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Benefits and costs of solar power purchase agreements

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Benefits

Purchase agreements can provide many benefits including:

- there are no large up-front costs to purchase a solar system
- the cost of electricity is lower
- the cost of the electricity generated by the solar system is locked in for the term of the agreement (whereas grid power prices change year to year)
- the agreement provider looks after warranty issues
- the provider takes care of the on-going maintenance and repairs
- the agreement may provide for monitoring and guaranteed performance of the solar power system
- in the future, you can incorporate battery energy storage into the agreement, allowing electricity generated by the system to be used at night as well as during the day
- you may own or be able to buy out the solar power system at the end of the contract, depending on the terms and conditions.

Cost comparison example

The best way to save money on electricity costs (if buying a solar power system on a solar power purchase agreement) is to closely match the size of the solar power system to your daily electricity needs. This will minimise the amount of electricity you sell back (at a reduced rate) to the grid. In some cases, if you have the wrong size system on your agreement you could end up paying more.

This example is provided to help you understand the importance of having the correctly-sized solar power system on your purchase agreement. Also, it **does not** include all costs related to buying a solar power system on a purchase agreement.

Consider the 3 use cases below, which compares 3 different solar power usage patterns.

Assumptions (for these examples)

- If you have a 3kW system, it should produce 1,100kWh (estimate only and will vary seasonally and with the location of solar panels).
- Assuming this level of production, you can use these following examples.

- You are buying solar power (in your purchase agreement) for 13c per kWh.
- You are buying electricity from the grid for 24c per kWh.
- You are selling excess electricity back to the grid (feed in tariff) for 6c per kWh.
- The example doesn't include the cost of electricity bought from the grid when the solar power system isn't generating energy.

Use case 1: High solar use (900kWh)

Purchase agreement	Amount
You pay for the electricity produced by the solar power system (1,100kWh @ 13 cents)	-\$143
You use 900kWh of solar power, reducing the amount of grid power required (900kW @ 24 cents)	+\$216
You sell the excess electricity back to the grid (200kWh @ 6 cents)	+\$12
You will be better off by	+\$85

Use case 2: Medium solar use (600kWh)

Purchase agreement	Amount
You pay for the electricity produced by the solar power system (1,100kWh @ 13 cents)	-\$143
You use 600kWh of solar power, reducing the amount of grid power required (600kW @ 24 cents)	+\$144
You sell the excess electricity back to the grid (500kWh @ 6 cents)	+\$30
You will be better off by	+\$31

Use case 3: Low solar use (400kWh)

Purchase agreement	Amount
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You pay for the electricity produced by the solar power system (1,100kWh @ 13 cents)	-\$143
You use 400kWh of solar power, reducing the amount of grid power required (400kW @ 24 cents)	+\$96
You sell the excess electricity back to the grid (700kWh @ 6 cents)	+\$42
You will be worse off by	-\$5

Additional costs

The cost over the term of the purchase agreement will be higher than purchasing a solar power system outright. There may also be some additional out of pocket expenses including:

- installation of a new electricity meter
- other costs for your property to be solar-ready, such as electrical works, cabling or roof repairs
- any additional insurance not covered by your agreement
- cost of a reliable internet connection (if required for monitoring your system's performance)
- any actions required to prevent trees or other vegetation from blocking access of sunlight to the system.

Exit costs

You may face costs to exit a purchase agreement, such as:

- termination fees if you want to end the purchase agreement early
- either buying the solar power system from the purchase agreement provider or having the system removed at the end of the contract
- making any repairs to the roof if the solar power system is removed at the end of the contract.

Check your contract and speak with your provider about these and any other potential additional costs.

If something goes wrong

Find out your rights and who to call for help [if something goes wrong with your solar power \(https://www.qld.gov.au/housing/buying-owning-home/energy-water-home/solar/something-wrong-solar-power\)](https://www.qld.gov.au/housing/buying-owning-home/energy-water-home/solar/something-wrong-solar-power).

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