



27 March 2015

GreenPower Program Manager
NSW Trade and Investment
Via email: greenpower.admin@trade.nsw.gov.au

Re: GreenPower Program Review Submission

Dear Sir/Madam,

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Infigen Energy appreciates the opportunity to make a submission regarding the GreenPower Program Review. Whilst it is critical that Australia's legislative requirement for growth in renewable energy be continued, voluntary support for renewable energy deployment will continue to have a role to play. This review is an opportunity to improve the Program to ensure it adapts to the changing conditions for renewable energy, to maximise the chance of it achieving its aims in future.

1. SUBMISSION SUMMARY

Infigen's summary of the status of the GreenPower Program and its future prospects is:

- Generators require significant growth in demand for GreenPower from current levels for it to meaningfully improve the viability of renewable energy generation;
- A targeted and sustained marketing and promotion effort is required to drive growth in GreenPower demand; a key issue is the general low level of consumer understanding of GreenPower in the context of related renewable energy and emissions reductions initiatives;
- Stronger Program governance arrangements are required to enable leadership of the Program to address these high priority issues; and
- The mechanics of the Program are adequate and the principle of keeping a high degree of consistency with the Large-scale Renewable Energy Target (LRET) should be retained; many of the improvement opportunities identified during the current Review are of secondary importance to the above points and should be assessed and implemented in due course through the improved governance arrangements.

2. INTRODUCTION TO INFIGEN ENERGY

Infigen Energy (ASX: IFN) is Australia's leading specialist renewable energy business. Infigen Energy is the largest owner of wind energy facilities in Australia where it owns and operates six major wind farms capable of producing approximately 1600 GWh per annum, or enough energy to supply over 200,000 Australian homes. Infigen Energy also has a significant pipeline of solar and wind development opportunities in Australia. In addition, Infigen Energy owns and operates a U.S. wind energy business, taking its aggregate wind energy interests to 24 wind farms with a total generation capacity of over 1600 MW.



3. INFIGEN'S EXPERIENCE OF THE GREENPOWER PROGRAM

Each of Infigen's generation facilities in Australia is GreenPower-accredited. Infigen sees GreenPower as an important means for Australians to engage with renewable energy. This has broad benefit to the renewable energy industry, from equipment suppliers and project developers, to generators and energy retailers.

Specifically to Infigen and other GreenPower Generators, the Program offers current and future generators greater demand for their Large-scale Generation Certificate (LGC) output, and consequently the prospect of somewhat higher prices. Infigen's experience has been that this potential "price benefit" for its generators has not been significant. A secondary potential benefit to Generators is selling GreenPower-accredited LGC's at a premium over other generators' non-accredited LGC's. In Infigen's experience this does not occur sufficiently regularly to be relied upon. Infigen's participation in this consultation process and the associated workshops in June and July 2014 is focused on improving this situation. The Program must achieve more than giving consumers connection with the renewable energy industry via Providers' product differentiation; it must support the viability of additional renewable energy generation above and beyond the current LRET scheme.

4. SUBMISSION DETAIL

Infigen makes its submission with reference to the Options discussed in the GreenPower Program Review Public Consultation Paper, February 2015, as set out below. Infigen's position is stated by exception, identifying only those options for which it has strong support or opposition. Priority issues are outlined in section 1 above.

Options	Infigen's Position
Program Aims	
<i>A2 - Update the aims</i>	<p>Infigen supports the proposed revised set of Program aims. These are an appropriate update on the original aims, which will help to give the Program focus.</p> <p>The Program must be aligned with the current industry context, which includes the significant recent and current renewable energy procurement initiatives by government and other organisations. The Program should aim to foster such initiatives; further comments on this are provided in relation to Option R11 below.</p>
<i>A4 – Introduce targets</i>	<p>Targets are essential for effective planning, monitoring and implementation of any program. Infigen supports the adoption of performance targets; whether they form part of the Program aims, or are selected and communicated via some other mechanism, should be considered in light of the potential changes to governance arrangements raised in the Consultation Paper.</p>



Governance	
<i>G2 – Steering Group expansion</i>	<p>Ideally, in the long term, the Program would be governed by the Commonwealth Government. To this end, Infigen supports option G4.</p> <p>In the meantime Infigen supports efforts to include the Commonwealth Government in the Program Steering Group, given the Program’s national scope and the opportunity to improve consistency with Commonwealth policies and programs.</p> <p>Infigen agrees that the Steering Group should not be expanded to include stakeholder representatives, given potential impacts on the perceived independence of the Program, as well as issues of confidentiality.</p>
<i>G3 – Establish a stakeholder reference group</i>	<p>Formalising regular stakeholder engagement is vital to ensure the Program remains relevant to changing industry conditions; therefore, Infigen supports this proposal and would appreciate the opportunity to participate in the stakeholder reference group.</p>
<i>G4 – Governance by an alternative organisation</i>	<p>As discussed regarding G2 above, Infigen supports the aim to eventually have Commonwealth Government governance of the Program.</p> <p>Given the Program’s consistency with the LRET, the Clean Energy Regulator would be the ideal administrator, although Infigen notes the Consultation Paper’s point about this potential expansion of the CER’s remit requiring legislative change.</p> <p>Infigen also suggests that consideration be made to the distinction between the policy-making and administrative roles of governance (akin to the Commonwealth Government and CER, respectively, in relation to the LRET). Ideally a similar separation of duties should apply to the Program.</p>
Funding	
<i>F2 – Raise additional funds from Providers for central marketing and promotion</i>	<p>Infigen supports a focused and sustained marketing effort to realise the potential of the Program. If the marketing is effective it will benefit Generators and Providers.</p>
<i>F3 – Increase funding by other means</i>	<p>It should be noted that the nature of benefits to Generators (the increase in overall demand for renewable energy certificates and potential for a GreenPower premium, as described in the introduction above) is different to those of Providers.</p> <p>The competitive tension between Generators and Providers is a natural aspect of the Program. To the extent that Generators see opportunity to sell directly to customers by becoming a Provider themselves they may do so with consideration of the extra cost. The Program Steering Group should monitor the level of the minimum Provider fee level to ensure that it does not present an unfair barrier for new entrants seeking to</p>



	establish GreenPower sales to customers. Please also refer to related comments regarding Option R11 below.
<i>F5 – Restructure Generator fees to improve equity</i>	<p>In principle Infigen supports efforts to make Generator fees more equitable, with larger Generators generally providing more funding than smaller Generators. However the following issues need consideration:</p> <ul style="list-style-type: none"> • The current fee system is logical, with capacity-based charging for Generators matching the nature of the Generator business model, and volume-based matching that of the Providers. • Generators' volume of output over a period does not determine their level of GreenPower sales to Providers; rather these sales are directly related to the success or otherwise of the Providers in making GreenPower sales to their customers. • Infigen is concerned that its GreenPower costs may be exceeding the benefits it can attribute to the Program currently (as described in the introduction above).
Marketing and Engagement	
<i>M2 - Increase engagement with existing customers</i>	<p>Infigen strongly supports an update in the approach to the marketing and promotion of GreenPower. In Infigen's view, this is the highest priority aspect of this Review. GreenPower sales need to increase significantly from current levels for the Program to materially improve the viability of additional renewable energy generation.</p> <p>Options M2, 3 and 4 in particular are likely to support the Program to meet its objectives.</p> <p>Infigen is active in engaging with the community about renewable energy through providing information and access to its generation sites, and is supportive of continuing this in support of growing GreenPower's customer base as suggested under option M2.</p>
<i>M3 - Narrower marketing focus</i>	
<i>M4 - Refresh and relaunch</i>	
Program Rules	
<i>R4 – Support small-scale generation</i>	<p>Infigen opposes the option to include small-scale generation within the Program. It could fundamentally harm the branding of GreenPower as a driver of new generation over and above mandatory requirements. Whereas a LGC surrendered for a GreenPower customer leaves a gap in the supply available to meet the LRET, there would be no such effect for a Small-scale Technology Certificate (STC) due to design of the Small-scale Renewable Energy Scheme. The SRES is uncapped, and therefore even voluntary surrenders of STCs are unlikely to result in additional renewable energy generation.</p>
<i>R5 – Redefine new generation</i>	<p>Whilst the intent behind this Option is appropriate, on balance Infigen opposes it due to concerns of it adding complexity to the Rules and administration, and the potential for</p>



	<p>retrospective changes affecting existing Generators inviting legal challenges.</p> <p>The objective of promoting new renewable energy generation would be better pursued by other initiatives as outlined in this submission.</p>
<p><i>R8 - Incorporate renewable electricity from the grid into calculations of the percentage of GreenPower</i></p>	<p>Infigen's experience is that potential large GreenPower customers find the 100% issue identified in the Consultation Paper a significant problem. Addressing this would require changes to the definition and administration of all percentages of GreenPower. For example, "10% GreenPower" may no longer be an allowed product given that the Renewable Power Percentage under LRET currently exceeds 10%. On balance Infigen submits that these challenges are worth managing for the benefit of meeting the needs of prospective customers seeking 100% renewable energy procurement. It is likely that the proposed broader targeted GreenPower marketing effort will need to address issues of definition in any case.</p>
<p><i>R10 – Review eligible generation technologies</i></p>	<p>Infigen is concerned about the potential reputation damage to the GreenPower brand if waste to energy (eg. native forest wood waste) became an eligible technology. In any case, this should not proceed as a priority outcome of this Review, but is the sort of matter that the Steering Group should have the authority to address.</p>
<p><i>R11 – Expand the GreenPower Product family</i></p>	<p>As discussed above Infigen's first priority is for the Program to significantly strengthen its marketing and promotion effort.</p> <p>Accordingly Infigen does not specifically support the introduction of the products suggested under this option until the GreenPower marketing strategy has been developed. Initial concerns about the prospect of adding new products include the further segmentation this may cause and potential added confusion regarding the GreenPower brand. However the example products identified in the Consultation Paper do highlight important opportunities for the Program to capture, as follows:</p> <ul style="list-style-type: none"> • <u>Government agencies that run large voluntary renewable energy procurement programs.</u> GreenPower must aim to avoid the need for such agencies to establish a novel process for renewable energy procurement. If successful this would strengthen the Program and its prospects though economies of scale, and would avoid duplication of costs in industry. • <u>Infrastructure and other projects that are required under planning approvals to procure renewable energy in consideration of some aspect of their development footprint.</u> As above. • <u>Customers seeking to support particular renewable energy facilities.</u> As above. Further, Infigen's understanding is that this customer requirement can be achieved under the existing Rules via the Provider's branding. Please also refer to the comments above



	<p>regarding Funding including the ability of Generators to become Providers.</p> <p>The Program should consider how to prevent the fixed portion of Provider fees causing these potential customers to procure outside the Program.</p> <p>Infigen emphasises that for this demand for renewable energy to be harnessed within the Program and actually support deployment of new renewable energy it must be by way of multi-year commitments by customers. Generators are able to offer lower LGC pricing for longer tenure commitments, which will be particularly important to customers in an environment of rising LGC prices. The Program must be able to attract and facilitate such commitment.</p> <p>Perhaps with greater focus by the Program and its participants on these customer segments, examples similar to the ACT's Feed-In Tariff and Sydney Desalination Plant's renewable supply agreement could be harnessed within the GreenPower Program.</p>
<p><i>R12 – Strengthen contractual obligations for GreenPower Providers</i></p>	<p>Infigen is supportive of efforts to uphold the integrity of the Program, including strengthening contractual obligations on all participants. Providers play a critical role as the interface with the customers and this should be recognised.</p> <p>Data on electricity retailing activities has traditionally been very inaccessible relative to the highly transparent wholesale market. Incumbent retailers have commercial reasons to protect this situation however efforts to market GreenPower effectively will be limited to the extent that market segmentation and other information is not shared by Providers. Competitive interests can be managed by standardising data and keeping aspects of it anonymous.</p>
<p>Advocacy options</p>	
<p><i>A1 – Confirm the additionality of GreenPower</i></p>	<p>Infigen fully supports this option. There was damaging delay in the previous Commonwealth Government's eventual decision that GreenPower purchases contribute additional emissions reductions to those required under the former carbon pricing mechanism. The position of the current Government should be clarified as soon as possible.</p>
<p><i>A3 – Introduce opt-out requirements for GreenPower</i></p>	<p>Infigen supports a default option that includes a modest GreenPower component. It would normalise the GreenPower purchase and prompt greater awareness of the product. A key consideration is ensuring the communication between the Provider and customer is very clear on this point.</p> <p>This and a requirement for electricity retailers to offer a GreenPower product are matters that the Program should engage with relevant jurisdictions on. It is possible, for example, that the removal of the GreenPower product requirement in NSW as part of transitioning to the National Energy Customer Framework is no longer consistent with current NSW Government policy.</p>



The Consultation Paper comprehensively assesses the history and current status of the GreenPower Program, and puts forward a range of valid options for consideration. In summary, Infigen expects that the Program has the potential to better support renewable energy deployment through a targeted, sustained marketing effort and through stronger governance arrangements.

Please contact me (david.krsevan@infigenenergy.com; 02 8031 9900) or Neil Raffan (neil.raffan@infigenenergy.com; 02 8031 9900) should you wish to discuss this submission further.

Sincerely,

A handwritten signature in black ink, appearing to read "D.K." followed by a long, horizontal flourish.

David Krsevan
Manager Energy Markets
Infigen Energy