

NSW Greenhouse Gas Abatement Scheme

Operation of the Scheme and compliance during 2003

Report to Minister



IPART

**INDEPENDENT PRICING AND
REGULATORY TRIBUNAL**
of New South Wales

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Inquiries regarding this report should be directed to:

Michael Seery ☎ 02 9290 8421
Margaret Sniffin ☎ 02 9290 8486

Independent Pricing and Regulatory Tribunal of New South Wales
Level 2, 44 Market Street, Sydney NSW 2000
☎ (02) 9290 8400 Fax (02) 9290 2061
www.ipart.nsw.gov.au

All correspondence to: PO Box Q290, QVB Post Office NSW 1230

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1 INTRODUCTION

The NSW Greenhouse Gas Abatement Scheme (the Scheme) commenced on 1 January 2003. Under the Scheme the Independent Pricing and Regulatory Tribunal (IPART) has two main roles – it administers the Scheme (Scheme Administrator) and it ensures that Benchmark Participants comply with the Scheme (Compliance Regulator).

Having implemented the Government's new greenhouse gas abatement scheme, IPART has prepared its first annual report on the Scheme. This report discusses:

- whether Benchmark Participants have complied with their obligations
- the process for accrediting abatement projects and the number of certificates created for abatement in 2003
- the operation of the Registry
- how the Scheme has developed since it commenced
- issues for the future that have been identified in implementing the Scheme.

There were 31 Benchmark Participants in 2003 (22 of these were compulsory participants). All electricity retailers and other Benchmark Participants have reduced their emissions to their benchmark levels or have carried forward a small shortfall, within the permitted 10 per cent buffer. For the 2003 compliance year, Benchmark Participants have surrendered 1,167,392 certificates. No Benchmark participant incurred a penalty.

In addition, all those parties accredited to create abatement certificates have successfully demonstrated their eligibility to create certificates in compliance with the Scheme's calculation methods.

IPART has accredited 113 projects that were eligible to create certificates for abatement activity in 2003. A total of 6,662,994 abatement certificates have been registered as a result of abatement activity in 2003. As a result there has been a surplus of certificates created to those needed to meet the obligations of the Benchmark Participants for compliance in 2003. However, abatement certificates are bankable enabling those registered early in the Scheme to be used for compliance in future years. The number of certificates required for Benchmark Participants to meet the benchmark levels in future years will be significantly higher. This should provide an incentive for the development of more abatement projects in both the short and medium term.

Looking forward, IPART has established robust processes and systems that will ensure all parties continue to comply with their obligations under this groundbreaking scheme in coming years.

Under the Act IPART may delegate the exercise of its functions to another person or body. During the year 2003, the Tribunal delegated its functions as Scheme Administrator to a Committee comprising Dr Tom Parry and Mr James Cox. From 1 May 2004, the Committee has comprised Mr James Cox and Mr Peter Egger.

2 OVERVIEW OF THE SCHEME

The NSW Greenhouse Gas Abatement Scheme is one of the first mandatory greenhouse gas emissions trading schemes in the world. The Scheme is enforced by amendments to the *Electricity Supply Act 1995* (the Act) and the *Electricity Supply (General) Regulation 2001* (the Regulation), and five Greenhouse Gas Benchmark Rules¹ approved by the Minister for Energy.

The Scheme requires NSW electricity retailers and certain other parties, collectively referred to as Benchmark Participants, to meet mandatory targets for reducing the emission of greenhouse gases from the production of the electricity they supply or use. Enforceable annual reduction targets are in place for calendar years 2003 to 2012.

To reduce the costs of compliance for the Benchmark Participants, persons carrying out activities in NSW that abate greenhouse gases can seek accreditation under the scheme to create abatement certificates. Benchmark Participants may purchase and surrender these off-setting certificates to reduce the average emissions attributable to them. The scheme has established a registry to evidence the creation, transfer and ultimate surrender of abatement certificates.

2.1 Structure of the Scheme

Figure 1 illustrates the structure of the scheme and its key participants. Benchmark Participants can reduce the average emissions intensity of the electricity they supply (or use) by purchasing abatement certificates from accredited abatement certificate providers and surrendering these to IPART in its capacity as Compliance Regulator.

In its role as Scheme Administrator, IPART accredits parties carrying out abatement projects, thereby allowing them to create tradeable abatement certificates. These certificates are created by applying the methodologies described by the Greenhouse Gas Benchmark Rules and then registering the certificates on the Scheme Registry. When certificates are surrendered to IPART they are marked as 'surrendered' on the Registry, preventing them from being used again.

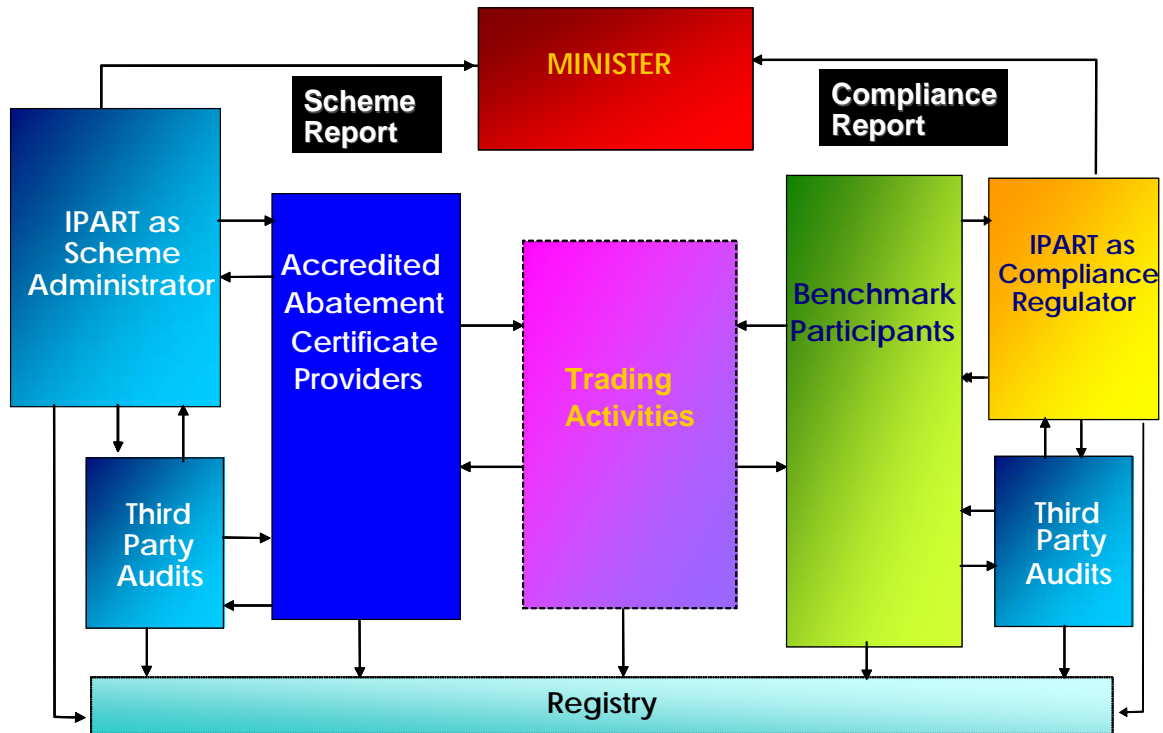
2.2 Benchmark participants

The Act automatically enforces benchmark targets on all NSW electricity retail suppliers, one Market Customer, which takes electricity supply in NSW directly from the National Electricity Market, and two generators which supply electricity directly to large customers in NSW.

In addition, nine companies which used over 100 GWh of electricity in 2003 have elected to manage their own benchmarks (these are known as 'elective participants'). As a result, the retailers supplying these customers do not manage a benchmark for the load supplied to those customers (and hence do not seek to pass on the costs of compliance with the Scheme).

¹ The five Rules are: No. 1 - Compliance, No. 2 - Generation, No. 3 - Demand Side Abatement, No. 4 - Large User Abatement Certificates, No. 5 - Carbon Sequestration.

Figure 1 Structure of the scheme and key participants



2.2.1 Greenhouse Gas Benchmarks

The scheme establishes annual per capita benchmarks for greenhouse gas emissions by the NSW electricity sector as a whole (the Electricity Sector Benchmarks) as shown in Figure 2. It also establishes rules for converting these Electricity Sector Benchmarks into annual benchmarks, expressed in permitted tonnes of emissions each year, for each Benchmark Participant.²

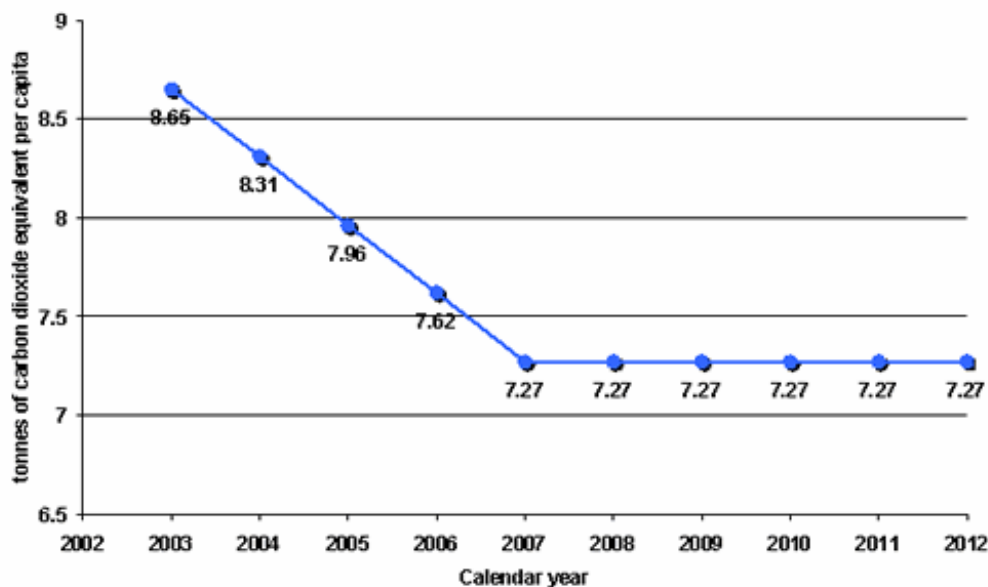
As shown in Figure 2, the Government has set a state-wide benchmark of reducing greenhouse gas emissions from electricity generation and use in NSW to 7.27 tonnes of carbon dioxide equivalent (tCO₂-e) per capita by 2007. This target is 5 per cent below the equivalent NSW per capita emissions in 1989-90, which is the baseline measurement year used in the Kyoto Protocol.

To ensure continual progress towards this target, progressively tighter targets have also been set for each year leading to the final 2007 level. The 7.27 tCO₂-e benchmark level will then be maintained until at least 2012, with 2008 to 2012 being the first measurement period under the Kyoto Protocol.

The NSW Department of Energy, Utilities and Sustainability estimates that the NSW Scheme's **per capita** emissions targets would, if expanded to all greenhouse gas emissions in Australia, achieve **absolute** reductions in emissions equivalent to about half that which would be required in the first measurement period if Australia ratified the Kyoto Protocol.

² Greenhouse Gas Benchmark Rule (Compliance) No. 1 of 2003.

Figure 2 Per capita emissions benchmark for NSW electricity sector



Each Benchmark Participant is responsible for meeting their share of reducing the NSW Electricity Sector Benchmark. For example, if an electricity retailer sells 5 per cent of total electricity sales in NSW, they are responsible for meeting 5 per cent of the required reduction applied to the NSW Electricity Sector Benchmark. Elective participants must meet identical reduction targets in respect of their own purchases of electricity for the sites they have nominated to be a part of the Scheme.

2.2.2 Compliance reports

Benchmark Participants must submit annual compliance statements to IPART confirming their electricity sales (or purchases for elective participants), greenhouse gas benchmark, the abatement certificates surrendered, and any credit sought for the surrender of renewable energy certificates (RECs) under the Commonwealth Mandatory Renewable Energy Target (MRET) scheme.³

To standardise and streamline Benchmark Participants’ compliance reports, IPART has developed a reporting template and a guide to completing the template (these documents are available from the Scheme website). Returns are also audited to ensure accuracy of the data and the quality of the record-keeping systems that provide that data.

If Benchmark Participants do not reduce their average emissions to the benchmark level they will incur a financial penalty of \$10.50 per tCO₂-e for the amount of the shortfall.⁴

³ The Office of the Renewable Energy Regulator (ORER) is a statutory authority established to oversee the implementation of the Commonwealth Government’s mandatory renewable energy target.

⁴ This penalty applied for Compliance Year 2003 and is to be adjusted each year for inflation.

However, to provide some flexibility to the scheme, a Benchmark Participant may carry forward a shortfall of up to 10 per cent of their benchmark to the following year without incurring a penalty. If the amount carried forward is not abated in the following year, the Benchmark Participant will be subject to a penalty at the end of that year.

2.3 Abatement certificate providers

The main way in which Benchmark Participants can reduce the per capita emissions for which they are responsible is by purchasing NSW greenhouse abatement certificates (NGACs) and surrendering these to IPART when they lodge their compliance report.

NGACs are created by persons carrying out greenhouse gas abatement projects that are eligible to seek accreditation under the Scheme's Rules. Persons are eligible to seek accreditation if they:

- reduce the greenhouse gas intensity of the electricity they generate
- reduce, or increase the efficiency of, their consumption of electricity (referred to as demand side abatement)
- manage forests so as to capture and retain carbon from the atmosphere (referred to as carbon sequestration).

The Scheme also allows some large electricity customers to claim credit for reducing on-site emissions of greenhouse gases from (non-electricity related) industrial processes at sites which they own and control. These large users can create Large User Abatement Certificates (LUACs). These certificates are not tradeable and may only be used by the large user to offset its own greenhouse emissions associated with the electricity it uses.

Four of the Greenhouse Gas Benchmark Rules correspond to each of these areas of eligible abatement activities. The respective Rules set out the eligibility criteria and greenhouse gas accounting methods which participants must use to determine how much abatement, and hence how many abatement certificates, their project creates.

2.4 IPART's functions

IPART has two main functions under the Scheme. The first of these, Compliance Regulator, relate to IPART's current role as Licence Regulator for energy licence holders in NSW. The second, Scheme Administrator, relates to IPART's role administering the Scheme as a whole.

2.4.1 Compliance Regulator functions

IPART conducts certain core functions of the Scheme, such as:

- determining the NSW Pool Coefficient, which is the average emissions intensity of all electricity supplied to NSW customers in a particular year
- monitoring and reporting to the Minister on Benchmark Participants' compliance
- imposing penalties on Benchmark Participants if they fail to meet their benchmarks.

2.4.2 Scheme Administrator functions

The Scheme Administrator is appointed by the Minister for Energy to oversee the:

- accreditation of abatement certificate providers
- administration of the Registry
- auditing of greenhouse gas abatement activities which abatement certificate providers wish to (or have already) reflect in abatement certificates
- monitoring and reporting to the Minister on abatement certificate providers' compliance with the Scheme Rules and their conditions of accreditation.

IPART is currently the Scheme Administrator, but the Minister may appoint an alternate organisation to perform some or all of the Scheme Administrator's functions.

3 BENCHMARK PARTICIPANTS

Table 1 lists the Benchmark Participants in 2003. To demonstrate their compliance, these Benchmark Participants need to correctly calculate their benchmark (permitted emissions), the emissions for which they are responsible, and the number of abatement certificates that must be surrendered to bring the two into line.

Enforceable targets have been set for the nineteen electricity retailer suppliers, one Market Customer and two generators listed in the first two columns of Table 1. In addition, the nine companies listed as elective participants in Table 1 have elected to manage their own benchmarks in 2003.

Table 1 Benchmark Participants

Electricity Retailers	Other mandatory participants	Elective Benchmark Participants
ActewAGL Retail ⁴	Delta Electricity ¹	Boral Limited
AGL Electricity	Macquarie Generation ¹	Carter Holt Harvey Wood Products Australia
AGL Victoria	Tomago Aluminium Co P/L ²	Hydro Aluminium Kurri Kurri
Aurora Energy ³		Norske Skog Paper Mills (Australia) Ltd
Australian Energy Services ³		OneSteel NSW Pty Ltd
Australian Inland Energy & Water Infrastructure		OneSteel Trading Pty Ltd
CitiPower Pty Ltd ⁴		Orica Australia Pty Ltd
Country Energy		Port Kembla Copper Pty Ltd
Energex Retail		Visy Paper Pty Ltd
EnergyAustralia		
Eraring Energy ³		
Ergon Energy (Victoria)		
Ferrier Hodgson Electricity		
Integral Energy Australia		
Jackgreen (International) ³		
Origin Energy Electricity		
Powercor ⁴		
TXU Electricity		
Yallourn Energy		

Notes:

- 1 Generator prescribed in the *Electricity Supply (General) Regulation 2001*.
- 2 Registered with NEMMCO as a Market Customer, being an electricity customer taking supply directly from the National Electricity Market.
- 3 These participants did not supply (directly under their licences) electricity in NSW during the compliance year and hence had zero benchmark.
- 4 These companies did not directly purchase electricity from the National Electricity Market, their respective electricity sales were taken account by the benchmark participants who purchased electricity from the National Electricity Market on their behalf.

3.1 2003 Compliance summary

The 31 Benchmark Participants have lodged their 2003 Annual Greenhouse Gas Benchmark Statements with IPART. Seven of these were from Benchmark Participants with zero electricity purchases in 2003 and were not audited. The remaining 24 statements were audited.

Benchmark Participants surrendered 1,167,392 NGACs and 544,518 RECs (as shown in Table 2) to meet their benchmark targets for 2003. There were no LUACs surrendered in 2003.

Table 2 Abatement Certificates surrendered in 2003

Type of Abatement Certificates	Number
NGACs surrendered –	
Demand Side Abatement	53,217
Generation	1,114,175
Total	1,167,392
LUACs surrendered	Nil
RECs surrendered¹	544,518

Note:

- 1 Benchmark Participants can count towards their benchmark RECs surrendered under the *Renewable Energy (Electricity) Act 2000* (Cth) associated with electricity purchases in NSW. RECs surrendered under the Commonwealth scheme are not directly equivalent to NGACs. They are multiplied by the NSW pool coefficient to become equivalent. RECs equivalent to 488,432 NGACs were counted towards Benchmark Participants' greenhouse benchmarks. RECs have a significant impact on compliance with the Scheme as they represent 30.4% of the total number of abatement certificates surrendered in 2003.

Twenty Benchmark Participants reduced their average emissions intensity to the required level for the 2003 compliance year. The remaining four Benchmark Participants did not meet their 2003 benchmarks, but chose to carry forward small shortfalls as shown in Table 3. No greenhouse penalty was therefore applied for the 2003 compliance year.

Table 3 Benchmark Participants carrying forward a shortfall to 2004

Benchmark Participant	Greenhouse Shortfall (% of benchmark)
Carter Holt Harvey Wood Products Australia	1.03%
Ergon Energy (Victoria)	0.35%
Ferrier Hodgson Electricity	0.1%
Yallourn Energy	2.49%

As this was the first year of the Scheme some minor issues arose in the compliance reporting of the Benchmark Participants. However, in the majority of cases, there was no impact on the annual benchmark statements.

There were two exceptions where adjustments to annual statements were made. Country Energy, due to an incorrect exempt sales figure, submitted more abatement certificates than was required. Boral Limited made a small error in determining its 'total electricity sold' figure. As a consequence, Boral Limited surrendered a further 1,253 NGACs to fully comply with their 2003 greenhouse benchmark. Both these adjustments have been made.

IPART intends to further clarify the requirements of the Scheme through improved guides and increased communication so that these minor problems can be avoided in future years.

3.2 Compliance Assessment Process

Annual Greenhouse Gas Benchmark Statements submitted by participants are independently audited. Auditors are appointed by the Participants from a Panel (the Audit and Technical Services Panel) established by IPART as the Scheme Administrator.

Auditors are required to have a sound understanding of the Scheme and the audit framework, as it is fundamental to ensuring audit activity is undertaken in a rigorous, systematic and consistent manner and meets IPART's requirements.

To assist in IPART's assessment of the first annual Greenhouse Gas Benchmark Statements, IPART engaged two consultants to perform:

- an audit performance review
- a review of Distribution Loss factors (DLFs).

3.2.1 Audit Performance review

Since this is the first year of the Scheme, IPART engaged a consultant to review audit performance. As part of this process, the consultant reviewed audit scopes, working papers and interviewed the auditor firms involved. The consultant also reviewed elements of the Scheme including the surrender of RECs. This review found that:

- the audit process established by IPART worked well
- no material errors were identified in the Annual Benchmark Statements
- further clarity of the Scheme would be desirable in some areas.

IPART has generally accepted the findings of the report and will act upon its recommendations where appropriate.

3.2.2 Distribution Loss Factors

Distribution Loss Factors (DLFs) are values of the electrical losses calculated for various points in the electricity distribution network. The Greenhouse Gas Abatement Scheme takes account of all electricity purchased (including provisions for losses) for use in NSW. As a consequence, DLF calculations are an important component in determining a Benchmark Participant's obligations under the Scheme.

There are various methods that could be used to calculate DLFs and relatively small changes to these factors can have a significant impact when determining a Benchmark Participant's abatement obligation.

IPART notes that the majority of retail suppliers chose to use the default DLF values defined in the Compliance Rule to calculate total electricity sold. The only exceptions were EnergyAustralia and Ergon Energy. The consultant engaged by IPART found that the methodologies used by EnergyAustralia and Ergon Energy to determine their respective DLFs complied with the Compliance Rule.

To provide greater clarity in the determination of DLF values in future years, changes to the Compliance Rule are being developed (see section 5.2.1 for further details). Changes to the Compliance Rule will be subject to further consultation before implementation.

4 ABATEMENT CERTIFICATE PROVIDERS

The Scheme Administrator has accredited a total of 113 projects to create certificates for abatement in 2003. Each of these has successfully demonstrated that they are eligible to create certificates in accordance with the Scheme's Rules and calculation methods.

A further nineteen applications are either currently being processed or have not yet been accredited for the following reasons:

- the applicants were not able to demonstrate they were eligible to create abatement certificates under the Scheme
- the applicant requested that the application not proceed at this stage due to either competing priorities or other commercial incentives
- the projects submitted for accreditation were not yet operational.

In relation to this last point, the Scheme Administrator did not have discretion under the then current Rules to consider future projects. This situation has resulted in amendments to the Rules to allow these types of projects to be considered by the Scheme Administrator.

The Scheme Administrator has established procedures to accredit persons as abatement certificate providers (accreditation) and to register abatement certificates. These procedures require a high level of assurance and hence auditing at appropriate points. As well, the procedures for accreditation, registration and on-going reporting enable the Scheme Administrator to monitor whether Abatement Certificate Providers are complying with the Scheme Rules and conditions of accreditation. During the year 2003, there has been a high level of compliance.

4.1 Accreditation

The Scheme Administrator has established systems and procedures that provide four phases to the accreditation process. These phases are discussed briefly below.

4.1.1 Application

Parties seeking accreditation must apply to the Scheme Administrator. The application includes:

- A completed application form including details of record keeping arrangements and other eligibility criteria.
- Supporting documentation relating to any calculations that have been performed in completing the Application Form.
- An application fee of \$500.

To assist applicants in applying under each Rule, the Scheme Administrator has prepared relevant *Guides to Applying to become an Accredited Abatement Certificate Provider*, case studies relevant to each Rule and a *Guide to Record Keeping for Abatement Certificate Providers*. The Tribunal has published these guides and case studies on its website (www.greenhousegas.nsw.gov.au) and continues to update these communication tools.

4.1.2 Assessment by the Scheme Administrator

The Scheme Administrator reviews each application and may request additional information to assist with the assessment of the application.

The Scheme Administrator may also require that an audit be conducted in relation to the application. Any such audit will focus on substantiation of matters associated with eligibility for accreditation which may include assessment of whether metering equipment and record keeping processes meet the criteria set by the Scheme Administrator.

4.1.3 Audit

The Scheme Administrator has developed a framework for requiring an independent third party audit of some elements of potential abatement certificate providers' compliance with the Scheme. This audit framework is described in some detail in Attachment 1.

Each independent audit activity is undertaken in accordance with an audit scope determined by the Scheme Administrator and a detailed scope of works developed by the auditor and agreed by the Scheme Administrator. The audits are undertaken as tripartite engagements where the auditor performs the audit of the applicant (auditee) for the Scheme Administrator (client). The focus of audits conducted to date has been to substantiate the information and documentation contained in the application. Examples include:

- Eligibility for accreditation.
- Calculations made to determine total greenhouse gas emissions or baselines.
- Appropriateness of selected calculation methods.

For each audit, the Scheme Administrator engages an auditor from an Audit and Technical Services Panel, generally through a competitive quote process. Audit costs are borne by the applicant. Once an auditor's detailed scope of works is approved by the Scheme Administrator, the applicant is given the choice to either accept the auditor and quote, ask for further quotes to be obtained, or withdraw the application. There is no penalty for withdrawing an application. To date, no applicant has withdrawn or requested alternative quotes for audits.

Many applicants have bundled projects together in the audit phase to spread audit costs. So far over 30 audits of applications have been completed (some for multiple projects).

4.1.4 Approval and Registration

Based upon its review of the completed Application Form, supporting documentation and the results of any audit undertaken, the Scheme Administrator determines if the applicant should be accredited as an abatement certificate provider (ACP).

The Scheme Administrator notifies successful applicants and lists them on the Registry as an ACP. The Scheme Administrator advises the applicant of any specific conditions of their accreditation. The Registry provides relevant registration information.

The Scheme Administrator has adopted a risk-based approach to determine whether audit activity should be conducted before or after the registration of Abatement Certificates. The initial risk ranking for each ACP is determined at the time when the Scheme Administrator accredits the ACP but can be revised at a later date based on the ACP's record of compliance with the Scheme.

4.2 Supporting documents and systems

The Scheme Administrator conducted a series of trial accreditations during April to July 2003 with a limited number of applicants from each category of potential abatement certificate provider (except for Carbon Sequestration). With the benefit of the trials, the Scheme Administrator has developed a set of documents for persons interested in becoming an accredited abatement certificate provider. The Scheme Administrator has published these documents on its website. Further detail is contained in Attachment 3.

These documents include:

- Separate application forms for accreditation under each Rule.
- Guides to applying to become an accredited abatement certificate provider under each Rule.
- A Guide to Record Keeping for Abatement Certificate Providers.
- General Conditions of Accreditation for each class of abatement activity recognised by the Scheme.
- Detailed case studies of the trial accreditations.

The Scheme Administrator has also prepared a number of case studies based on a selection of accreditations that occurred during the first year of the Scheme's operation. These case studies require consent from the accredited parties and will be published as they become available.

4.3 Current applications and accredited parties

The Scheme Administrator has been accepting applications for accreditation since 27 August 2003. Since then it has received 132 applications for accreditation of individual abatement projects and has accredited 113 of these as shown in Table 4.

Table 4 Applications for accreditation as abatement certificate providers

	Generation	Demand Side Abatement	Large Users – non-electricity	Carbon Sequestration
Accredited	63	49	1	0
In progress	12	4	1	2
Total: 132	75	53	2	2

Note: this table includes applications for projects that will be eligible to create certificates from 1 January 2004 only.

At this early stage of the Scheme, most abatement projects have come from electricity generation or demand side abatement projects already in place prior to the official commencement of the Scheme.

Many of the accredited generation projects were commenced under a previous voluntary greenhouse scheme in place in NSW from 1995 to 2001, or were facilitated by the Commonwealth MRET scheme. Similarly, many of the Demand Side Abatement projects were part of the Sustainable Energy Development Authority's (SEDA) Energy Smart Business Program.

In future years, the incentives offered by the Scheme will encourage the development of new projects across each of the four types of activities currently covered by the Scheme Rules. Already the Scheme Administrator has received its first applications for accreditation in respect of carbon sequestration projects. This aspect of the Scheme is completely unique as no other scheme in the world allows for carbon sinks, such as forests, to create permanent abatement certificates. Applications under the Carbon Sequestration Rule are being considered as part of a pilot accreditation process, similar to the trial accreditations conducted in 2003, whereby the Scheme Administrator and applicant work together to develop the appropriate set of legal instruments to ensure compliance with the Scheme Rules, in particular the requirement that the abatement be secured for 100 years.

Similarly, the nine large electricity users which have elected to manage their own benchmark will in future years begin to identify significant non-electricity-related abatement projects at the sites covered by their elections. This should enable large users to continue to be insulated from the electricity retailers' cost of compliance while also minimising their own cost of compliance.

Ultimately, the balance of abatement projects across the different Rules will reflect the relative cost of achieving abatement from the activities that are eligible, and will reveal considerable information on the costs and benefits of various abatement options. This information will be vital to the future development of NSW and Australian greenhouse policy.

4.4 Registration of abatement certificates

The Scheme Administrator maintains an on-line registry to support the scheme. The Registry maintains registers of accredited abatement certificate providers and the abatement certificates they have created. The Scheme Administrator has engaged LogicaCMG to develop and operate the Registry. LogicaCMG worked closely with the Scheme Administrator to design and develop a robust and user-friendly registry. The registry is integral to the successful operation of the Scheme. As well as providing a public interface, the Registry enables the Scheme Administrator to manage the integrity of the creation, transfer and surrender of certificates. A more detailed description of the Registry is provided in Attachment 2.

Abatement certificate provides, Benchmark Participants and members of the public may access the Registry. Certificate providers login to the Registry to register their certificates and to facilitate the transfer of them to Benchmark Participants. Benchmark Participants login to the Registry to accept the transfer of certificates, manage their holdings, and ultimately surrender sufficient certificates to meet their compliance obligations. However, the Registry is not a trading platform and does not perform any price or clearance functions

apart from validating change in ownership. Members of the public may either login as a “Guest” or may register either as an organisation or as an individual.

Certificates can be banked and used to meet future years’ compliance. However, certificates from a later year cannot be used to meet compliance in previous years. For example, certificates with a 2004 vintage reflect abatement that occurred in 2004 and hence cannot be surrendered towards reducing a Benchmark Participant’s average emissions intensity in 2003. By contrast, banking certificates until they are surrendered in later years is permitted as in effect the abatement has been achieved before it was required.

Table 5 shows the number of certificates registered to date and relative proportions of these that have been surrendered to meet 2003 benchmarks and carried forward to meet future years’ benchmarks.

Table 5 Abatement certificates created to date

Rule	Registered	Surrendered	Balance
Demand Side Abatement – 2003 Vintage	345,141	53,217	291,924
Generation – 2003 Vintage	6,317,853	1,114,175	5,203,678
Total for 2003	6,662,994	1,167,392	5,495,602

Demand Side Abatement – 2004 Vintage	25,905	0	25,905
Generation – 2004 Vintage	954,278	0	954,278
Total for 2004	980,183	0	980,183

Total – all vintages	7,643,177	1,167,392	6,475,785

4.5 On-going audit and reporting requirements

In designing an on-going audit regime for Abatement Certificate Providers, the Scheme Administrator has adopted a risk-based approach. When assessing an application for accreditation, the Scheme Administrator considers:

- the size and complexity of the project and the number of likely certificates it will create
- the type of technology and whether the project involves the use of a proven technology
- the size and financial resources of the applicant in the event there are compliance issues in the future.

Based on the above, and following the audit/verification part of the assessment process, the Scheme Administrator determines the on-going audit and reporting requirements. These are set out in the Special Conditions of Accreditation.

Generally the Scheme Administrator will require an annual report to be submitted which confirms the project is still in place and materially unchanged, and the record keeping arrangements are still current.

If the project is large and/or complex, it is likely that an annual audit of certificate creation will be required. In some cases, an audit prior to registration of certificates is required. However, in most cases a combination of periodic and spot audits are considered sufficient.

The Scheme Administrator will also monitor performance over time and reward good performance through less onerous on-going audit requirements. Likewise, poor performance may see an adjustment to the Conditions of Accreditation to require more regular auditing and reporting.

5 ISSUES FOR THE FUTURE

One of the benefits of the Scheme is that through the Benchmark Rules and the wide discretion given to the Scheme Administrator, the details of the Scheme can be adapted to reflect the learning gained during its implementation. Since the commencement of the Scheme, the Scheme Administrator has:

- Developed systems and procedures for the operation of the Scheme.
- Conducted trial accreditations under the Rules.
- Communicated with Scheme participants (current and potential) through workshops, one-on-one meetings, and the Scheme website.
- Accredited 113 abatement projects.

Through these experiences the Scheme Administrator has identified a number of issues in applying the Rules, come across a number of policy issues that needed to be addressed and learned a great deal about the practicalities of implementing a robust and high-integrity mandatory emissions trading scheme. In response, Rule changes were made by the Minister in October 2003 and June 2004 improving the clarity and consistency of the five Benchmark Rules. The Scheme Administrator has also initiated various reviews and investigations (both internally and with the help of consultants) to further understand and address the policy issues that have arisen, and the Scheme Administrator is using its experience in implementing this groundbreaking scheme to further refine its own systems while contributing to the development of a National emissions trading scheme.

5.1 Adjustments to the Scheme Rules

The Scheme Administrator notes that the Rules are highly complex and detailed. It is only when this detail and complexity is explored through the implementation of the Scheme that practical difficulties in the Rules become apparent. In running the trials of the Scheme in 2003, the Scheme Administrator discovered some deficiencies in the Rules. Consequently the (then) Ministry of Energy and Utilities undertook a consultation process leading to amendments coming into effect from 3 October 2003.

As further applications for accreditation were received and processed, and the amended Rules applied, a number of further issues arose. These have led to a second round of changes to the Rules in June 2004. These more recent changes to the Rules should make significant improvements in the clarity and operation of the Scheme and allow a much greater level of certainty for current and future Scheme participants.

5.2 Policy issues arising during 2003

During the year, the Scheme Administrator has been able to test the Demand Side Abatement Rule and the Generation Rule. The Scheme Administrator has also trialled the LUAC Rule. The Compliance Regulator has tested the operation of the Compliance Rule. A pilot accreditation process under the Carbon Sequestration Rule is currently underway and may raise some issues that will need to be addressed in the future.

Below is a brief description of some of the key policy issues that have been (or continue to be) investigated and addressed by the Scheme Administrator and/or compliance regulator.

5.2.1 Benchmark Participants' Distribution Loss Factors

The Compliance Rule requires Benchmark Participants to adjust energy purchases by the Distribution Loss Factor (DLF). The Rule as written allows the benchmark participant the discretion to either calculate a DLF or to use a default value. The Rule does not give any guidance on when to use either option or require that the same option be used throughout the calculations, creating some uncertainty for the Benchmark Participants and the auditors attempting to provide assurance over the calculations.

For the 2003 Compliance Year, one Benchmark Participant chose to use a calculated value and the default value in different circumstances, thereby significantly reducing the overall number of certificates that it needed to surrender. While this approach strictly complies with the Rules, it is not how the Scheme was intended to operate.

The Compliance Rule will be amended (in line with the June 2004 changes to the Rules) to make this aspect of the calculations clearer. It is proposed that, rather than prescribing a DLF to apply, the Rule could set out a prescriptive methodology for the Benchmark Participant to follow. The Auditor would then test whether the calculations have been made in accordance with the methodology.

5.2.2 Joint baselines under the MRET scheme

Under the Generation Rule an OREC assigned REC Baseline (as determined under the MRET scheme) is used as a basis for establishing a generating system's NSW Production Baseline under the NSW Scheme. An application from a power station highlighted a discrepancy in the Rule in regard to how the Scheme Administrator should treat a 'grouped' REC Baseline for two (or more) separate generating systems under the NSW Scheme. The discrepancy occurred as the power station was accredited as a group under the MRET Scheme but had been identified as being two distinctly separate Generating Systems when assessed under the NSW Scheme. The Generation Rule provided no guidance on how this should be considered.

This problem was raised with the (then) Ministry of Energy and Utilities and was subsequently addressed in the 3 October 2003 revision of the Generation Rule. A new clause was inserted providing the Scheme Administrator with discretion to decide whether to split a combined REC Baseline between the relevant generating systems or to treat the combined group as the one generating system.

5.2.3 Level of proof for Default Abatement Factors Method

One approach to calculating the number of NGACs from a Demand Side Abatement project is the Default Abatement Factors Method. This method may be applied to projects that install common energy efficient equipment such as AAA-rated showerheads, compact fluorescent lamps and natural gas hot water systems. The policy intent of the method is to allow accredited ACPs to easily claim NGACs for common, proven technology that is installed at a large number of different locations.

Under this approach, the number of NGACs over the life of the installation is specified by a Default Abatement Factor. For example, a natural gas hot water system replacing an electric hot water system earns 20 NGACs. However, the Rule also required that ACPs demonstrate that the equipment remained in place and operative for a specified period. In implementing the Scheme, it became apparent that the cost of providing this evidence would have a very negative impact on the financial viability of these projects as well as providing significant problems for auditors attempting to provide assurances over the eligibility of the ACPs.

To assist in considering applications, the Scheme Administrator commissioned a technical review of the Default Abatement Factors Method. As a result of this review, the Department of Energy, Utilities and Sustainability amended the DSA Rule to remove the reference to the life of the installation. Under the amended Rule, an Installation Discount Factor is applied to take account of the risk that some items may not be installed or may be removed early, thus reducing the evidentiary burden on ACPs and allowing these valuable DSA projects to create an appropriate number of NGACs.

5.2.4 Implementing the Carbon Sequestration Rule

The Carbon Sequestration Rule was the last of the Rules to be trialled. A pilot accreditation program was commenced in November 2003 and so far three potential applicants have joined the program. Their proposals range from oil mallee strip plantations in salinity-affected wheat farms to bio-diverse rainforest plantations in the north-east of the State. The pilot program has highlighted two major challenges with implementing the Carbon Sequestration Rule.

The first major challenge lies in the quickly developing field of carbon accounting in forests. This area of greenhouse accounting is moving quickly which provides a level of uncertainty regarding both the Kyoto consistency of the methodologies used and the appropriate levels of accuracy in the calculation of NGACs. Active monitoring of these developments by the Scheme Administrator as well as active recalibration and review of methodologies by Abatement Certificate Providers will be required to ensure that implementation of the Carbon Sequestration Rule retains its leading edge status and Kyoto consistency.

The second major challenge relates to the permanency requirements embedded in the Regulation and the Carbon Sequestration Rule. Abatement Certificate Providers are obliged to maintain the sequestered carbon stocks that have been used to create NGACs for 100 years from NGAC creation. Given that the formal powers of the Scheme Administrator are currently set to end in 2012, this poses challenges for the monitoring and enforcement of the maintenance requirement over the remaining 90 plus years of the obligation. The Scheme Administrator is actively investigating legal instruments, such as Deeds of Undertaking and Restrictions on Use, to provide an appropriate framework for Abatement Certificate Providers, large and small, to pursue their forestry projects and provide to the Scheme

Administrator the required level of assurance that the carbon stocks will not be lost well after the resulting NGACs have been created and traded.

5.2.5 Tightening up the Generator Efficiency Standards calculations

The GES Calculation Methodologies are used by generating systems that produce relatively high emissions (compared to the NSW Pool Coefficient) but are taking measures to reduce their greenhouse intensity. The Methodologies were published by the Australian Greenhouse Office (AGO) in January 2001 and are currently under review. It is anticipated that the AGO's review will include the updating of referenced Australian Standards as well as an examination of how targets (or Lower Bounds) for individual generators are calculated.

The Scheme Administrator is also examining the potential to set targets for generators specific to the Scheme while still using the well accepted GES Calculation Methodologies. This would allow baselines for individual generators to be more in line with the Scheme's recognition and commencement dates (1 January 2002 and 1 January 2003 respectively) and provide greater incentives for generators to take action that will have both incremental and significant impacts on their greenhouse intensity as well as their ability to create NGACs.

In line with that objective, the Scheme Administrator is also investigating the practicalities and potential for generating systems to calculate the greenhouse intensity of their operations on a real-time basis. The introduction of the National Electricity Market and the use of computerised price tracking has highlighted the impact that real-time visibility of performance indicators (such as NEM pool price) can have on the behaviour of generators.

Given the volume of greenhouse emissions from the electricity generation sector, and the very high potential for abatement, the Scheme Administrator is keen to explore what impact real-time visibility of greenhouse intensity might have on the day-to-day operation of generating systems and their efforts to minimise greenhouse emissions. At least one of the generating systems already accredited under the Scheme is actively pursuing the potential for greenhouse intensity to be calculated on 30 minute intervals and it is anticipated that new Digital Control Systems installed on many of the older generating systems will be capable of providing similar resolution.

5.2.6 Default Factors used in estimating Energy Content of Waste Methane

Under the Generation Rule generators using waste methane as fuel can create NGACs through the avoidance of methane emissions. The electricity produced is usually used to create RECs. Generators in this situation must measure the energy content of the waste methane that they are burning or, where they are unable to measure this, they may estimate the energy content of the fuel using a default factor for the efficiency of the generator. In the initial version and in the October 2003 version of the Generation Rule, the default factor was 30 per cent.

A generator with a higher efficiency will burn less waste methane for each unit of electrical output, and hence create a lower number of NGACs from the avoidance of methane emissions. Generally, actual generator efficiencies are higher than the 30 per cent default value, providing the generators with an incentive to use the default values rather than measuring actual efficiencies.

The default factor was changed to 36 per cent in the June 2004 amendments to the Generation Rule. This was intended to give generators an incentive to measure their actual efficiencies rather than simply using the default. However, in changing the Rule the Department of Energy, Utilities and Sustainability has recognised that many generators would be disadvantaged by the new default value. For example, many business investment decisions had been made based on the use of the 30 per cent energy content factor in calculating how many NGACs could be created from the project. Therefore, transitional arrangements were put in place allowing ACPs accredited on or before 31 December 2004 to continue to apply the 30 per cent default factor up to 31 December 2007. The new factor applies thereafter.

5.2.7 The Election Process for Large Users

Large electricity users (and persons operating projects of State significance) can elect to manage their own benchmarks by electing in as a Benchmark Participant. Companies make informed choices whether it is in their economic interest to directly participate and potentially insulate themselves from the costs that electricity retailers look to pass on to customers as a result of the Scheme.

However, in assessing applications to elect into the Scheme, it was discovered that the criteria for approving elections does not fully take into account the commercial/ legal arrangements employed by some large corporations. As a consequence, some large users were prevented from electing for all or part of their electricity loads when they demonstrated an obvious desire to do so.

IPART believes that action should be taken to further facilitate entry into the Scheme and understands that changes to the *Electricity Supply Act 1995* and regulations are required to overcome these specific issues. IPART as the Compliance Regulator has recommended to the Department of Energy, Utilities and Sustainability that appropriate legislative amendments be developed for this purpose.

5.3 Process for consultation on changes to Scheme Rules

Currently the Department of Energy, Utilities and Sustainability has responsibility for developing the policy framework, consultation on proposed changes to the Rules and implementation of those changes. IPART then applies those Rules in its roles as Scheme Administrator and Compliance Regulator.

In the two rounds of Rule changes that have been undertaken to date, there has been some debate as to the most efficient process for translating the policy intent of the Department into specific wording and clauses that provide sufficient clarity and allow the Rules to be implemented effectively.

The Minister may wish to consider establishing an approach whereby the development of policy and the detailed drafting of the Rules are performed by separate bodies. Under this approach the Department would develop policy papers and consult on them prior to releasing policy documents. Using these policy papers IPART would then develop Rule changes that are in line with that policy and submit them to the Minister for approval.

5.4 Ongoing development of systems to support the Scheme

5.4.1 Communication with Scheme participants (current and potential)

The success of the Scheme depends heavily on ensuring that potential abatement certificate providers and elective benchmark participants can determine if it is in their economic interest to participate in the Scheme.

The Scheme Administrator has established a number of systems to provide potential entrants as much information as possible (see section 4 and Attachment 3). There has been a considerable amount of interest and participation in the Scheme to date. However, future involvement in the Scheme will require that the Scheme Administrator actively educate potential participants particularly following the recent Rule changes. This will require the Scheme Administrator to undertake a number of tasks to help them understand the Scheme. The Scheme Administrator proposes to focus on four aspects of its communications strategy:

- undertake further workshops with auditors, Benchmark Participants and potential abatement certificate providers
- review its website
- develop further case studies to assist potential abatement project proponents
- participate in forums where greenhouse issues are discussed.

5.4.2 Consistency with other schemes and preparations for the future

There is little doubt that greenhouse policy will continue to be an area of focus for State, National and international governance over the coming years. In order for the NSW Scheme to play a role in those developments, two issues must be addressed.

Firstly, the Scheme should be consistent with international frameworks such as the European Union Emissions Trading Scheme (EUETS) which commences on 1 January 2005 and the UN's Kyoto Protocol which commences in 2008 (if the Scheme is consistent with the Kyoto Protocol it would be consistent with the EUETS). To be consistent with these schemes the Registry, auditing framework and validation and verification protocols must satisfy the requirements of those schemes. The Scheme Administrator is reviewing its systems in the light of the ongoing development of the requirements for these schemes.

Secondly, the experiences gained in implementing the NSW Scheme should be used to allow other schemes to develop and operate more efficiently. The administrative and registry systems developed under the NSW Scheme are extremely robust and provide a valuable starting point for schemes both in Australia and overseas. Thus it is important that the Scheme Administrator actively educates policy developers and administrative bodies in other jurisdictions, as well as potential participants in the NSW Scheme.

5.5 Contributing to development of a National scheme

State and Territory governments have established a working group to investigate options for the development of a National emissions trading scheme. The working group has engaged a consultant to advise it on issues that should be considered in adopting different models or expanding the current NSW emissions trading scheme.

The Scheme Administrator notes that the NSW Scheme is somewhat of a hybrid between the two broad frameworks that are being considered but is primarily based on the 'baseline and credit' model rather than the 'cap and trade' model which is favoured by many. The pros and cons of either model, and the many hybrids that are possible, will be explored by the working group over the coming months. It is anticipated that the Scheme Administrator will provide the working group with valuable insights on the practicalities of such schemes based on the experiences to date in implementing the NSW Scheme.

In implementing the NSW Scheme, the Scheme Administrator has developed a robust framework for verification of emission reduction and for registering and trading certificates. The emissions monitoring and registry systems established under the NSW Scheme may be important contributions to the reporting and administrative infrastructure necessary to support a National emissions trading scheme.

During the year, the ACT Government approached the Scheme Administrator about the potential for it to participate in the NSW Scheme. Following a number of discussions, the ACT agreed to develop the legislative framework for participation by benchmark participants and eligible abatement certificate providers. The ACT will manage its own compliance, but has agreed to share a proportionate cost of co-opting the functionality of the Registry for registering NGACs from its participants.

In moving to a National Scheme, there is a need to provide certainty to investors but at the same time have some flexibility. The Scheme runs until 2012, people who make investment decisions should not be penalised.

ATTACHMENT 1 AUDIT FRAMEWORK

The Scheme Administrator has developed a framework for requiring independent third party audit of specific elements of participants' compliance (Benchmark Participants and Abatement Certificate Providers) with the NSW Greenhouse Gas Abatement Scheme. In developing the audit framework, due consideration has been given to lessons learned from other similar schemes from Australia and overseas.

The key objectives of the audit framework are to:

- support the policy objectives of the legislative framework and Scheme Rules
- minimise the risk of:
 - inappropriate accreditation of Abatement Certificate Providers
 - invalid creation of abatement certificates
 - incorrect calculation of liabilities by Benchmark Participants.
- assist IPART and the Scheme Administrator in monitoring compliance of Benchmark Participants and Abatement Certificate Providers with relevant legislation and the Rules; and
- support the general transparency and integrity of the Scheme.

A1.1 Elements of the Scheme subject to Audit

The legislation gives the Scheme Administrator (and IPART as Compliance Regulator) broad powers to determine the scope and timing of audits.

The Scheme Administrator has determined that, as a minimum, the following areas of the Scheme are subject to audit activity:

- Accreditation and ongoing eligibility of Abatement Certificate Providers.
- Creation of abatement certificates.
- Annual Greenhouse Gas Benchmark Statements submitted by Benchmark Participants.

A1.2 Scope of Audit

The Regulation provides that audits may be conducted for the purpose of:

- substantiating information provided to IPART or the Scheme Administrator; or
- determining compliance with relevant legislation and Rules.

Audit activity is aimed at providing assurance (in the form of positive assurance) that the Scheme is operating in accordance with the relevant legislation and that information provided by Scheme participants is reliable, complete and fairly represented.

The scope of audit activity varies depending on the element of the Scheme being audited as indicated below:

- **Accreditation of Abatement Certificate Providers** - Audit associated with eligibility for accreditation. This may include assessment of such matters as metering equipment, record keeping arrangements, application of methodologies under the relevant Rule, and calculation of baselines and other relevant values.
- **Certificate Creation** - Audit of information supporting the quantum of certificates created. This may include assessment of completeness and accuracy of calculation, appropriate use of calculation inputs, consistency of approach with conditions of accreditation and proper application of the Rule.
- **Annual Compliance Reporting** - Audit of completeness, fair representation and validity of information contained in Annual Greenhouse Gas Benchmark Statements submitted by Benchmark Participants each year.

Generic audit scopes have been developed by the Scheme Administrator for each area above as they relate to the various Scheme Rules. The scope of audit is discussed in more detail in the Audit Guideline which, along with the generic scopes, is available from the Scheme website.

A1.3 Timing of Audit activity

The timing of audit activity depends on the purpose for which the audit is being undertaken.

Accreditation of Abatement Certificate Providers

The Scheme Administrator undertakes assessments of the eligibility for accreditation of applicants. The Scheme Administrator may require certain information provided by the applicant to be subject to independent audit prior to accreditation as an Abatement Certificate Provider (ACP).

Registration of Abatement Certificates

The Scheme Administrator will use a risk-based approach to determine the scope of audits of certificate creation and whether audits are conducted *before* or *after* the registration of abatement certificates.

Abatement activity with inherently very high risks will require an audit to be carried out *before* certificates can be registered. Lower risk activities may only be required to undergo periodic audits with a reduced scope, which may be conducted *after* certificates have been registered.

The scope and timing of audits of certificate creation will be advised to the ACP by the Scheme Administrator at the time of accreditation.

Annual Greenhouse Gas Benchmark Statements

Audits of Annual Greenhouse Gas Benchmark Statements are conducted as part of the annual reporting process.

A1.4 Audit panel

The Scheme Administrator has established an Audit and Technical Services Panel (the Panel) to undertake audit activities. Auditors may apply to become a member of the Panel at any time and their applications will be assessed against specific selection criteria. A Panel application form and a guide to applying are available from the Scheme website.

Audits may only be performed by members of the Panel authorised to do so and only in respect of audit categories for which the auditor has been approved. For example, only some of the Panel members are approved to conduct carbon sequestration audit services and some of the Panel members are only approved to provide technical services.

Before undertaking audits, the lead auditor and key personnel must complete the Scheme Administrator's training program. During the training program attendees are introduced to the audit manual which covers practical aspects of the audit framework such as audit scope, audit testing and the nature and format of audit statements and reports. Case studies are also used to explain the practical nature of audit activity that should be conducted.

Since the commencement of the Scheme, the Scheme Administrator has conducted three sessions of auditor training at which over ninety participants attended. The Scheme Administrator proposes to conduct Auditor Feedback Sessions and further auditor training in the second half of 2004.

A1.5 Selection and management of auditors

Audits associated with the accreditation of ACPs are undertaken by a member of the panel selected and engaged by the Scheme Administrator.

For audits of the creation and registration of abatement certificates and the Annual Greenhouse Gas Benchmark Statements, the auditor is selected and engaged by the Scheme participant. However, such appointments and the ensuing detailed scope of works are subject to approval by the Scheme Administrator or the Compliance Regulator, as relevant.

A1.6 Audit Costs

The Act states that the cost of audits will be borne by the Scheme participant, even in the circumstance where the Scheme Administrator selects and engages the auditor.

Applicants are advised of the audit costs associated with the accreditation process prior to the conduct of any such audit activity and must lodge the fees with the Scheme Administrator prior to the audit commencing.

ATTACHMENT 2 THE REGISTRY

Following a competitive tender, the Scheme Administrator appointed LogicaCMG in May 2003 to design, build and operate an on-line registry for the Scheme. The Registry, completed in September 2003, is a user-friendly on-line system that is accessible from the Internet and maintains registers of all Scheme participants and all abatement certificates. LogicaCMG have been appointed to operate the Registry for three years. The internet address of the Registry is: www.ggas-registry.nsw.gov.au

Under the legislation, the Scheme Administrator is required to maintain the registers of:

- Accredited Abatement Certificate Providers, and
- Abatement Certificates.

The content of the registers are prescribed by the *Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002*.

A2.1 Accredited Abatement Certificate Providers

Abatement Certificate Providers (ACPs) must first be accredited by the Scheme Administrator. Once accredited the ACP is registered in the Registry with respect to a particular abatement activity and can then create abatement certificates through the Registry (in line with their Conditions of Accreditation).

The Registry makes the following information publicly available:

- the names of accredited ACPs
- the types of certificates that the accredited ACPs are entitled to create, and
- the States or Territories in which those activities took place.

The Registry also contains the following information:

- the activity or activities in respect of which the accredited ACPs are accredited, and
- the total number of abatement certificates created by the accredited ACP in respect of each of those activities in the previous financial year.

Where an ACP whose accreditation is suspended or cancelled the following details are also publicly available:

- the name of the person
- the type of certificates (that is, transferable or non-transferable) the person was entitled to create under the terms of the person's accreditation
- the reason or reasons why the accreditation was suspended or cancelled
- the date on which the accreditation was suspended or cancelled and, in the case of a suspension, the period of the suspension, and
- any Conditions of Accreditation that continue to have effect in respect of the person.

A2.2 Abatement Certificates

The Registry also maintains a register of abatement certificates.

For each certificate, the following information is publicly available on the Registry:

- the name of the person who created the abatement certificate
- the name of the current registered owner, and any previous registered owners, of the abatement certificate, and
- whether the certificate is a tradeable certificate (NGAC) or a non-tradeable certificate (LUAC).

The Registry also contains the following information:

- a statement of the activity (eg Demand Side Abatement) in respect of which the abatement certificate was created
- the year in which the activity took place.

A2.3 Trading

The Registry is not a trading platform. It tracks the ownership and status of a certificate at any point in time. Where a trade in certificates has occurred outside of the Registry - whether bilaterally, through brokers or through other trading platforms - the Registry records the change in ownership of those certificates.

There is currently no charge for the transfer of certificates on the Registry. There is, however, a \$0.15 charge imposed on the registration of each abatement certificate, payable prior to the certificate being released for transfer or surrender. This charge has been formulated to, over the life of the Scheme, cover the cost of establishing, operating and maintaining the Registry as well as partially funding some of the activities of the Scheme Administrator.

ATTACHMENT 3 PUBLIC INFORMATION

The Scheme Administrator's public information regime provides a number of avenues for interested parties to become familiar with the operation of the Scheme and the requirements to best comply with the Scheme. Central to this regime is the Scheme Administrator's website which contains an overview of the Scheme and all the documents produced by the Scheme Administrator. The main documents available on the website are set out below.
=The internet address of the Scheme website is: www.greenhousegas.nsw.gov.au

Since the commencement of the Scheme, the Scheme Administrator has facilitated a number of workshops and made a number of presentations that explain the operation of the scheme. The Scheme Administrator also continues to field a large number of telephone and email inquiries from current or potential Scheme participants. This has proved to be a valuable source of information for Scheme participants and the Scheme Administrator alike.

A3.1 Documents to explain the scheme

The Scheme Administrator has provided a range of information on how the Scheme is administered to let potential entrants make an informed decision on how they can best participate. These documents include:

- an election form and fact sheets for large electricity users wishing to manage their own benchmark
- fact sheets on eligible abatement activities and how baselines are established under the various Rules
- accreditation forms, procedures and supporting guides on how to apply
- audit guideline, audit panel application form and guide to applying
- audit scopes and audit report templates
- compliance reporting templates, guides and documentation
- process maps for accreditation, auditing and compliance reporting.

A3.2 Public reports

Plain English documentation and reports have been created to help participants and other stakeholders understand the Scheme. The Scheme website includes:

- summary level information and Fact Sheets explaining the Scheme
- links to the legal framework, the registry and related greenhouse sites
- guides on key topics, such as record keeping.

A3.3 Workshops and presentations

Over the course of the year, the Scheme Administrator has facilitated a number of workshops. For example, the Scheme Administrator hosted:

- a series of public workshops to explain the Scheme in February and March 2003
- a public information session to launch the documents, administrative processes and the Registry which the Scheme Administrator has established to support the Scheme and participants in August 2003.

As well, members of the Scheme Administrator and its Secretariat made presentations at various forums during 2003 to promote the Scheme.

