

# GGAS Newsletter

Issue 6, December 2007

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## Introduction

During the last six months there has been considerable policy development on emissions trading at a national level resulting in a commitment to the introduction of a national emissions trading scheme. While there may be some uncertainty about the implementation detail of a national scheme, as far as the Scheme Administrator is concerned, GGAS will continue until a national scheme commences. Amendments to the GGAS legislative framework in 2006 extended the Scheme until 2021 or until the commencement of a national scheme. So for GGAS it is business as usual.

As GGAS participants and observers will have noticed, over the last few months the market price of NGACs has fluctuated significantly. The price had been trending downward for some time but dropped sharply in September, falling to below \$5.00 for a period. The price now appears to be rising again, although the price fall had a significant impact on some participants. This was particularly so for some companies engaged in the distribution or installation of energy efficient lightbulbs and showerheads.

A range of explanations for the price fall have been offered by participants and commentators. These include uncertainty about a proposed national emissions trading scheme and the transition arrangements for GGAS and perceptions of short or longer term oversupply of certificates into the market.

GGAS established a market mechanism to procure abatement – one of the lessons of recent market activity seems to be that abatement is available at relatively low cost. As with all markets there will be price fluctuations and at times price volatility. To some extent that is an inherent feature of market mechanisms. The Scheme Administrator does not see its role as including acting to maintain any particular price level for certificates created under the Scheme.

## Minimum requirements for DAF projects

From 1 December 2007, audit scopes will be widened for energy efficiency projects that use the Default Abatement Factor (DAF) method under the Demand Side Abatement Rule.

Audits will now cover compliance with the Minimum Requirements for DAF Projects, released in September.

The Minimum Requirements cover four areas:

- contractual relationships with installers
- training
- the register of installers, and
- customer service.

You can download a copy of the Minimum Requirements from the Scheme website [www.greenhousegas.nsw.gov.au/documents/syn105.asp](http://www.greenhousegas.nsw.gov.au/documents/syn105.asp)

## GGAS is moving offices

IPART and GGAS are moving offices on Monday 14 January 2008. Our new address will be:

Level 8  
1 Market Street  
Sydney NSW 2000

Post office box, phone, fax and email addresses will remain the same.

### NSW Greenhouse Gas Reduction Scheme

Independent Pricing & Regulatory Tribunal  
PO Box Q290, QVB Post Office NSW 1230  
Level 2, 44 Market Street, Sydney NSW 2000  
(02) 9290 8452

[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)

[www.greenhousegas.nsw.gov.au](http://www.greenhousegas.nsw.gov.au)

GGAS

## Key factors

IPART has determined the following key factors for the purpose of determining greenhouse gas benchmarks for benchmark participants for 2008:

- NSW Pool Coefficient = 0.954 tCO<sub>2</sub>-e/MWh
- Total State Electricity Demand = 79,056 GWh
- Total State Population = 6,958,500
- Electricity Sector Benchmark = 50,588,295 tCO<sub>2</sub>-e

IPART has also released the following figures to assist interested parties with their own forecasts of the NSW pool value and NSW pool coefficient:

- 2006 NSW Pool Value = 0.969 tCO<sub>2</sub>-e/MWh
- 2006 NSW Emissions = 70,010,515 tCO<sub>2</sub>-e
- 2006 Net Sent-Out Generation = 72,222,646 MWh

The annual greenhouse gas benchmark statement has been updated with the key factors and the new version is now available on the GGAS website. Benchmark participants should note that they may not carry forward a shortfall in their greenhouse benchmark in 2007.

## Demand Side Abatement NGACs, Total State Electricity Demand and the demand for NGACs

A unique feature of the GGAS emissions trading scheme is the inclusion of energy efficiency activities. Energy efficiency is typically not included in a scheme because conceptually a "double benefit" is accrued when a certificate is created from reducing electricity demand. This double benefit derives from the fact that the energy efficiency activity (electricity savings) yields two outcomes:

1. the creation of a certificate that can be surrendered to meet targets, and
2. a reduction in future electricity demand, thus making future emissions targets easier to achieve.

To address this double benefit, the Greenhouse Gas Benchmark Rule (Compliance) No.1 of 2003 (the Rule), provides a method to negate the second benefit identified, namely the reduced demand for electricity.

The *Total State Electricity Demand* is one of the key factors for determining the total surrender obligation to meet the *Electricity Sector Benchmark* (see the Key factors article in this edition). Clause 9.2 of the Rule sets out the approach to calculating the Total State Electricity

Demand and includes a procedure for eliminating the double benefit of DSA NGACs that represent electricity savings.

Essentially, the Total State Electricity Demand is determined by summing together the projected state electricity consumption as published in the *TransGrid NSW Annual Planning Report* for the year in question, and the electricity consumption avoided owing to activities that have generated DSA NGACs two years previously.

The following outlines the steps in the process more clearly using the 2007 compliance year as an example.

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- Step 1** Obtain the projected GWh electricity consumption for the financial years 06/07 and 07/08 (as reported in the *TransGrid NSW Annual Planning Report 2006*).
  - Step 2** Combine these two financial year projections to a single 2007 calendar year projection. This figure is the 2007 *Projected electricity consumption* in clause 9.2 of the Rule.
  - Step 3** Obtain the total number of 2005 vintage DSA NGACs created.
  - Step 4** Adjust the 2005 vintage figure (from Step 3), to remove DSA NGACs that have been created from methane destruction (Note, on-site generation projects accredited under the DSA Rule typically create the majority of their DSA NGACs from avoided methane emissions, rather than electricity demand savings).
  - Step 5** Convert the DSA NGACs figure (from Step 4) into GWh, firstly by dividing by the 2005 Pool Coefficient, and then by a factor of 1,000 (converting MWh to GWh).
  - Step 6** **Sum the figures from Step 2 and Step 5 to calculate the *Total State Electricity Demand*.**
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Ultimately, the impact of clause 9.2 is that for any year where there is a spike in DSA NGAC creation, there will be a subsequent spike in the Total State Electricity Demand two years later. In its annual projection of demand and supply, IPART applies the provisions of clause 9.2 to each year of projection.

IPART believes that while the continuing savings of energy efficiency activities may be observed over many years (and thus influence the TransGrid projections), as a legislative creation, the two-year lag approach to energy savings stipulated in clause 9.2 needs to be taken into account when projecting short to medium-term future NGAC demand.

This projection of demand and supply for NGACs is available at

[www.greenhousegas.nsw.gov.au/benchmark/future\\_demand.asp](http://www.greenhousegas.nsw.gov.au/benchmark/future_demand.asp)

## NSW Premier's Public Sector Awards

The GGAS Scheme Administrator team were recently honoured to be presented with a Silver Award in the NSW Premier's Public Sector Awards by the NSW Premier, The Honourable Morris Iemma MP.

The awards which are intended to recognise and reward achievements of excellence in the NSW public sector are presented for categories aligned with the NSW State Plan.

The GGAS team received a Silver Award in the 'Environment for Living' category for its development and operation of GGAS since its commencement in 2003.



The Honourable Morris Iemma MP, Christopher Spangaro (General Manager, GGAS) and Margaret Sniffin (Program Manager, GGAS).

## Registry user guide

The Scheme Administrator maintains an online Registry to support the Scheme.

A User Guide which outlines how to use the Registry as an abatement certificate provider, benchmark participant or member of the public is available on the Scheme website and can be downloaded from [www.greenhousegas.nsw.gov.au/Documents/syn101.asp](http://www.greenhousegas.nsw.gov.au/Documents/syn101.asp)

## GGAS availability during the Christmas period

The GGAS office will be open on all business days during the Christmas period, however operating on minimal staff. If you anticipate requiring assistance during this time please advise the Scheme Administrator in advance at [mail@greenhousegas.nsw.gov.au](mailto:mail@greenhousegas.nsw.gov.au). Any queries regarding the operation of the Scheme during this period should be directed to this email address.

For Registry users, the GGAS Registry will be fully functional during this period however the Registry helpdesk will be closed on all public holidays. Any queries regarding the GGAS Registry can be directed to the Registry helpdesk at 1800 006 797 or email [registry@greenhousegas.nsw.gov.au](mailto:registry@greenhousegas.nsw.gov.au). The helpdesk is available 8.30am-5.30pm Monday to Friday.

## Registry statistics

### Abatement certificates created since the Scheme commenced:

DSA	18,562,457
Generation	35,534,315
Carbon Sequestration	1,292,329
Large User	973,078

### Current accreditations as at 30 November 2007<sup>^</sup>:

DSA	74
Generation	117
Carbon Sequestration	6
Large User	8

### New accreditations in the last 3 months (1 September – 30 November)\*:

DSA	5
Generation	1
Carbon Sequestration	1
Large User	1

<sup>\*</sup>Figures in the 'New accreditations in last 3 months' table are included in the 'Current accreditations' table.

<sup>^</sup>Note, accreditation totals include multiple projects.  
Data as at 30 November 2007