

Time of use vs flat rate tariffs for solar energy storage: Which makes more sense?

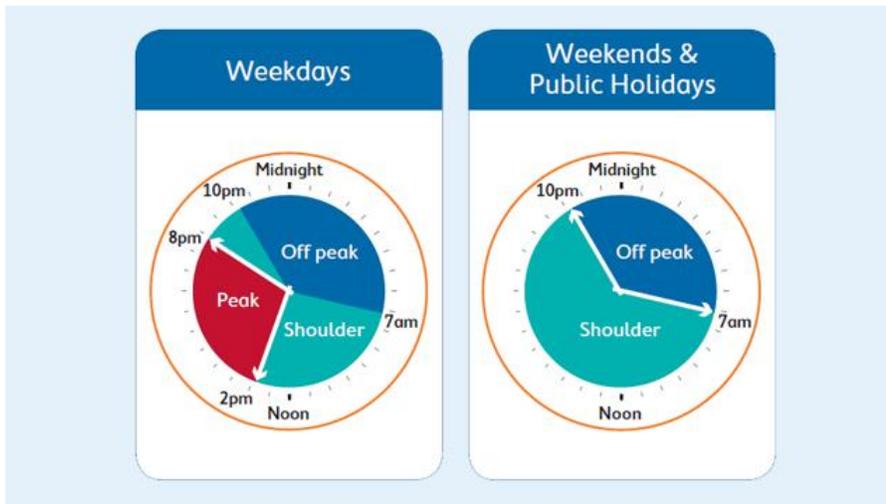
by [SOLAR CHOICE STAFF](#) on 18 MAY, 2016

in [BATTERIES & ENERGY STORAGE](#)

There are many important considerations when it comes to installing a [battery storage system for your home](#). One of the most important ones is whether or not to switch electricity tariffs from a flat rate to a time-of-use rate. Which one will provide the most benefit once you have batteries installed?

When talking about retail electricity prices, flat rate tariffs are just that – you pay a set amount for every unit (kilowatt-hour, or kWh) of energy that you purchase from the grid. It doesn't matter when you use the electricity – the rate stays roughly the same.

Time of use (TOU) tariffs, on the other hand, charge household's different rates depending on the time of day that they use their electricity. The image below (from network company Ausgrid), shows how TOU is broken down throughout the day. (Keep in mind that the timing of TOU tariffs differs depending on your network company.)



*An example of time of use tariff schedules. Image via Ausgrid.*

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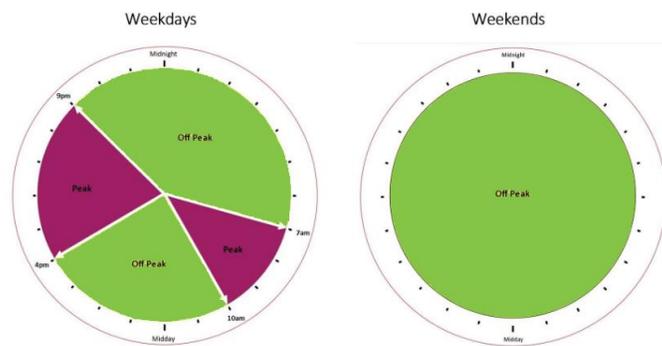
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'Peak' rates are the most expensive, 'shoulder' rates slightly less expensive, and 'off-peak' rates generally lower than flat rate tariffs from the same retailer. This means that if you manage to purchase less energy during peak & shoulder times and more during off-peak times, there is much more potential for saving money than on a flat rate tariff – especially if your peak rates are significantly higher than your shoulder & off-peak rates. Battery storage is the key to unlocking this potential. Batteries can help you to meet more of your peak demand with your solar energy by storing any daytime excess (which would otherwise be 'wasted' into the grid) for later use. It also unlocks the possibility of tariff 'arbitrage' – essentially buying energy when it's cheap and storing it in batteries for later use. According to our own indicative analysis, payback on a battery system can be at least 2 years faster using tariff arbitrage than without it.

Aurora Energy has introduced a new time-of-use tariff, from 1 July 2016 on an opt-in basis. The new residential Tariff 93 will have two price periods: peak (31.31c/kWh) 7-10am and 4-9pm Monday to Friday, all other times, including all weekend is off-peak (14.58c/kWh). Customers who opt-in to these tariffs would pay the above rates for all their electricity (ie there would be no distinction between light and power (tariff 31) and heating and hot water (tariff 41/42). We suggest you consider switching to the new residential tariff 93 when installing solar.



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