

Newsletter

Issue 18, December 2010

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Introduction

As 2010 draws to a close, a number of changes and improvements have been introduced to the ESS and GGAS which are highlighted in this newsletter. These coincide with the Commonwealth Government's consideration of options for both its climate change strategy and a national energy savings initiative following the release of its report by the Task Group on Energy Efficiency.

In late September the Chairman of IPART, Mr Rod Sims, was appointed as one of 4 external advisers to the Prime Minister's multi-party cabinet Climate Change Committee which is considering ways to put a price on carbon.

Recently the Commonwealth has also announced that the Productivity Commission is to review carbon related policy action in other key economies worldwide. The review will include analysis of carbon pricing, whether as a transparent measure (carbon tax or trading scheme) or indirect (through targets, regulations or subsidies).

The prices reported for spot trades for both NGACs and ESCs have increased, with NGACs reaching a high of \$7.15 before slipping back to around \$7.00. The market for ESCs has also moved with prices rising to \$29.00. This level puts ESCs close to the after tax penalty rate of \$32.90 for 2010 compliance.

Showerhead Review and amended ESS Rule

On 22 October 2010 the Minister for Energy released the *Energy Savings Scheme Showerhead Review Report* which recommended a number of amendments to the ESS Rule. Key changes to the ESS Rule include:

- ▼ Make only ultra low flow (6 litres per minute or less) showerheads eligible.
- ▼ Set a maximum of 3 showerhead replacements per household.
- ▼ Change the Default Savings Factor (DSF) for showerhead replacement activities.

The Minister announced his intention to gazette an amended ESS Rule on 24 December 2010 to align with the report's recommendations. The amended Rule will also be updated for name changes, clarity and consistency, and to make minor typographical corrections. Tables for refrigerators and freezers have been updated to reflect changes in star ratings.

Further information about the Showerhead Review Report, and amended ESS Rule, may be found on Industry and Investment NSW's website at www.industry.nsw.gov.au/energy/sustainable/efficiency/scheme

Progress & developments for the ESS

There has been a number of notable developments in the ESS since the release of the last newsletter in September, including:

- ▼ Tabling in Parliament of the Annual Report on Compliance and Operation of the NSW Energy Savings Scheme during 2009 by the Minister for Energy on 19 October 2010. A copy of the report is available on the ESS website at www.ess.nsw.gov.au/documents/syn20.asp.
- ▼ Release of the Minister's Showerhead Review Report and amended ESS Rule proposal.
- ▼ Release of a Scheme Administrator Notice with information on 2010 calendar year energy savings certificate (ESC) supply and demand.
- ▼ Following invitation for stakeholder comment, finalisation of the Compliance and Performance Monitoring Strategy (CPMS) and Audit Guideline.
- ▼ We have updated the Application Form and Guide to be specific to the accreditation of a single Recognised Energy Savings Activity (RESA). All applicants, including Accredited Certificate Providers seeking to add another RESA to their accreditation, are required to use and refer to these updated documents.
- ▼ The Commercial Lighting Tools for parties delivering, or proposing to deliver, commercial lighting upgrade projects have also been updated. Accredited Certificate Providers and applicants should ensure that version 2.1 of both tools are used when calculating energy savings.
- ▼ The NSW Department of Environment, Climate Change and Water, in conjunction with Industry and Investment NSW and IPART, held 4 free seminars on the financial incentives available to participants in the ESS in Parramatta, Penrith, Sydney CBD and Chatswood in late November. Strong interest was shown by those attending, and further seminars are proposed for next year. Enquiries should be directed to DECCW on (02) 9995 6324 or by email to business.seminars@environment.nsw.gov.au

ESS Scheme penalty rate

Scheme Participants who do not surrender sufficient ESCs to meet their individual energy savings target are subject to a penalty for any shortfall. For the 2010 compliance year, the Scheme Penalty Rate remains \$23.03 per tCO₂-e however for the 2011 compliance year, the Scheme Penalty Rate will increase.

As permitted under Section 113(5) of the Electricity Supply Act 1995, the base penalty rate is adjusted in accordance with the consumer price index. Clause 78C of the Electricity Supply (General) Regulation 2001 provides the calculation method for the adjustment. Accordingly, the base penalty rate will increase from \$24.50 to \$25.52 per MWh.

Converting this MWh figure to tCO₂-e (the ESC equivalent), results in the Scheme Penalty Rate rising from \$23.03 to \$23.99 per tCO₂-e for the 2011 compliance year.

ESS Annual Energy Savings Statement

The ESS Annual Energy Savings Statement is being updated to incorporate the penalty rate for the 2010 compliance year.

In addition, the Statement is being amended to improve clarity in presentation and correct some anomalies relating to shortfall and penalty calculations. Other minor changes are also being made to improve the usability of the Statement and to provide better information to assist Scheme Participants in meeting their liabilities.

The updated Annual Energy Savings Statement is available for download from the ESS website at www.ess.nsw.gov.au/documents/syn12.asp.

Ministerial Order

The *Electricity Supply Act* allows the Minister to grant full or partial exemption from the ESS in respect of any electricity load used by persons that qualify as both emissions intensive and trade exposed. The definitions align with the Commonwealth Government's RET legislation.

A new Ministerial Order will be gazetted for the purposes of the 2011 compliance year and includes the new exemption categories of manganese production, ammonia production, ceramic floor and wall tile production and magnetite concentrate production. In addition, petroleum refining and ethene production have been reclassified as highly emissions intensive and the allowed percentage for exemption increased from 60% to 90%. Electricity retailers should advise their customers of this change as it will affect their compliance reporting for the 2011 compliance year.

The new Ministerial Order is required to be published in the Gazette by 31 December 2010 and will be effective from 1 January 2011 until revoked.

ESS Exemptions Rule

The *Scheme Regulator Exemptions Rule No.1 of 2009* has been amended, effective 2 December 2010. The amendments provide clarity on the values which are used to calculate the proportion of the load that is exempt (Exempt Proportion) for a Specified Person and the associated deduction for losses.

The amended Rule can be downloaded from the ESS website at www.ess.nsw.gov.au/documents/syn9.asp, and should be used by Scheme Participants to calculate their Exempt Proportion for the 2010 compliance year.

ESC Supply for 2010

On 18 October 2010 the Scheme Administrator released a Notice on the ESS website updating interested parties on the supply of ESCs for the 2010 Compliance year (see www.ess.nsw.gov.au/documents/Notice02-2010-ESC_Supply.pdf). Since

this time, one additional RESA has been accredited, with a further 25 applications currently being processed.

Recent spot trades of \$29 per ESC have been quoted in the Green Room report by Next Generation Energy Solutions. This figure is approaching the effective ESC price ceiling of \$32.90 (representing a Scheme Penalty Rate of \$23.03, excluding 30% corporate tax, for Scheme Participants seeking to buy out their compliance obligation in 2010).

GGAS Key factors

The Tribunal, as Compliance Regulator, determines and publishes a number of key factors each year for the following compliance year. These factors are used in the calculation of individual greenhouse gas benchmarks for Benchmark Participants and are published in November each year. The key factors for 2011 are:

- ▼ 2011 NSW Pool Coefficient (tCO₂-e): 0.975
- ▼ 2011 Total State Electricity Demand (GWh): 71,999
- ▼ 2011 Total State Population = 7,201,600
- ▼ 2011 Electricity Sector Benchmark (tCO₂-e): 52,355,632.

GGAS Benchmark Statement

The GGAS Benchmark Statement is currently being updated in line with changes being made to the ESS Annual Energy Savings Statement (see earlier section in this Newsletter). Minor changes to Part 2 (a) of the Benchmark Statement are being made to improve clarity in presentation, improve the usability of the statement and provide better information to assist Benchmark Participants in meeting their liabilities.

The updated Benchmark Statement is available for download from the GGAS website at www.greenhousegas.nsw.gov.au/documents/syn42.asp

Registry statistics

Registry statistics as at 30 November 2010

Rule	Certificates created	Current accreditations	New accreditations ^a	Amended accreditations ^a
Greenhouse Gas Reduction Scheme				
Generation Rule	79,678,646	138	0	0
DSA Rule ^b	30,421,812	26	0	0
Large User Rule	5,062,626	9	0	0
Carbon Sequestration Rule	3,239,153	7	0	1
Energy Savings Scheme				
ESS Rule	697,111	58	5	5

^a For the period 1 September 2010 to 30 November 2010

^b DSA Rule accreditations for energy efficiency projects will be cancelled once all compliance obligations have been met.

Note 1: Data as at 30 November 2011.

Note 2: New accreditations for GGAS apply for applications received on or before 31 December 2009.