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The Energy Security Board

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Submission on the Contracts Technical Working Group - Emissions Registry – Emissions Reduction Requirement Issues Paper

Thank you for providing the opportunity to comment on the Emissions Registry – Emissions Reduction Requirement Issues Paper.

THE NEG Register requires a legal instrument to operate

As with all of the COAG ESB documents to date, the issue of the legal allocation of emissions to end use customers has been ignored. This is unacceptable. Furthermore, the important matter of the legal instrument that would enable the NEG Emissions Registry to operate, has also been ignored.

Under the National Greenhouse and Energy Reporting (NGER) Act 2007, there is a National Greenhouse and Energy Reporting Register. The NGER Act clearly states that the NGER Register is not a legislative instrument. However, NGER Determination is the Legislative instrument which is updated on an annual basis to incorporate improvements in methods and revised factors.

Unless the Government and COAG ESB are intending to duplicate the entire NGER Framework with a parallel universe that counts the same emissions and sources of electricity, but allocated in an entirely different and contradictory method, the NGER Determination should also be the legislative instrument for the NEG Emissions Registry.

As previously stated in NEG consultation submissions, the current NGER framework allocates average grid emissions to all customers in a communistic way, undermining and indeed preventing market choices for electricity products of differing GHG intensity, including accredited renewable electricity. Outside of any legal framework, the Federal Government encourages the 100% double counting of GreenPower renewable electricity and LGC surrender at zero scope 2 emissions in contradiction of the NGER Determination. There is no legal set of rules to allocate renewables or any other type of electricity to end user markets.

The NEG has created the possibility for a full reform of the allocation of electricity products of differing GHG intensity to end user markets. Instead of a communist allocation of grid mix electricity to all, there is a real opportunity to properly establish a market based approach for

end use emissions by extending the contractual GHG emissions to all electricity end users including GreenPower customers.

The current NEG proposal will track electricity with emissions to large customers. Having done that, does the Department really think that it would be appropriate and acceptable to continue with average grid mix reporting and claims by these large end use customers and other customers? Would it make any sense having two completely unintegrated GHG accounting systems for electricity in retail markets?

One reform with a no double counting principle

In any other market with tangible products such as bread and milk, it is blatantly obvious that something is not right if these products are sold to one customer but given to another. Deceived customers can immediately object and take further action to recover their money from the scam. However, for 'GHG emissions reductions' and 'renewable electricity use' in electricity markets, the Federal Government has had no regard for such basic principles and has allowed double, triple and even quadruple counting of these attributes by different customers and end users at the same time. Does the Federal Government really want to make this worse with the NEG Registry?

The single reform is for the NGER Determination and NGER Technical guidelines to replace the physical allocation approach for scope 2 emissions to electricity end users with the contractual GHG allocation approach that has been proposed by the COAG ESB to large customers and retailers. This just needs to be extended to all and users to create a single market wide GHG accounting framework that would underpin the electricity transition.

A revised NGER Determination would then be the legislative instrument to support the NEG Registry in its operation.

For consumers, the mess of double and triple counting, false and competing claims and insecurity of customers would be resolved. The retail-to-end user markets would work as follows:

- End use customers large and small that buy high GHG emissions electricity or buy from a high GHG emissions retailer should report and be accountable for high scope 2 GHG emissions.
- Customers that choose a lower GHG emissions electricity retailer should be legally allocated those lower scope 2 GHG emissions.
- Customers that buy accredited GreenPower should be legally allocated zero scope 2 GHG emissions.
- Retailers should be able to compete on the GHG intensity of their products.
- Competition and transparency of the electricity market will be greatly improved compared to the current mess where there is no legislated economy wide GHG or renewables allocation framework for end users. Multiple claims for renewable energy, double and triple counting of avoided emissions and free riding on emissions reduction are completely undermining fair market principles.

If the high level design of the NEG lacks legal rigour, then good governance and compliance will be impossible.

1. Who should administer the registry?

- **What are the advantages and disadvantages of AEMO administering the register?**

No advantage - AEMO operates electricity market but has no experience and has had no interest in GHG emissions accounting and allocation to date.

- **What are the advantages and disadvantages of the AER administering the register?**

No Advantage The AER is an economic regulator which has had no experience and no interest in GHG emissions accounting and allocation to date.

- **Are there any other bodies that should be considered for administering the register?**

The Clean Energy Regulator is still best placed to managed the NEG Registry, and has demonstrated competency in managing the REC Registry for Large Scale Certificates and Small Tradable Units under the Renewable Energy (Electricity) Act.

2. When should information be recorded in the registry?

- **Should information be recorded in the registry as soon as data is available from each of the sources described above, or less frequently – for example daily, monthly or quarterly?**

Whichever is most practicable.

- **Should exempt EITE load, voluntary action, output from embedded generation (and rooftop PV if applicable) and potentially the use of offsets be captured within the registry?**

The use of offsets is entirely contradictory to the purpose of transitioning the electricity market to reduce emissions, maintain reliability at an affordable cost. The Government should stop considering offsets.

Electricity sold without constraints to EITEI customers may have higher emissions but regardless of what the emissions intensity is, the values still need to be tracked in the NEG Registry.

Only the net exports of embedded generation should be included (measured or estimated). What ever is produced and consumed behind the meter should stay with that producer consumer.

- **Or should this information sit outside the registry?**

One integrated system under the NGER Legislative instrument and a single regulator is required. Do we have banking deposits and investments managed under the Australian Securities and Investments Commission (ASIC) but withdrawals and dividends managed through local soccer club rules?

3. How should allocations between parties in the registry be recorded?

No comment

4. How long should participants be given after the end of a compliance period to record their allocations in the registry?

- **Should the emissions intensity of generators in the registry be based on the NGERS data for the current year or is the previous year's data sufficient in most circumstances?**

If the generation method has not changed, then previous year performance is probably OK. However if there is a major switch of technology or generation type, then a revised value should be used. Variations should be reconciled at the conclusion of the financial year.

- **If emissions intensities are based on the previous year's NGERS data, what mechanisms are needed to deal with significant changes in emissions intensity?**

Significant change should trigger a new performance assessment and a new performance value of the producing facility.

- **If emissions intensities are based on the current year's NGERS data, should the timeframes for reporting and publishing NGERS data be brought forward to help facilitate timely compliance with the Guarantee?**

The integrity of NGER data is more important than reconciling differences early.

- **How long should participants be given after the end of a compliance period to record their allocations in the registry?**

No more time than necessary

5. How would output be automatically allocated within a Corporate Group?

- **Are there any circumstances where automatic allocation should be avoided within a Corporate Group? What incentives would this create?**

Yes, unless there is an intention to pervert the market place, the trading of emissions with electricity should be based around facilities, not Corporate Groups. It would be incredibly unwise to restrict trading to the average of generator output. It would also be one way to kill GreenPower and low emission retailers if they could not buy renewable electricity from AGL, without being allocated with AGL's average emissions.

The whole framework must be contractually based to work.

- **What, if any, differences in incentives do generators with automatic output allocation face compared to generators without automatic output allocation?**

The ability to sell different emissions electricity to different large end use customers is the major advantage.

- **Should output be apportioned in circumstances where ownership is shared and there is no clear operational control? What are the administrative impacts of doing this?**

The question becomes redundant with contractual GHG accounting from facilities. It does not matter who owns the facility, only that a retailer or retailers have purchased electricity from the facility and a known emissions intensity.

- **What approaches should be considered when automatically allocating output where the ownership of retailers and generators is not clear?**

Who owns the generator and who owns the retailer is not the issue in contractually based GHG & electricity trading. If I purchase a loaf of bread, I am not asking who owns the bread manufacturer.

What are the advantages and disadvantages of different approaches to allocating output where the ownership of retailers and generators is not clear?

The advantages of a facility based approach to generators is that this aligns perfectly with scope 1 emissions reporting.

The ownership of the retailer is less important than defining who the authorised officer is in regard to NEG Registry reporting and compliance.

6. How is the emissions intensity of the residual (unallocated) generation calculated?

- **What approaches should be considered for determining the emissions intensity of the residual load?**

The proportion of unallocated load should be minimised to maintain the integrity of the scheme.

7. What happens when allocated output exceeds a retailer's load?

No comment

8. What data should be accessible in the register?

- **Should the registry operate so that generators and retailers can only see their own data?**

No. The registry should be open for all to see. Data regarding electricity and emissions should be available everyone. Generators and retailers need only negotiate on price, volumes and emissions intensity of their products (including GreenPower).

- **Should retailers be able to see the allocations of other retailers?**

Yes

- **Should retailers be able to see how much of a generator's production has been allocated?**

Yes

- **What, if any, data should be made public, and at what point in time?**

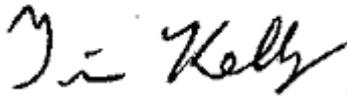
- Emissions intensity of retailer's pooled electricity sold to end users
- Emissions intensity and volume of any electricity sold to EITEI end users
- GreenPower sales

9. Should third parties have access to the register?

Yes, just as anyone can access the REC Registry

I would be happy to discuss this submission in more detail.

Kind regards

A handwritten signature in black ink that reads "Tim Kelly". The signature is written in a cursive style with a large, stylized 'T' and 'K'.

Tim Kelly

100% GreenPower customer