



13 May 2015

Department of Economic Development,
Jobs Transport and Resources
Energy Sector Development Division
GPO Box 4509
Melbourne VIC 3001

Setting Future Victorian Energy Efficiency Targets: April 2015

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Setting Future Victorian Energy Efficiency Targets Consultation Paper (consultation paper).

Origin is a major Australasian integrated energy company focused on gas exploration, production and export, power generation and energy retailing. Listed in the S&P ASX top 20, Origin has over 5,800 employees and is a significant investor in low emissions and renewable energy technologies. Origin is also one of the largest Relevant Entities under the Victorian Energy Efficiency Target (VEET) scheme. Our responses to the issues raised in the consultation paper are provided below, and as a member of the Energy Retailers Association of Australia (ERAA) we also support their submission on the paper.

Further details on specific issues that the Department should consider are included in Attachment 1. Note that Origin has made a number of comments in relation to suggested improvements to the scheme throughout the body of the document rather than specifically in question 9.

If you have any questions regarding this submission, please contact me on (02) 9503 5418.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "S Bell".

Sally Bell
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Attachment 1: Consultation Paper Questions

1. What should the new VEET target be?

Origin's position is that targets should be defined for a number of years at a time, with large increases or decreases smoothed to try and temper the "boom and bust" nature of the markets. As such, we are supportive of a five year target at 5.8 million tonnes CO₂-e per annum.

A five year target would allow Relevant Entities increased certainty with respect to future obligations, as well as increasing scheme confidence for other participants. Note that any increase in target must be made in conjunction with an assessment of new and existing methodologies to ensure uptake and creation rates are commensurate with the target set.

2. Comments are invited on the modelling approach used to determine the costs and benefits of the VEET scheme.

A more general comment on VEET modelling relates to the setting of greenhouse gas reduction rates (GGRRs). Currently under the legislation, GGRRs must be set by 31 May of the compliance year. As mass market prices are set in January each year, this time lag makes it challenging to ensure cost pass through is reflective of actual scheme cost.

Origin therefore recommends that binding percentages are set prior to the commencement of the compliance year as this provides retailers with the time necessary to adjust customer billing to reflect the true cost of the scheme.

5. Is there a case to exclude any business sector(s) from participation in the VEET scheme?

Origin does not oppose the exclusion of large energy users from VEET, providing that any target is appropriately reduced to account for the relevant load. Furthermore, if there continue to be exemptions applicable under the scheme, there must be sufficient information made available in order to identify the relevant loads. The previously utilised EREP register contained only company and suburb details which were inadequate for this purpose.

A preferred approach would be to adopt a process similar to ESS, with full address details of exempt sites published prior to each compliance year. Ideally, NMIs and MIRNs for these sites would also be published. Retailers would be able to provide information gathered to date to begin this process. Also, to minimise the administrative burden, large user exemptions should be applicable for a full compliance year, with the relevant details published *prior* to the commencement of that year.

6. Should the VEET scheme be amended to better ensure support for low income households?

Origin does not support the inclusion of support for low income households if that would cause some VEECs to be traded at a premium to others. It would be complex and risky for Retailers to be required to manage multiple targets to surrender different volumes of certificates depending on whether or not a VEEC was created from an activity at a low income household or not. If support for low income households was included within the VEET scheme, then we would prefer the use of a multiplier to ensure that all VEECs remain equivalent and not result in market pricing distortions or liquidity issues.

8. Please suggest up to five activities that should be prioritised for revision or introduction to the VEET scheme.

Access to new activities will be particularly important if the scheme target is to be strengthened from 2016. As a starting point, we would support introducing two activities currently undertaken in the NSW ESS scheme; project based activities and ceiling insulation. We also support additional alignment with NSW in terms of accreditation requirements, as this would improve both compliance processes and market liquidity.

9. Please suggest up to three changes which should be made to improve the VEET scheme.

In addition to the points raised above, Origin has consistently advocated for the removal of the requirement to provide the ESC with estimated data in order to set the GGRRs. Under no other green scheme is a retailer required to provide unaudited data for the purposes of calculating a scheme percentage, as each scheme administrator has a methodology to estimate load. We would suggest the use of AEMO forecast data instead of actual data from the previous year for percentage setting. A true-up process, similar to how the SRES percentage is calculated, could be used to ensure the target is achieved by accounting for any under or over estimation of the prior year's load when setting the percentages for a year.

It would also be preferable to have advanced notice in relation to the timing of scheme reviews. For example, the 2016 review did not commence until April 2015, with the 2016 targets and scheme changes not necessarily in place until January 2016. This does not give Relevant Entities sufficient time to manage future obligations and can increase the uncertainty for other scheme participants. Similarly, VEET has historically set targets in 3 year phases, with outcomes required to be included in the Regulations no later than 31 May in the year preceding the start date. However, the current regulations make no mention of a target post the phase that ended on 31/12/2014, which further increases uncertainty for scheme participants.

