



GGAS Newsletter

Issue 2, December 2006

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Scheme newsletter

Welcome to the second edition of the GGAS Newsletter. The GGAS team at IPART sends the best wishes of the season to all the Scheme participants, stakeholders and interested observers.

The last year has seen debate about climate change, the greenhouse effect and greenhouse gas emissions trading move from the fringe to the centre of political, and perhaps more importantly, economic debate.

Meanwhile, GGAS continues to grow. There are now more than 180 projects accredited and, as outlined below, legislative amendment has resulted in GGAS being extended beyond its original end date of 2012 to 2021, and beyond or until a national emissions trading scheme is in place.

Emissions trading and the measurement and calculation of emission abatement is inherently difficult and GGAS has continued to develop its approaches to this over the past year. Assessment of emissions reductions from coal fired power stations and accrediting energy efficiency 'giveaway' projects have been two key areas of focus during 2006 as a part of the ongoing development of the Scheme.

This has been challenging for the Scheme Administrator and Scheme participants. Throughout the year we have sought to engage and consult with key stakeholders about these developments and will continue to do so.

We look forward to your continued interest in and participation with GGAS during 2007.

Amendments to GGAS

Legislation recently passed through the NSW Parliament to extend the Scheme has also resulted in a number of other key changes to GGAS.

Importantly, the operation of GGAS has been extended until 2021 and beyond, or until a national emissions trading scheme (NETS) is established. If the State governments agree to establish a NETS, there will be a period of transition, and the rights and investments made under GGAS will be considered in developing those transitional arrangements.

The new legislation has also changed the penalty regime. Because GGAS has been extended, it was recognised that the provisions for the penalty adjustment needed to be amended in order to continue the incentives for electricity retailers to abate their greenhouse gas emissions rather than pay a penalty. The current penalty is \$11.50 which will continue to be subject to CPI index adjustments until 2009. From 2010 the penalty will be increased by one dollar each year for four years, and continue to be adjusted by CPI movements.

The amendments allow the Scheme Administrator to publish more detailed data on NGAC and LUAC creation and this will be reflected in the GGAS Annual Report. The deadline for reporting on Compliance in the Scheme has been extended to 31 July each year.

There is also a clearer statement concerning the participation in other schemes, whether mandatory or voluntary, and the need to disclose this to the Scheme Administrator to prevent double counting of abatement.

And finally, the amendments now give the Scheme Administrator the discretion to charge fees when accredited parties apply to have their conditions of accreditation amended. These fees can be charged on a cost recovery basis.

NSW Greenhouse Gas Abatement 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

www.greenhousegas.nsw.gov.au

GGAS

New Standard for Forestry Carbon Sequestration Accounting

The new Australia Standard AS4978.1 *Quantification, monitoring, and reporting of greenhouse gases in forest projects – Part 1 Afforestation and reforestation* was published in November 2006, replacing the interim standard of 2002.

The new Standard has been written to assist project proponents in forestry carbon sequestration regardless of the Scheme or Program the project proponent wishes to participate in. The Standard features four key sections.

1. General requirements; methods to demonstrate eligibility, calculations, reporting, monitoring and data quality and management.
2. Estimating carbon stock change; carbon pools, approaches to modelling and sampling design and measurement.
3. Other greenhouse gas emissions; identification of sources and estimation approaches (not required under GGAS).
4. Uncertainty analysis; identifying sources of uncertainty and calculating the impact of uncertainty on carbon stock change.

The new Standard provides both applicants and existing accredited parties with useful guidance on designing and maintaining a carbon sequestration pool accreditation in GGAS. Of particular use is the direction given with regard to reporting arrangements and the guidance on performing an uncertainty analysis.

Registry statistics

Abatement certificates created since the Scheme commenced:

DSA	8,288,307
Generation	22,456,359
Carbon Sequestration	704,476
Large User	94,277

Number of projects currently accredited: 185

Data as at 30 November 2006

Generation Rule update

Performance Improvement Testing Regimes – Reminder

Generators wishing to create NGACs using Method 2 are required to submit Performance Improvement Testing Regimes (PITRs) to the Scheme Administrator for approval. If you intend creating 2006 vintage NGACs, please ensure your PITR is submitted as soon as possible, so that there is sufficient time for assessment and approval before the NGAC creation window closes.

Determining the Energy Content of Waste Methane

Under the Rule, the fugitive methane emissions avoided directly through the use of waste coal mine gas or renewable energy sources are calculated using Equation 13 and Equation 16.

The Rule sets out three options in both equations for determining the Energy Content of waste methane:

1. using the actual energy content of the waste methane, or
2. a value determined in accordance with an estimation methodology approved by the Scheme Administrator, or
3. a value determined on the assumption that Sent Out Generation represents 36% of the total energy content of all energy sources used.

In respect of Option 2 (above), the Scheme Administrator has determined that the direct metering of gas quality and composition constitutes an approved estimation method for determining the Energy Content of waste methane.

Consistent with the Rule, the Scheme Administrator will consider proposals for approval of alternative estimation methodologies on a case by case basis. The use of the 36% engine efficiency default factor also remains an option for those organisations who do not wish to use the other two options.

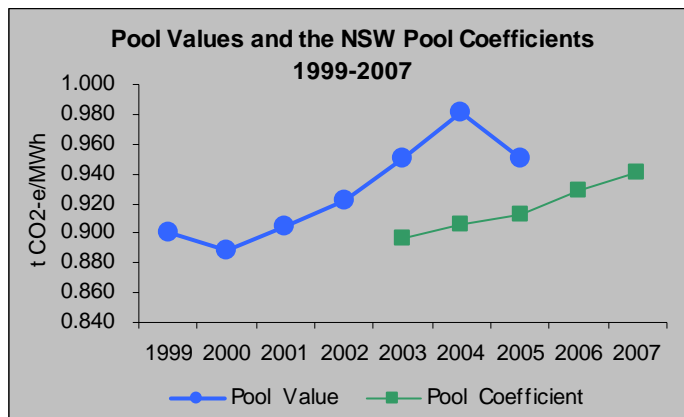


EDL Mugga Lane LFG site (see **Site Inspections** article on the next page).

Increase in 2007 NSW Pool Coefficient

The NSW Pool Coefficient is an indicator of the average emissions intensity of electricity sourced from the grid in NSW. It represents the emissions of greenhouse gases (in tonnes of carbon dioxide equivalent) per MWh of electricity supplied from the 'pool' of major power stations serving the NSW electricity grid. The NSW Pool Coefficient is calculated using Method 1 of the *Greenhouse Gas Benchmark Rule (Compliance) No. 1 of 2003* (the Compliance Rule).

More specifically, it is calculated using data obtained from NEMMCO and 'Category B' generators as deemed by the Compliance Rule. The Category B generators provide details of their fuel sources, fugitive and combustion emissions of greenhouse gases and this is used as a cross check to the NEMMCO data obtained.



The 2007 NSW Pool Coefficient has increased slightly this year to 0.941 (tCO₂-e /MWh), despite a slight decrease in the pool value. The 2005 Pool Value was 3.2% lower than the 2004 value, and coincidentally is the same value as for 2003.

Conversely, the 2007 NSW Pool Coefficient increased by 1.3% despite the decline in Pool Value. This is because of the five year rolling average mechanism to calculate the Pool Coefficient; the 2005 value added to the series (0.950) is higher than the 2000 value removed from the series (0.889).

The Tribunal is in the process of updating its forecast of the NSW Pool Coefficient. In the interim, The Tribunal has published the following figures to assist interested parties with their own forecasts of the pool value and pool coefficient.

- 2005 NSW Pool Value (tCO₂-e /MWh) = 0.950
- 2005 NSW Emissions (tCO₂-e) = 65,896,606
- 2005 Net Sent Out Generation (MWh) = 69,341,455

Any queries regarding the NSW Pool Coefficient can be directed to [Sarah Stanner-Cranston@ipart.nsw.gov.au](mailto:Sarah_Stanner-Cranston@ipart.nsw.gov.au).

2007 GGAS key factors have been determined

Section 97BF of the *Electricity Supply Act* requires that the Tribunal determine and publish the Scheme's key factors no later than 30 November each year for the following year. The determination of the factors must be made in accordance with clause 9 of the *Greenhouse Gas Benchmark Rule (Compliance) No. 1 of 2003*.

Please note that the Tribunal has determined the following 2007 GGAS key factors.

- NSW Pool Coefficient for greenhouse gas emissions (tCO₂-e /MWh) = 0.941
- Total State Electricity Demand (GWh) = 70,595
- Total State Population = 6,896,800
- Electricity Sector Benchmark (tCO₂-e) = 50,139,736

Site inspections

As part of the Scheme Administrator's role in monitoring accreditation compliance with the Scheme, our staff recently undertook site inspections at two of Energy Developments Ltd's (EDL) accredited generating systems located at Jacks Gully (in outer Sydney) and Mugga Lane (in the ACT). The primary purpose of these site visits was to confirm generating unit numbers and nameplate ratings (given EDL notification of expansion in capacity at these generating systems). Metering equipment and data collection systems were also inspected to confirm compliance with Scheme requirements.



Mugga Lane LFG site generating system

Auditor training

The Scheme Administrator maintains a panel of firms which undertake validation and verification audits of benchmark participants and abatement certificate providers (ACPs) as well as providing technical advisory services to the Scheme Administrator. Before undertaking any audits under the Scheme, auditors must attend an auditor induction training session. Training provides an outline of the audit framework used by the Scheme and provides guidance on the appropriate engagement and conduct of audits under the Scheme.

On Thursday 12 October 2006, the Scheme Administrator held its sixth auditor induction training session. At the session, 30 new auditors were trained. This was our largest training session since the first session held in August 2003. The 30 new auditors brings the number of auditors trained by the Scheme Administrator to over 150 from 14 audit firms (including one new applicant firm to the panel).

Training sessions are held based on demand and usually occur every six months. If you wish to register your interest in attending the next training session, please advise Kylie Watts on (02) 9290 8452 or email kylie_watts@greenhousegas.nsw.gov.au.

Annual benchmark statement audits ... just around the corner

All benchmark participants are required to lodge an Annual Greenhouse Gas Benchmark Statement with the Tribunal by 18 March 2007. With only minor exceptions, annual benchmark statements must be independently audited before lodging them with IPART. These compliance audits are necessary to ensure the accuracy of data provided and the quality of the record-keeping systems.

Benchmark participants are reminded that they need to engage auditors from the GGAS audit panel by the end of January 2007 (preferably earlier). Those selected auditors are required to provide their detailed scopes of works and deed polls to IPART for approval prior to commencing the audit. These documents should be emailed to compliance@ipart.nsw.gov.au for assessment and approval.

For more detailed information regarding audits of annual benchmark statements, please visit our website or call Sarah Stanner-Cranston (02) 9290 8449. www.greenhousegas.nsw.gov.au/benchmark/benchmark_compliance.asp

We would welcome feedback on this newsletter as a communication tool. Feedback or enquiries should be directed to Liz Mayfield on (02) 9290 8489 or email liz_mayfield@greenhousegas.nsw.gov.au. More detail about the information provided here can generally be found on the Scheme website at: www.greenhousegas.nsw.gov.au

Auditor tips

Auditors who will be involved in the audit of ACPs accredited for giveaway or sale of AAA-rated showerhead and CFL projects should note changes to the DSA Rule (25 August 2006). Please note in particular from 1 October 2006:

- A new Installation Discount Factor ("IDF") of 0.4 applies to NGACs created from nomination forms signed by original Abators on or after 1 October 2006.
- The new IDF of 0.4 must be applied to all nomination forms which have no date recorded (subject to particular circumstances that will need to be discussed with the Scheme Administrator).
- The previous IDFs of 0.8 for giveaways and 0.9 for sales can only be applied to NGACs created from nomination forms that are signed and dated before 1 October 2006.

To provide auditors with some extra guidance when conducting audits of these DAF projects, it is the Scheme Administrator's view that the application of the relevant IDF will be dependent on the date that the nomination form is signed and not the date that the nomination form is received by an ACP or the date that NGACs are created in the GGAS Registry (please refer to cl.11.8 of the DSA Rule).

As the above changes to the application of IDFs have a significant impact on the number of NGACs that ACPs may be eligible to create from installations covered by each nomination form, the Scheme Administrator advises that when preparing Detailed Scope of Works ("DSWs") or conducting audits of NGAC creation after 1 October 2006, auditors are required to include an examination of the correct application of IDFs based on a split of nomination forms before and after the 1 October 2006 IDF change-over date. Findings in relation to this split of NGAC creation should be included in the Schedule of Findings attached to the audit opinion.

Latest news

25 October Revised application forms and guide to applying for Generation Rule applicants have been uploaded to the website. www.greenhousegas.nsw.gov.au/acp/generation.asp

24 October Over 30 million NGACs have been created.

5 October The GGAS Scheme Administrator has released a new Fact Sheet on Voluntary Surrender www.greenhousegas.nsw.gov.au/documents/syn98.asp

12 September A new form for the submission of Quarterly Activity Statements from all ACPs accredited for showerhead and CFL projects using the Default Abatement Factor Method under the Demand Side Abatement Rule is released. www.greenhousegas.nsw.gov.au/documents/syn97.asp