

Energy Efficiency (Cost of Living) Improvement (Energy Savings Target) Determination 2012 (No 1)

Disallowable Instrument DI2012–93

made under the

Energy Efficiency (Cost of Living) Improvement Act 2012

Section 7 (Energy savings target)

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 7 of the *Energy Efficiency (Cost of Living) Improvement Act 2012* provides that the Minister must set a target for the overall reductions in greenhouse gas emissions to be achieved by suppliers in a compliance period, expressed as a percentage of total electricity sales in the ACT.

Suppliers will apply the target to their electricity sales to determine their obligation under the Scheme. Section 13 of the Act provides that a supplier's obligation, expressed in greenhouse gas emissions savings, is calculated as follows:

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

Section 10 of the Act provides that the Minister determine eligible activities that suppliers may undertake to meet this obligation. This determination by the Minister includes a specific abatement factor for the number of green house gas emissions the activity is deemed to save over its lifetime, as counting towards a supplier's obligation.

It is important to note that the Energy Savings Targets set for each compliance period reflects the total life-cycle energy savings of activities undertaken in a given year (rather than actual reductions in a year) as a percentage of a supplier's own emissions (emissions associated with their own electricity sales).

The instrument provides that the Energy Savings Target is:

- a) 7 per cent of total electricity sales for the period 1 January 2013 to 31 December 2013;
- b) 13 per cent of total electricity sales for the period 1 January 2014 to 31 December 2014; and
- c) 14 per cent of total electricity sales for the period 1 January 2015 to 31 December 2015.

These targets have been set based on detailed modelling of the energy savings opportunities that exist in the ACT, considering:

- Stocks of energy using equipment in the ACT;
- Changes in the emission intensity of grid electricity resulting from a national price on carbon; and
- Projections for energy efficiency improvements across the Territory under business as usual conditions.

The anticipated average and maximum cost per tonne of abatement has also been considered in setting the target – as reflected in the shortfall penalty price provided for in Section 22 and the Energy Saving Contribution provided for by Section 11.

The determination takes effect the day after notification.