



6 July 2018

Department of the Environment and Energy  
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King Edward Terrace  
Parkes ACT 2600

Email to: [NationalEnergyGuarantee@environment.gov.au](mailto:NationalEnergyGuarantee@environment.gov.au)

### **RE: National Energy Guarantee – Commonwealth’s draft detailed design elements**

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Commonwealth’s draft detailed design elements of the National Energy Guarantee (‘the Guarantee’). This submission relates only to the Commonwealth’s design elements; ERM Power will make a more comprehensive submission to the Energy Security Board on the broader design of the Guarantee.

#### **About ERM Power**

ERM Power is an Australian energy company operating electricity sales, generation and energy solutions businesses. The Company has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load<sup>1</sup>, with operations in every state and the Australian Capital Territory. A growing range of energy solutions products and services are being delivered, including lighting and energy efficiency software and data analytics, to the Company’s existing and new customer base. ERM Power also sells electricity in several markets in the United States. The Company operates 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland. [www.ermpower.com.au](http://www.ermpower.com.au)

#### **Emissions Targets**

ERM Power believes the process set out for setting and reviewing targets to be a reasonable approach. Electricity generation is capital intensive and requires returns over the long-term to justify investment. Providing an initial ten years of targets will provide a strong signal for long-term investment in lower emissions generation technology. Furthermore, allowing for a review period every five years to set a further five years of targets will continue to support investor certainty and avoid the kind of regular reviews that can destabilise the sector by failing to give a clear direction.

As we noted in our submission on the high-level design, we do consider that the Australian Government should investigate the possibility of providing a longer term signal by providing a non-binding range of potential targets beyond 10 years.

Furthermore, given the overall design of the scheme, the proposal to set targets based on emissions intensity of electricity generation (tCO<sub>2</sub>-e/MWh) is a sensible approach.

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<sup>1</sup> Based on ERM Power analysis of latest published financial information.

## EITE exemption

ERM Power notes the Government's intention to exempt electricity use from Emissions-Intensive Trade-Exposed (EITE) activities from the emissions component of the Guarantee. We support the intention to align the exemption process with that for exempt activities under the Renewable Energy Target (RET). This will help to minimise the administrative burden for EITE businesses and the compliance burden for liable entities under both the Guarantee and the RET.

We also suggest that improvements could be made to the current electricity method exemption application process in order to ensure that exemptions and changes to exemptions can be promptly noted to liable entities. Currently as part of the application process, EITE entities are required to indicate if give the Clean Energy Regulator (CER) permission to provide the confirmation of the exemption, exemption certificate, exemption determination calculator or the Notice of Exemption amount to the retailer specified in the application. If the EITE entity selects 'yes', this information is provided by the CER to the retailer at the same time it is provided to the EITE applicant. If the applicant selects 'no', retailers are blind to whether an application has been successfully made and places a compliance risk on the retailer with possible delays in accessing exemption information. We suggest that this application process be modified to ensure that exemption information is provided to retailers by default, without seeking permission from the EITE applicant. This will also reduce the administrative burden on retailers. ERM Power considers this to be a simple change that should help further streamline the application and compliance process and encourages the Government to consider this as part of the Guarantee's design.

## Offsets

Access to offsets is an important tool for retailers to have flexibility to meet their targets. Allowing for the use of offsets could also help lower the costs of meeting emissions targets, particularly in the early years where supply may be tight, thus placing high costs on end users.

Taking into consideration the overall aim of the Guarantee – to incentivise investment in both low emissions and more reliable electricity supply – it is important that any offset support this. As such, ERM Power considers that at this stage, only Australian Carbon Credit Units (ACCUs) should be eligible to be used in order to meet the emissions requirement under the Guarantee. The use of ACCUs will help to maintain investment in activities in Australia.

Furthermore, there should be no limits imposed on the volumes that can be surrendered to meet the emissions requirement (within the overall limit on banking). The use of other offsets, including international units, should be subject to consideration in the future once the Guarantee has been implemented and in operation for several years.

I welcome the opportunity to discuss this submission in detail. Alternatively, please contact Regulatory Affairs Policy Advisor Ben Pryor on (03) 9214 9316 or [BPryor@ermpower.com.au](mailto:BPryor@ermpower.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jon Stretch'.

**Jon Stretch**  
Chief Executive Officer