National GreenPower Accreditation Program

Submitted via email: greenpower.admin@planning.nsw.gov.au.

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GreenPower Proposed Program Rule Changes

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to GreenPower's consultation on the *GreenPower Proposed Program Rule Changes* ('Draft Rules').

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

Since this review began in 2022, the policy landscape of the electricity sector has evolved significantly. The Federal Government's establishment and then expansion of the Capacity Investment Scheme ('CIS') has provided an underwriting mechanism to incentivise new renewable generation projects. This has been backed by state government policies, such as Queensland's Jobs and Energy Plan.

In addition to state underwriting, continued voluntary demand has seen the LGC price remain steady, contrary to the concern expressed in the original review that "investors in new renewables projects report discounting long-term LGC spot prices to zero in their financial models".

Supporting these policy trends is the rollout of the Renewable Electricity Guarantee of Origin ('REGO') scheme and climate disclosure reporting framework from next year onwards. These two policies will help set up an enduring renewable electricity certification and corporate carbon accounting infrastructure for the energy transition. These policies are likely to have some implications for the longevity of the GreenPower scheme.

It is with this context in mind that the AEC has concerns with the proposal to increase the minimum GreenPower product percentage to 50 per cent. This proposal was originally formed based partly on speculation of future market conditions that, with the benefit of hindsight, have not materialised. New renewable projects have access to an underwriting mechanism in the CIS, as well as a strong LGC price.

Such policy settings have arguably allowed GreenPower to better balance the want for additionality with the intent of improving the cost competitiveness of GreenPower products. The decision to recognise the RPP in GreenPower products was designed to reduce costs so GreenPower could be more cost-competitive in a price sensitive environment.

Complicating this, however, is the decision to set a high minimum baseline from next year onwards, which goes contrary to the purpose and nature of voluntary action – to give businesses flexibility in how they meet their green ambitions. This could mean that some current customers (those currently on products below 50 percent) choose not to participate if the costs of the product increase materially.

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It is not uncommon for businesses to set stretch targets that they aim to achieve over time based on incremental improvements. These businesses, especially small to medium sized, may not have financial capacity to suddenly accelerate to a 50 percent baseline by next year. In these circumstances, these businesses might drop out or alternatively choose to certify their renewable energy use through the purchase of REGO certificates. How GreenPower and the REGO interact with each other going forward deserves closer consideration.

Before this proposal goes ahead, the AEC would like to see some impact analysis on how it might impact customer participation, especially business participation, compared to other policy options. An awareness of potential impacts is important given that business participation represents about 87 percent of scheme activity (based on MWh sales) and will be the predominant driver of emissions reductions in energy use, which is GreenPower's main mission.

The AEC considers that a 30 percent baseline would strike a better balance between encouraging voluntary ambition and maintaining customer participation. This could include having a glidepath for increasing the baseline over time, either as a way of gradually scaling up voluntary ambition, and/or responding to adverse market conditions if they arise. A glidepath may also be helpful to monitor the overall rate of renewable generation uptake in the energy system to assess the ongoing additionality value of GreenPower products.

Whichever baseline is chosen, the timing of 1 July 2025 is too tight and GreenPower providers will need more time to develop new products and communicate these changes clearly to customers. Guidance material on how providers can market their products to customers is still being developed. It is important that customers find this material simple to understand and does not miscommunicate that previous products were incorrect.

Furthermore, a 1 July 2025 commencement will mean program participants are required to do split reporting across the two sets of rules for 2025. This will be administratively complex, increase audit costs, and be a confusing datapoint.

The AEC recommends commencement be pushed back until at least 1 January 2026 to give providers reasonable time and reduce reporting complexity.

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Yours sincerely,

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