



15 June 2018

Victorian Energy Upgrades Program  
Department of Environment, Land, Water and Planning  
8 Nicholson St  
Melbourne VIC 3000

By email: [energy.upgrades@delwp.vic.gov.au](mailto:energy.upgrades@delwp.vic.gov.au)

Dear Sir/Madam,

### **Consultation submission on Victorian Energy Efficiency Target Regulations 2018**

Origin Energy Electricity Limited (Origin) welcomes the opportunity to make a submission on the Department of Environment, Land, Water and Planning's proposed new Victorian Energy Efficiency Target Regulations 2018.

Origin is a major Australian integrated energy company focused on gas exploration, production and export, power generation and energy retailing. We are a significant investor in renewable energy technologies, delivers sustainable energy solutions to the market and is one of the largest relevant entities under the Victorian Energy Upgrades program (Program). Below are a few points for consideration:

#### **1. Introduction of greater flexibility**

The introduction of flexibility into the proposed regulations is strongly supported by Origin. By moving the technical requirements from the regulations into a new and separate specifications document means that the Program will be able to keep pace with the emerging technologies and products and become increasingly adaptable going forward.

#### **2. Exempt large energy users**

The Department proposes no changes for large energy users currently exempt from the Program, and Schedule 37- Scheduled Activity Premises of the current Regulations will be listed in Schedule 5 of the proposed Regulations. Origin strongly recommends that the list is removed from the proposed Regulations and referenced to a separate document that can be updated and maintained to provide certainty.

At present, the Essential Services Commission (ESC) manage the Register of Scheduled Activity Premises (SAP Register) on their website. In the explanatory note - large energy users' scheduled activity premises published 18 December 2017, the ESC advised that the SAP Register is a comprehensive list that is inclusive of the following information:

- Addresses listed in Schedule 37 of the current Regulations (Part 1 and 2)
- Other premises which were participants of the Environmental Protection Agency's Environment and Resource Efficiency Plans (EREP) program
- Premises for which relevant entities have claimed exemptions in the 2015 and 2016 Annual Energy Acquisition Statements

Origin relies on the SAP register as a fundamental input into determining its relevant scheme acquisitions. Possible discrepancies between the SAP Register and Schedule 37 of the current regulations creates confusion and impact scheme acquisition calculations by retailers. In addition,

any uncertainty or discrepancy can impact customers where risk premiums or refunds may be incorrectly applied.

Origin proposes that the new regulations refer to the SAP Register outside of the regulations and remove the list of static addresses. The aim would be to reduce confusion and create a single source for retailers to calculate exemptions in their annual scheme acquisitions. The SAP register allows management of addresses and owners, which is in line with the introduction of greater flexibility generally.

Further to this, Origin suggests the inclusion of a 'final' list of SAPs to be published prior to the beginning of a compliance year, similar to the gazette published by the NSW government for the Energy Savings Scheme (ESS). This ensures that retailers and customers have a conclusive understanding of exempt liability sites. Introduction of a 'final' list will align the VEET scheme to the ESS and create certainty to all parties involved.

Origin also recommends the addition of a review mechanism of the SAP Register in the regulations. The current SAP Register is an aggregate of details from other lists which should have the ability to evolve with the scheme. To facilitate this the mechanisms should at the very least include:

- timelines for review of exemption status, including periodic review timeframes and cut-off dates
- information and process required for review
- process for disseminating information post review. An example may be an automated email process to advise all relevant parties when an SAP is updated, added or removed

For a large organisation such as Origin, the annual process for compliance, including audits, commences way ahead of the due date of the scheme. Changes in exemption lists may have flow on effects on the fidelity of retailers' calculations and reporting. Origin believes that the above will allow flexibility in management and validation of information by the relevant stakeholders, and minimise risks associated with changes to the register.

### 3. Shortfall penalty

Origin is generally supportive of the increase in shortfall penalty rate from \$46.72 to \$50 and believes that the shortfall penalty is an appropriate mechanism to ensure liable entities make reasonable endeavours to meet their scheme obligations. Origin is cognisant that the shortfall penalty rate creates a cap for the price of VEECs. The current VEEC spot price is representative of the market conditions where the supply of VEECs exceed demand, however if these conditions were to change and demand outstrips supply, retailers may be forced to pay the penalty rate if VEECs are unavailable. In this instance, there is a risk of increase to customer bills if there is an upward pressure in retailer costs under the Program.

Overall Origin recognises the importance of new regulations to ensure the Victorian Energy Upgrades program operates effectively with the objectives of reducing GHG emissions, encouraging efficient use of electricity and gas and encouraging investment, employment and technology development in industries to ultimately reduce the use of electricity and gas by consumers. If you have any questions regarding this submission please do not hesitate to contact me.

Yours sincerely,



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