GHG Protocol
Independent Standards Board

Submitted online.

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GHG Protocol – Scope 2 Consultation

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the GHG Protocol's consultation on *Scope 2* emissions reporting ('Scope 2 Guidance').

The Australian Energy Council is the peak body for energy retailers and generators operating in competitive markets. Our members generate and sell energy to over 10 million homes and businesses and are committed to delivering a reliable, affordable and decarbonised energy system for consumers. The AEC supports net zero by 2050 and recognises the electricity sector's role in reducing Australia's emissions. Our members are major investors in renewables, firming and storage technologies that are critical to ensuring customers continue to receive reliable and sustainable energy supply as we navigate the energy transition.

Response to hourly time matching

Questions 69 to 75 – Update to Scope 2 Quality Criteria 4

70. All respondents, please select your preferred exemption threshold per deliverable market boundary.
a. 5 GWhs
b. 10 GWhs
c. 50 GWhs

72. Please provide reasons for support, if any (select all that apply)
a. Improves accuracy and scientific integrity of MBM results
b. Strengthens transparency and supports public verification
c. Enhances comparability across reporters and frameworks using GHG Protocol data
d. Better reflects grid operation, reduces misallocation of generation (e.g., "solar at night")
e. Reduces risk of greenwashing/time-shifting claims by aligning claims to time of use
f. Improves decision-usefulness for external disclosures
g. Helps create price signals for times and places where renewables are not already abundant
h. Helps accelerate the development of technologies that will be needed at scale for fully decarbonized grids
i. Enables emission changes from storage and demand-flexibility to be reflected more accurately
j. Improves risk and opportunity assessment related to contractual relationships
k. Other (please explain)

73. Please provide comments regarding your reasons for support.

Please note the AEC has also provided reasons not in support (questions 74 and 75).

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The AEC recognises that increased granularity can provide benefits to the energy transition. It can improve transparency over corporate claims about using 100 per cent renewable energy, and it can create price signals for renewable investment at times of the day when certificates are scarce. It can also be a good incentive for investment in storage which can capitalise on time-of-use demand.

With that being said, the Scope 2 Guidance should be cautious that it does not place an unreasonable regulatory burden on certificate producers. The terms 'accessible' and 'available' should consider not just whether it is free to access this data but the cost and complexity of interrogating it. This includes the expertise required to accurately interpret technical data, such as that provided by the market operator.

In the Australian context, it would be most helpful for the Australian Energy Market Operator (AEMO) to provide granularity for market participants to use. The Scope 2 Guidance could consider making hourly time matching optional in regions until there is easily accessible data provided by the market operator (or equivalent body) and liquid trading of time stamped certificates has developed.

74. Please provide concerns or reasons for why you are not supporting, if any (select all that apply)

a. More information is necessary to understand how investments not matched on an hourly basis will be accounted for and reported via the framework under development by the Actions & Market Instrument TWG
b. Hourly matching should follow an optional 'may' rather than a required 'shall' approach
c. Hourly matching should follow a recommended 'should' rather than a require 'shall' approach
d. Concern about negative impact on comparability, relevance and/or usefulness of MBM inventories
e. Concern that a phased implementation would be insufficient for development of the infrastructure necessary (e.g., registries, trading exchanges, etc.) to support hourly contractual instruments
f. Concern that administrative, data management, and audit challenges posed by this approach would place an undue burden and costs on reporters
g. Concern that requiring hourly matching does not create meaningful improvements to inventory accuracy
h. Concern that a requirement for hourly contractual instruments could discourage global participation in voluntary clean energy procurement markets
i. Other (please explain)

75. Please provide comments regarding your concerns or reasons for why you are not supportive.

Please note the AEC has also provided reasons in support (questions 72 and 73).

The AEC would not support hourly activity data if the proposed zonal pricing boundaries are enforced in Australia's National Electricity Market (NEM). The combination of these two standards would likely result in certificates being too scarce to be easily traded, significantly reducing incentives for renewable investment.

As explained in question 90, a fundamental feature of the NEM is its interconnectedness across Australia's eastern states which allows for a single, synchronous and most importantly, efficient wholesale energy market. Energy businesses in Australia regularly make investment decisions

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based on policy signals across the NEM rather than a zonal pricing boundary and there is no differentiation between the impact of regions supplied from another part of the grid. For example, a pumped hydro energy storage project to be built in Tasmania is partly responding to market signals in another state, Victoria, and could be supporting use in other parts of the NEM.

Noting there are benefits to granular time matching (see question 73), the AEC also remains concerned about the regulatory burden it places on certificate producers. The terms 'accessible' and 'available' should consider not just whether it is free to access this data but the cost and complexity of interrogating it. This includes the expertise required to accurately interpret technical data, such as that provided by the market operator.

In the Australian context, it would be most helpful for the Australian Energy Market Operator (AEMO) to provide granularity for market participants to use. The Scope 2 Guidance could consider making hourly time matching optional in regions until there is easily accessible data provided by the market operator (or equivalent body) and liquid trading of time stamped certificates has developed.

At this stage of the energy transition, it is unlikely the majority of customers have access to load data that would allow for accurate matching without requiring costly software and expertise to interpret. Further, and as explained in question 76, measures taken to reduce the regulatory burden of hourly activity are likely to result in misleading inventory information that undermines the overall purpose to provide accurate data.

76. Load profiles enable organizations without access to hourly activity data or hourly contractual instruments to approximate hourly data from monthly or annual data. How would the use of load profiles affect the comparability, relevance, and usefulness of MBM inventories relative to your current practice? Please describe potential advantages, limitations, and any conditions under which impacts may differ.

While the AEC appreciates the intent to reduce regulatory burden on certificate producers, this proposal has significant integrity issues. Scaling down load profiles to achieve hourly granularity is likely to produce misleading data that does not reflect actual time-of-use, which is ultimately the purpose of increased granularity.

In Australia's National Electricity Market (NEM), for example, emissions intensity varies significantly depending on the time of day and it is not clear from the proposal how this nuance can be accurately calculated and scaled down to fairly represent emissions intensity at each particular hour.

There is also a risk that data reported using this method could be mistaken for actual hourly consumption data, thereby magnifying the impact of deviations.

Response to market boundaries and deliverability

Questions 83 to 87, 90 – Update to Scope 2 Quality Criteria 5

86. Please provide reasons of concern or why you are not supporting, if any (select all that apply)
a. Proposed deliverability requirements do not improve alignment with GHG Protocol Principles
b. Concern that narrower market boundaries restrict companies' abilities to invest in areas where renewable energy development could yield the greatest decarbonization impact

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c. Concern that narrower market boundaries could prompt a shift away from long-term agreements (i.e., PPAs) to spot purchases (unbundled certificates)
d. Sourcing contractual instruments within deliverable market boundaries should follow an optional "may" rather than a required "shall" approach
e. Sourcing contractual instruments within deliverable market boundaries should follow a recommended "should" rather than a required "shall" approach
f. Concern that the defined market boundaries do not align with mandatory or voluntary reporting requirements in your region
g. Support deliverability in principle, but the proposed market boundary for my region does not reflect deliverability
h. Market boundaries should be defined as the geographic boundaries of electricity sectors, which align with national, and under certain circumstances, multinational boundaries
i. Exemptions to matching within deliverable market boundaries should be allowed for markets lacking sourcing options
j. Other (please explain)

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90. For deliverable market boundaries (outside of the United States) identified in the table Proposed methodologies for demonstrating deliverability: Deliverable Market Boundaries, please provide comments on whether these market boundaries:

- **appropriately reflect the deliverability of electricity in that region**
- **align with mandatory or voluntary reporting requirements in that region, please provide an example of the programmatic requirements and the impacts of these proposed changes on alignment**
- **are likely to cause any region-specific feasibility challenges (provide specific examples)**
- **If you prefer a different deliverable market boundary than identified in the table Proposed methodologies for demonstrating deliverability: Deliverable Market Boundaries, please describe this boundary.**

Please clearly identify the region you are referring to in your comments.

The AEC's response relates to the National Electricity Market region in Australia.

The Consultation Paper specifies that Australia's National Electricity Market (NEM) must use "zonal pricing boundaries", which means the deliverable market boundary is confined to each state.

The AEC does not support this proposed methodology for demonstrating deliverability because it does not appropriately reflect the deliverability of electricity in the NEM region. The AEC strongly recommends that the NEM be recognised as one physical region. This recommendation is made for the following reasons:

- The NEM consists of five eastern states with interconnectors that come together to form the wholesale electricity market. The purpose of this interconnection is to enable more efficient investment in generation, which is becoming increasingly important as the NEM decarbonises and the need for replacement generation grows. Many investment cases are built around interstate electricity flows – for example, a pumped hydro energy storage project to be built in Tasmania is partly responding to market signals in another state, Victoria.

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- Requiring customers to source certificates within a zonal pricing region contradicts the NEM's deliberate design features. It would make the financing of additional renewable generation more difficult, which may slow the pace of the transition.
- By restricting eligible generation to a limited geographic area, it would shrink the available pool of renewable generation and reduce the liquidity of certificate trading.
- These risks to liquidity would be magnified if hourly time matching was introduced alongside a zonal pricing boundary, and this would have significant, negative impacts on renewable investment opportunities.
- Prescribing geographical location could lead to more expensive than necessary renewable investment (e.g. the efficiency of renewable generation depends on being built in optimal locations, which state boundaries do not necessarily reflect). This could inhibit the ability of the electricity sector to decarbonise at lowest cost.
- Setting the NEM as the market boundary gives businesses flexibility. Businesses can still choose to report on a state basis if they want to, which is possible under Australia's Renewable Electricity Guarantee of Origin (REGO) scheme.

More generally, the AEC disagrees with the premise that locational matching more accurately reflects the emissions associated with generation and load in any grid. The interconnection of electricity grids to share, access and improve utilisation for renewable generation and supporting technologies is a common trend around the world. The physics do not allow for any electron to be isolated within an electricity grid so it would be inappropriate to progress methods that preference spatial matching beyond ensuring generation and load are connected to the same electricity grid.

Alternate methodology 2: Attributes paired with contracts or market instruments demonstrating physical delivery from the point of generation to the point of consumption

This methodology depends on the transmission arrangements of a region, which makes it difficult to serve as an international standard. In the Australian context, it is unlikely to be workable as the NEM is an open access transmission regime.

With respect to the proposal: *Delivery of power and attributes must be demonstrated on an hourly or more frequent basis with no direct counterbalancing reverse transactions*.

- This would place a significant expense and resourcing burden on entities which will ultimately serve to deter uptake.

Response to Standard Supply Service (SSS)

Questions 97 to 112 – New guidance for Standard Supply Service

100. Please provide concerns or why you are not supporting, if any (select all that apply).
a. Markets should self-determine how resources that fall under SSS are allocated to customers
b. Concern of regionally applicable challenges to implementation
c. Unclear how partial subsidies affect SSS classification
d. Unclear rules/definition of SSS
e. All contractual instruments should be eligible for voluntary procurement.
f. Other (please explain)

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101. Please provide comments regarding your selected reasons for why you are not supportive.

While the AEC appreciates the intent of the Standard Supply Service (SSS), further information is needed to explain how it would work and who it would capture.

In the Australian context, there is a range of government programs to support renewable investment. These exist at both the federal and state jurisdictional level. The AEC's understanding of the SSS is that projects built with support from these schemes would not be captured because they are not specifically funded by customers. The only exception to this would be the mandatory Renewable Power Percentage (RPP) obligations, which requires Large-scale Generation Certificates (LGCs) to be surrendered via retailers, so would likely meet the definition of SSS.

However, this interpretation is not entirely clear. For example, the reference to contractual obligations could be interpreted as capturing marginal financial support provided through contract for difference style certificates like the Capacity Investment Scheme (CIS). The AEC does not consider schemes like the CIS to be the intent of the SSS as attributable certificates would still remain in private ownership and the level of support can vary between projects and operational conditions.

With respect to corporate structure, there are energy companies in Australia that are private and government-owned. Those that are government-owned are still subject to corporate and competition law arrangements and operate at arms-length and under competitive neutrality. The AEC recommends that the Scope 2 Guidance clarify that these businesses operating independently in competitive markets are not captured under SSS.

Any questions about this submission should be addressed to Rhys Thomas, by email Rhys.Thomas@energycouncil.com.au or mobile on 0450 150 794.

Yours sincerely,

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