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13 July 2016

Dear Mr Rawls

### **RE: Compliance process for Greenhouse Gas Reduction Rates**

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Department of Economic Development, Jobs, Transport and Resources' (the Department) consultation on the compliance process for Greenhouse Gas Reduction Rates (the Rates).

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council supports the Department's proposal to publish the Rates in the fourth quarter prior to the start of the liability year to which they apply. The Department's proposed approach would allow retailers to factor in the actual Rates when pricing and hedging customer contracts which would provide greater certainty for retailers, reducing pricing and hedging risks, and therefore improving cost efficiency for customers.

### **Proposed publication date**

Greenhouse gas reduction rates have been published in May of each compliance year with relevant entities using these rates to determine their individual annual target, and therefore the expected cost of compliance that must be recovered from their customers during the compliance year. Announcing these rates in May of the compliance year has meant that for the period of January to May each year, relevant entities have been required to estimate their individual target (based on assumptions about what the greenhouse gas reduction rates may be), to apply to retail prices.

The Energy Council believes that using an estimate is likely to compromise the accuracy as it reduces the efficiency of pricing, and may mean customers are paying more than they would in a lower-risk environment. Balancing the need to provide relevant entities with certainty and with the need for rate accuracy has been problematic under VEET policy to date.

### **Department's proposed approach**

Although the Department's proposed approach would deliver benefits compared to the current publication timeframe, the Energy Council suggests that the Department might consider whether publication earlier than the fourth quarter preceding the compliance year is feasible. Relevant entities report their final, audited acquisition data to the Essential Services Commission (ESC) by 30 April each year. These additional months' notice would allow retailers to offer the benefits of greater price certainty to a broader group of customers.

Any questions about our submission should be addressed to Panos Priftakis, Policy Adviser by email to [panos.priftakis@energycouncil.com.au](mailto:panos.priftakis@energycouncil.com.au) or by telephone on (03) 9205 3115.

Yours sincerely,



**Sarah McNamara**  
General Manager Corporate Affairs