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***Submission on National Energy Guarantee - National Electricity (South Australia) (National Energy Guarantee) Amendment Bill 2018***

*This submission is not confidential*

Thank you for providing the opportunity to comment on the National Electricity (South Australia) (National Energy Guarantee) Amendment Bill 2018.

As with all of the COAG ESB documents and NEG proposals to date, the issue of the legal allocation of emissions through the supply chain to end use customers has been ignored. This is unacceptable. Furthermore, the important matter of the what changes will need to be made to the National Greenhouse and Energy Reporting (NGER) framework as the legislative instrument to enable the NEG Emissions Registry to operate, has also been misunderstood, ignored or both.

The draft legislation makes considerable mention of GHG mechanisms but none of these are currently supported by the National Greenhouse and Energy Reporting Framework. Given that the Federal Government has failed to support any kind of emissions constraint, the work that should have been done to reform GHG accounting and allocation is now more important than ever.

I remind the COAG ESB that at a time when claims of renewable energy Power Purchasing Agreements (PPAs) are exponentially increasing every week, there is still no law that supports or clarifies that any consumer of the grid can make any claim for using renewable electricity at lower or zero scope 2 emissions. Those attempting to do the right thing by purchasing accredited GreenPower or voluntarily surrendering Large Scale Certificates are unfairly treated in law and price, whilst the ACCC and Federal Government simply do nothing to reform the system to support what the end use market has demonstrated it wants.

One of the biggest issues of the National Electricity Market in my view is that the NEM is seen as separate to the end user consumer market. In no other market, is the end use customer that pays for the entire sector regarded as not being part of the market.

There has just been a huge waste of time and resources pursuing a constraint mechanism, exemptions, trading and a whole bunch of other artificial policy intervention when the basic free market approach of enabling end use customers to legally choose accredited renewables at zero scope 2 emissions or a lower emissions electricity retailer has been completely ignored.

**The GreenPower additionality concept is false.**

Previously in these consultation stages I have provided firm evidence that GreenPower was not additional to the Federal Government's 20% target. It may once have been additional to

the GWh target but it was the 20% target has constrained the RET before the GWh target would be reached and this has been confirmed by the Federal Government.

Now, with the complete collapse of an emissions constraint, GreenPower cannot be additional to something that does not exist. There is an overwhelming factual basis that GreenPower will not be additional the RET once met or to business as usual. Steps should be taken with urgency to stop the farce and reform GreenPower or, kill the program altogether until the Government can work out a genuine and legally supported retail renewable electricity market framework.

As I have suggested in the six NEG submissions before this one, reforms to the National Greenhouse and Electricity Framework to transition to contractual scope 2 emissions accounting away from the current communistic physical allocation method should be the first step. This should always have been the first step given that the NEG is based on trading electricity with its emissions through the market towards end use consumers.

### **Part 2 Division 1, Emissions Reduction**

Much of Part 2 of the proposed amendment Bill to the National Electricity Law appears to be creating duplicate legislation and a duplicate GHG allocation Framework to the NGER Legislation and framework. This was expected as there was no credible attention made in regard to GHG allocation and accounting in the creation of the NEG and it appears to have been drafted by only those in the Energy Market sector rather than experts in GHG accounting and allocation. However it was a dangerous short cut approach, risking further entanglement of Scope 2 GHG accounting methods and risking yet further double and multiple counting.

Given that the emissions constraint has collapsed. The better approach now would be to abandon all of the proposed NEL amendments relating to the Emissions Constraint, and instead develop comprehensive and integrated GHG allocation and emissions principles, standards and methods that could be incorporated into a reformed NGER Determination and related NGER Technical Guidelines. This reform would provide the foundation for a low carbon electricity market where all those businesses claiming renewable Power Purchasing Agreements and use, plus households and small businesses buying accredited renewables, could do so with legal confidence and without the double and triple counting that is poisoning the market.

Again I stress: the NGER Scope 2 method does not support the NEG and major fundamental changes are required. These would be the biggest changes to the NGER Framework since its establishment in 2007/08.

### **Part 2 Division 2, Reliability Requirement**

I have no comment on the reliability requirement other than to suggest that many experts advise that it is not necessary and there are existing mechanisms that can be used for strategic planning and responding to forecast generation shortfalls and system frequency/inertia/security issues.

### **Part 2 Subdivision 4 AEMO as procurer of last resort**

16A, There is no purpose for the AER to have regard to an emissions objective that does not exist.

### **National Energy Guarantee—AER compliance regime**

Much of this section is now redundant.

There is no purpose for compliance requirements aspects pertaining to the emissions constraint which is no longer part of the policy.

### **Division 2A AEMO's emissions registry functions**

There is no sound reason for AEMO to create a separate emissions registry when there is already an Emissions Registry under the NGER Framework. Previously I have asked for this matter to be addressed. Will the registries be consolidated? Why are the rules and the legislative instrument that would enable the NEG Emissions Registry not being created under the NGER Legislation, NGER Determination and NGER Technical Guidelines?

I do believe that progress towards reforming the NGER Framework for the NEG or any other name of scheme in the future, and I believe that the intent and principle that should be promoted is that: Greenhouse Gas Emissions accounting and allocation should support end use consumers in their choice to buy accredited renewable electricity, or choose a lower emissions retailer without artificial price penalties. The federal policy should be focussed on getting out of the way and letting the market now do its job in regard to reducing emissions through customer choice and social licence constraints. Given that those in the Energy Sector already know that the future is going to be based on renewables with storage and some gas as the coal plants close, intervention policies have become the biggest barrier and largest single cause of uncertainty, stalling investment which is keeping prices higher.

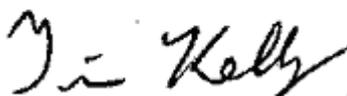
The Federal Government or designated regulator does have a place in setting reliability standards, good planning and ensuring that the market rules and NGER accounting practices and methods keep pace with the transition.

### **Concluding comments**

I will conclude with today's Renew Economy article (Appendix 1) which promotes that Sydney Airport has signed a PPA/Firming contract for 75% renewable electricity, and the article mentions around eight other renewable PPAs. There is no easy way of knowing (without chasing each company for answers) if any of these contracts are prepared as accredited GreenPower or include the voluntary retirement of LGCs to the Clean Energy Regulator. Each one could potentially be a triple count, given that NGER has already allocated these renewables across all customers in the state, and the LGCs can be used by third parties as GreenPower, voluntary surrender of LGCs or to meet legal obligations.

The electricity sector and consumer market are waiting to drive a transition to renewable electricity. However, the basic rules for trading renewables, claiming use of renewables and legally allocating lower emissions or zero scope 2 emissions to end users, are missing in this proposed legislation.

Kind regards



Tim Kelly

100% GreenPower customer

# Sydney Airport turns to wind energy for 75 per cent of supply

[reneweconomy.com.au/sydney-airport-turns-to-wind-energy-for-75-per-cent-of-supply-67427/](https://reneweconomy.com.au/sydney-airport-turns-to-wind-energy-for-75-per-cent-of-supply-67427/)

August 22, 2018

Sydney Airport has decided to turn to wind energy to reduce its electricity costs and lower emissions, and has signed a contract with Origin Energy that will result in three-quarters of its electricity supply coming from the Crudine Ridge wind farm in central west NSW.



A unique contracting arrangement with Origin will use increasingly popular “firming” contracts. In this case, that means that Origin will directly contract with Crudine Ridge and then guarantee the supply to Sydney Airport with “firming” generation or contracts when the wind is not blowing enough to meet the airports needs.

Crudine Ridge is a 135MW wind farm being developed at a cost of around \$300 million around 45km south of Mudgee by a partnership of Partners Group and CWP Renewables. It began construction early this year and will be complete late next year.

Crudine Ridge has already contracted to supply around half of its output to Meridian Energy and its local retailer Powershop, as part of a series of renewable energy deals that enable it to lower its consumer tariffs by 5 per cent earlier this year.

Sydney Airport joins a rapidly growing number of corporate customers turning to wind and solar to lower their electricity costs and reduce their emissions, and “firming” contracts are also growing in popularity to hedge against price and supply variations.

Queensland zinc refiner Sun Metals last week formally opened its 116MW solar farm, while companies like CUB, Orora, and the Laverton steel works are also turning to renewables.

UK billionaire Sanjeev Gupta is planning 1GW of solar and storage to power his steelworks in Whyalla, and is using wind and solar to supply other corporate customers, while smaller businesses are also turning to renewables at record levels.

0. “This is a significant step forward for the business,” Sydney Airport CEO Geoff Culbert said in a statement as he announced the company’s latest results.
1. “This innovative arrangement enables us to lock in wholesale costs under attractive terms for one of our significant cost items, while supporting and fostering the growth of renewable energy in Australia.”
2. Alex Hewitt, the head of CWP Renewables, which is also developing the massive Sapphire wind project that will also add solar and storage, as well as the 9GW wind and solar plan in the Pilbara, says it shows how more businesses can be supplied with “cheap and reliable” renewable energy.

At a separate event, Windlab CEO Roger Price – whose company last week signed a power purchase agreement with retailer Flow Power to take much of the output of the proposed

104MW Lakeland wind farm in north Queensland – says corporate interest is growing.

“What we are seeing happen in the market is two fold – the states are taking the initiative to drive their own programs .... as the federal government fails to put together a coherent policy. We are quite optimistic about the nascent but growing demand for corporate PPAs.

“We are starting to see in Australia that with the ongoing uncertainty in the energy sector they (the corporates) will be looking to hedge that exposure, through those contracts.”

Origin Energy’s head of energy markets Greg Jarvis echoed those comments, saying that innovative contracting is allowing customers to source energy with direct line of sight to wind and solar facilities.

“When Sydney Airport approached us wanting a cost-effective way to meet their energy needs and reduce emissions, we developed an innovative agreement where we contract the wind and bundle it with firming energy in an all-in-one package.

“Sydney is Australia’s busiest airport, operating around the clock – the combination of wind and firming is perfect to meet their load and help them transition to cleaner energy supply.”

Origin says the deal was similar to a contract it signed with the University of NSW earlier this year to provide firming generation to complement the planned off-take agreement with the Sunraysia solar farm.

It says there is growing interest from customers wanting more sustainable energy combined with the assurance of firming energy and expert portfolio management.