

Energy Efficiency (Cost of Living) Improvement (Emissions Factor) Determination 2012 (No 1)

Disallowable Instrument DI2012–91

made under the

Energy Efficiency (Cost of Living) Improvement Act 2012

Section 9 (Emissions factor)

Explanatory Statement

Note

At the time this instrument was made the *National Energy Retail Law (Consequential Amendments) Bill 2012* was tabled before the Legislative Assembly and awaiting debate. One of the Acts that the *National Energy Retail Law (Consequential Amendments) Bill 2012* seeks to amend is the *Energy Efficiency (Cost of Living) Act 2012*. The purpose of these proposed amendments is to amend the Act, consequential to the repeal of electricity retail (supply) licensing under the *Utilities Act 2000* (see Part 13 of the Consequential Bill), which removes the definition of *electricity supplier*.

The effect of the proposed amendments are to create a direct statutory obligation for retailers authorised to retail under the *National Energy Retail Law (ACT)* to comply with the *Energy Efficiency (Cost of Living) Improvement Act 2012*. References to *electricity supplier* under this Act will, in the event of the passage of the *National Energy Retail Law (Consequential Amendments) Bill 2012*, be replaced with references to a **NERL retailer** (meaning a person who holds a retailer authorisation under the *National Energy Retail Law (ACT)* to sell electricity to premises in the ACT for consumption).

For the purposes of this Explanatory Statement, the use and mentions of the term *electricity supplier* should be taken to be use and/or mentions of **NERL retailer** as defined in the Act if amended.

Overview

Section 9 of the *Energy Efficiency (Cost of Living) Improvement Act 2012* provides that the Minister must determine the number of tonnes of carbon dioxide equivalent greenhouse gas emissions attributed to the consumption in the ACT of 1 MWh of electricity for a compliance period. This is the ‘Emissions Factor’.

In the context of the Act, electricity suppliers must apply the Emissions Factor to their sales in the ACT and a target set for the Scheme as a whole to determine their obligation under the Scheme. Section 13 provides that an individual supplier’s obligation is calculated as follows:

Energy Savings Target (per cent) x Emissions Factor x Sales (MWh)

This calculation results in the number of tonnes of CO₂-e a supplier must save by undertaking eligible measures under the Scheme (with each activity assigned a value of CO₂-e savings).

In setting the Emissions Factor for the Scheme, the following principles have been considered:

- Consistency with modelling: the impact and ambition should be equivalent to that modelled (and not increase the burden on suppliers)
- Consistency with the ACT inventory: including transmission losses (going beyond inclusions in the National Greenhouse Account (NGA) scope 2 factors). This should be included in the Emissions Factor applied to suppliers, as calculations are based on their energy sales to customers (which don't take into consideration transmission losses).

In the modelling underpinning the development of the Scheme, the following factors have been taken into account when determining the underlying emissions factors:

- The application of a carbon cost from financial year 2012/2013 onwards;
- The projected reduction in the emissions intensity of the electricity grid over the lifetime of the Scheme; and
- Published ACT Scope 2 and Scope 3 emissions factors in the NGA for electricity generation (thereby accounting for transmission losses).

This instrument therefore provides that over the period 1 January 2013 to 31 December 2015, the projected Emissions Factor is 0.89.

It is important to note, however, that the Emissions Factor is essentially nominal for the purpose of the Scheme, and that actual reductions in greenhouse gases will be measured in accordance with the ACT inventory.

The determination takes effect the day after notification.