

6 July 2018

By email: NationalEnergyGuarantee@environment.gov.au

Dear Sir or Madam

Re: National Energy Guarantee Draft Detailed Design for Consultation - Commonwealth Elements

Aurora Energy welcomes the opportunity to provide feedback on the Commonwealth Government's draft design document, *National Energy Guarantee Draft Detailed Design for Consultation - Commonwealth Elements* (Commonwealth paper).

Aurora Energy is a Tasmanian Government owned energy retailer, providing energy services to over 99 per cent of Tasmania's electricity customers. As a stand-alone retailer supplying 279,636 Tasmanian residential and business customers, Aurora Energy's core focus is on its customers, by creating valued outcomes and providing sustainable returns to the Tasmanian community.

Aurora Energy wishes to make the following comments on the design elements outlined in the Commonwealth paper.

Setting and Reviewing the Emissions Target

An adequate notice period for the emissions requirement is the most critical issue to Aurora Energy. Liable entities should be provided with a minimum five years notice of their emissions requirement in order to provide industry certainty.

In this context, Aurora Energy supports setting the initial trajectory for the period 2021 to 2030 in Commonwealth legislation ten years in advance. This approach will provide the most certainty to retailers as to the level of emissions per MWh they will need to achieve for the first ten years of the emissions requirement. The legislation should also specify that if a future decision is made by Government to adjust any of the first ten years' targets, liable parties must be provided with five years advance notice of such a change.

Beyond 2030, Aurora Energy supports the proposal to extending the targets for the period 2031 to 2035 by 2025, and again every five years thereafter. Such an approach is consistent with Aurora Energy's view that liable entities should be provided with a minimum five years notice of their emissions requirement.

Aurora Energy is of the strong view that future targets should not be changed each year based on revised demand forecasts, as this would create significant uncertainty for liable entities. For this reason, Aurora Energy is generally supportive of the option proposed in the Commonwealth paper whereby variations in demand will be accounted for when setting the next set of electricity emissions targets by 2025, and again every five years thereafter. This will enable any over or under achievement in previous years to be rectified in the following five year period whilst still providing a minimum five years notice of annual targets for liable entities.

Treatment of Emissions-intensive, Trade-exposed (EITE) Activities

Aurora Energy notes that liable entities will require EITE exemption information in a timely manner to ensure they can manage their emissions compliance risk. It is therefore important that retailers are provided with EITE exemption information as soon as possible.

Aurora Energy generally supports the proposal to align the eligibility and administrative arrangements for the exemption of EITE entities from the emissions guarantee with that of the Renewable Energy Target (RET). Leveraging existing processes for the exemption of EITE entities should minimise the regulatory and administrative burden on market participants.

However, Aurora Energy is concerned that under the RET, the Clean Energy Regulator (CER) is only required to provide information to liable parties on an EITE entity's exempt load if the EITE entity has provided consent. Aurora Energy is of the view that this consent requirement should be removed to ensure that the CER provides information on exempt EITE load to both the EITE applicant and the liable entity as soon as practicable. This will ensure liable entities are provided with information early to facilitate calculation of their load for emissions compliance.

Aurora Energy also observes that, under the RET, the CER has made available a monitoring tool to allow EITE entities and authorised liable entities to estimate the exemption amount at any point during the compliance year, and that this will be facilitated via an online platform from 2019. Aurora Energy encourages the use of a similar online platform under the emissions requirement to enable retailers and other liable parties to monitor the estimated EITE exemption amount each year. Quarterly, non-binding scaling estimates could also be made through such a platform to provide liable parties with an indication as to how the scaling factor is tracking across the compliance year.

Offsets

Aurora Energy does not support the use of domestic or international external offsets as a flexible compliance option to meet the emissions requirement. Aurora Energy is of the belief that the use of international offsets undermines the overarching intention to reduce emissions within Australia, and that the use of any external offsets undermines the specific intention of the Guarantee to reduce emissions from within the Australian electricity sector.

In the event that a decision is made to allow the use of offsets, Aurora Energy is of the view that an overall cap should be set on the number of offsets that can be used, and that each market customer should have a maximum allowance of offsets it can use in a compliance year.

If you have any questions regarding this submission please contact Hayden Moore, Regulatory & Policy Manager at hayden.moore@auroraenergy.com.au

Yours sincerely



Rebecca Kardos
Chief Executive Officer