the Queensland context.

Consumer Impacts

Payback Periods for Households and Small Businesses

A reduction in the solar FiT from 8.660 c/kWh to 6.153 c/kWh directly extends the payback period for existing and prospective solar customers. For example, a household with a typical 6.6 kW rooftop solar system in regional Queensland generating 9,000 kWh per year and exporting 60 per cent to the grid would lose approximately $135 in annual FiT revenue, a reduction of nearly 29 per cent in export income. The impact is even larger for small businesses, which typically have lower daytime self-consumption relative to generation and therefore higher export rates.

Queensland households and businesses continue to face elevated electricity bills compared to other jurisdictions. The solar FiT has historically been an important mechanism for alleviating cost-of-living pressures for solar-owning households, and a reduction of this scale will erode the bill savings that solar customers depend on.

Reduced Incentives for New Solar Installations

Beyond the impacts on existing solar customers, the proposed FiT reduction will weaken the investment case for new solar installations. Prospective solar customers assess the financial viability of solar systems based on the combination of self-consumption savings and FiT revenue. As network tariffs evolve to include higher fixed charges and as electricity export limits and export charge regimes are introduced in some network areas, FiT revenue becomes more critical to the financial return of household solar systems.

A reduction to 6.153 c/kWh, combined with the QCA's own caution that "customers should not expect the solar FiT to stay the same in future," creates significant uncertainty for households and businesses considering solar investments. The combination of a declining FiT and an unpredictable future trajectory is likely to suppress solar uptake in regional Queensland at precisely the time when the state needs to accelerate its distributed energy resource deployment.

Equity Impacts for Regional Customers

The solar FiT applies exclusively to customers in regional Queensland, who are served by Ergon Energy at notified prices. Regional Queensland customers face some of the highest average electricity prices in Australia due to the costs of serving geographically dispersed, low-density service areas. The solar FiT has historically served as a partial offset to these higher costs for solar-owning regional customers.

A FiT reduction of approximately 29 per cent represents a significant adverse impact on a cohort of consumers already disadvantaged by their geographic location and limited access to competitive retail electricity markets. The SEC urges the QCA to give appropriate weight to the equity implications of the proposed reduction for regional solar customers when finalising its determination.

Market and Policy Implications

Risk of Slowing Rooftop Solar Uptake

Australia's clean energy transition depends on sustained growth in rooftop solar deployment, battery storage uptake, and the emergence of virtual power plants (VPPs) and other distributed energy aggregation models.

The financial attractiveness of solar investment is a critical driver of this growth. A FiT that declines sharply and unpredictably, undermines the confidence of households, small businesses, and investors in distributed energy resources.

The SEC is concerned about the signal that a 29 per cent FiT reduction sends to the market in a single year. Even if the underlying drivers (lower wholesale prices and expanding ADM coverage) are legitimate, the magnitude of the annual adjustment creates instability in investment signals that may damage market confidence. A more measured and transitional approach to reflecting new information in the FiT would better serve the long-term interests of consumers and the energy transition.

Complementary Measures

The SEC recognises that a FiT is only one of several mechanisms in which distributed energy resources are valued and incentivised. We encourage the QCA and the Queensland Government to consider the complementary role of:

- orchestration and virtual power plant programs, enabling solar households to receive additional revenue for providing demand flexibility and grid services;
- flexible export schemes, allowing solar owners with smart meters to export more electricity during periods of high grid value, rather than being constrained to fixed limits;
- local network incentives such as tariff structures, rewarding solar generation during local peak periods; and
- targeted support programs for low-income solar customers and regional communities, ensuring the benefits of the renewable transition are broadly shared.

These complementary mechanisms could help offset the impact of a reduced solar FiT and ensure that distributed solar investment remains financially viable even as the FiT evolves over time.

Recommendations

The SEC makes the following specific recommendations to the QCA regarding the 2026–27 solar FiT determination and the ongoing development of the FiT framework:

1. Review the Weighting of ADM versus NSLP Data

We encourage QCA to determine whether the value differential between ADM and NSLP export data reflects genuine economics and adjust the weighting approach accordingly to prevent a mechanistic FiT decline driven solely by meter rollout.

This could be achieved by conducting a sensitivity analysis and publishing the results to provide rationale for future tariff adjustment decisions.

2. Incorporate Broader System Value Elements

We suggest QCA commission a distribution network value analysis within 12 months to assess distribution network benefits, avoided network investment, and voltage support provided by rooftop solar, and incorporate material and quantifiable values into the FiT calculation.

3. Provide Transitional Arrangements

We urge the QCA to limit annual FiT movements to plus or minus 10% unless justified by underlying wholesale market changes. This would reduce the impact on existing solar customers, provide certainty for new investors, and avoid the market confidence damage of sharp annual adjustments.

4. Commission Independent Analysis of the Hedging Cost Methodology

We recommend the QCA engage an external expert to validate hedging cost assumptions. An independent assessment would determine if costs attributable to solar exports are overstated and whether this accounts for the declining marginal cost of managing residual peaks as storage is deployed.

5. Establish a Minimum Floor FiT

We suggest the QCA set a floor equal to the NSLP-based avoided cost to prevent methodological artifacts from driving declines. This would reduce year-on-year volatility and provide a stable foundation for household and investor decision-making.

Conclusion

The Smart Energy Council acknowledges the technical complexity of the QCA's task in a rapidly evolving energy market. However, a 29 per cent reduction in a single year (driven largely by a methodological consequence of ADM rollout rather than any genuine change in the value of solar exports) will adversely impact regional solar customers, weaken new investment incentives, and send a negative signal to the distributed energy market at a critical moment in Queensland's clean energy transition.

The SEC urges the QCA to address the concerns outlined in this submission before finalising its determination, particularly the structural decline embedded in the current ADM weighting methodology.

We would be happy to provide additional technical input and look forward to further engagement on the final determination.

If you have any queries on the issues raised, please do not hesitate to contact me at rhiannon@smartenergy.org.au.

Kind regards,

Rhiannon Evans.

Senior Policy & Advocacy Officer