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GreenPower Program Manager and Steering Committee
GreenPower Program Review Submission
NSW Trade & Investment
GPO Box 7060
Sydney NSW 2001

Submitted electronically to greenpower.admin@trade.nsw.gov.au

Dear GreenPower Program Manager and Steering Committee

GreenPower Program Review Submission

EnergyAustralia is one of Australia's largest energy companies, providing gas and electricity to over 2.6million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. EnergyAustralia owns and operates a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

As one of the three largest providers of GreenPower, EnergyAustralia considers it appropriate that the program be reviewed in light of significant changes to the environment in which GreenPower exists and we welcome the opportunity to provide input to the review.

We believe that energy users should be able to exercise control over their purchases. This control includes having the ability to choose products based on cost, environmental credentials or other non-price benefits, as well choices with regard to their consumption such as adopting energy efficient appliances or behaviors. We consider that offering GreenPower (branded by EnergyAustralia as 'PureEnergy') is a key part of this philosophy.

GreenPower in its current form is still a relevant product offering and does not require significant changes. We acknowledge that the program faces a number of challenges and that the trend of declining sales provides an opportunity to review aspects of the program however, we are concerned that there is a view among some stakeholders that sales volumes and customer numbers are the only indicators of success for the scheme and feel that the role of the program should be looked at within the broader context of consumer choice and competition.

The number of GreenPower providers has remained relatively constant since the program's peak in 2008. This reflects the fact that retailers recognise consumer demand for choice and empowerment in terms of their energy supply. If this is used as an alternative indicator of success it raises the question of whether a number of proposals outlined in the consultation paper are warranted. We are concerned that the paper is seeking to implement solutions to issues which have not clearly been defined and as such are cautious of endorsing options which may in fact hamper efforts to improve the relevance of GreenPower if the purpose of the scheme is not agreed by all stakeholders.

EnergyAustralia's specific comments in response to the options raised in the paper follow.

Program Aims

GreenPower was developed in 1997 in response to a certain set of circumstances and was created with a number of objectives. Recognising the significant contextual differences between the retail electricity market in 2015 versus 1997, EnergyAustralia believes that some refinement to the aims of the GreenPower scheme may be appropriate but we strongly oppose the wholesale re-casting of the Scheme's aims.

EnergyAustralia broadly supports option *A2: Update the aims*, however we consider the draft aim "To provide GreenPower customers with additional membership benefits in recognition of their voluntary contribution" is too specific to be considered a high level aim and consequently should not be included. We are open to further consideration of the aims and believe that they should be thoroughly deliberated to be used as a basis for the scheme's ongoing operation.

As outlined above, EnergyAustralia considers that finalisation of the scheme's aims and the development of a vision for the future are critical matters which must be addressed before a number of the other issues raised in the discussion paper can be determined.

Governance

EnergyAustralia does not believe that a case for any change to the governance arrangements has been made. If it is subsequently determined, after the aims of the scheme have been finalised, that changes to the governance arrangements are needed, EnergyAustralia would support whichever option allowed these aims to be pursued at least cost to providers. Should the governance arrangement be amended to allow for broader representation (options G2 or G3) appropriate retailer representation would be required as it is paramount that each retailer's differing business objectives with regard to GreenPower are recognised.

While we acknowledge the limitations of a governance structure comprised of a number of state Governments and see some benefit to transitioning governance to a centralised organization (preferably Commonwealth Government), we are mindful of the costs involved and urge that appropriate cost benefit analysis be undertaken before such a move is contemplated.

Funding

The question of funding is one that can again be tied back to the aims of the program and the key measures of success. Because consumer price sensitivity is the key driver of decreased

GreenPower sales we consider it unlikely that any further investment from providers would deliver a net benefit given that costs will be passed on to consumers through higher c/kWh rates. We are aware that the scheme currently operates on a reasonably lean budget however, we would not support any option that requires a greater provider contribution unless we had visibility of how existing funds were being spent; a plan for how any increase in funding would be allocated, with direct reference to the aims of the scheme; and assurance of a positive return on investment. EnergyAustralia is not currently dissatisfied with GreenPower's operations however in an environment where consumers are acutely aware of energy costs we do not believe that it would be prudent to further fund the program without a commensurate increase in oversight and accountability.

We believe that it is overly simplistic to suggest that the program would be more effective with additional funding and consider that if an appropriate direction for the program is developed that it may in fact be possible to reduce operational costs, enabling retailers to offer GreenPower at lower rates to consumers. Our view of the GreenPower marketing function is outlined below and provides additional comments with regard to this matter.

Marketing and Promotions

EnergyAustralia considers that a revised approach to marketing GreenPower is required, but is not convinced that options outlined in the discussion paper will necessarily lead to optimal outcomes. The GreenPower brand is known and trusted and we do not believe that a radical overhaul, or even a relaunch would have significant impact in terms of increasing recognition or market penetration. Rather it may have a detrimental effect and confuse the market. The core role of the centralised marketing function should be to support individual providers in promoting GreenPower to their target market. We consider that pursuing a marketing strategy which involves the development of materials and messaging to assist retailers' own marketing activities could be done within or even below the current marketing budget.

In the retail electricity market, retailers look to differentiate themselves from competitors offering a homogenous product. GreenPower is one way that they can achieve this. We believe that the centralised marketing function's key responsibility should be to develop a value proposition for GreenPower and to allow providers to undertake the operational aspects of marketing under their own branding. The central function could also provide support in terms of providing messaging and advice in relation to the role of GreenPower in the ever changing policy environment. This element was lacking in the lead up to the introduction of the carbon tax and consequently the program received some criticism as retailers were required to respond to consumer queries in an ad hoc manner without having been provided with consistent messaging.

EnergyAustralia believes that if retailers are given the tools to market GreenPower in terms of an ability to demonstrate value to the customer, they will each make decisions as to how much marketing effort to expend based on their views of where the opportunities lie.

Program Rules

EnergyAustralia does not see the need for significant change to the program rules. Given the varied nature of the options outlined in the discussion paper our comments with regard to each proposal are outlined below.

Option	EnergyAustralia Comment
R1: No change. <i>Leave the Program rules unchanged.</i>	No objection to maintaining the current program rules
R2: Relax the minimum renewable energy input requirement. <i>Change the GreenPower Generator eligibility requirements to allow accreditation of Generators with less than 50% renewable energy input.</i>	No objection. Relaxing the minimum renewable energy input requirement may allow retailers to offer GreenPower to consumers at lower prices.
R3: Strengthen GreenPower Generator eligibility requirements. <i>Introduce additional ecological, social or economic criteria for eligible generation.</i>	We oppose strengthening the generator eligibility requirements as we do not believe that this is consistent with the aims of the scheme.
R4: Support small-scale generation. <i>Revise GreenPower Generator eligibility requirements to allow accreditation of small-scale generators.</i>	<p>We oppose the accreditation of small-scale generators on the basis that that we do not believe that this is consistent with the aims of the scheme.</p> <p>If STCs trade at a lower price than LGCs, providers will procure a larger proportion of STCs, lessening the incentive to invest in large-scale renewable energy sources.</p>
R5: Redefine new generation. <i>Introduce a rolling baseline for the definition of 'new' generation.</i>	<p>We oppose the introduction of a rolling baseline for new generation.</p> <p>Many retailers enter in to long term agreements for the purchase of GreenPower RECs. If some generators were to 'roll off' during the term of these agreements, the retailer would be adversely impacted.</p>
R6: Increase the minimum GreenPower content of residential products. <i>Increase the required GreenPower content of blended residential Products beyond 10%.</i>	<p>We oppose increasing the minimum GreenPower content of residential products beyond 10%.</p> <p>EnergyAustralia believes that retailers should be free to make decisions around the products that they offer and if they determine that there is an appetite for a 10% (or even lower) product in the market that this should be acceptable as, regardless of the percentage, any sale of GreenPower is still an investment in renewable energy.</p>
R7: Lower the threshold for large customers to use the GreenPower logo. <i>Lower the minimum threshold for GreenPower logo usage from 10% for commercial customers consuming large amounts of electricity.</i>	We support lowering the logo usage threshold for large customers.

<p>R8: Incorporate renewable electricity from the grid into calculations of the percentage of GreenPower. <i>Revise the rules so that 100% GreenPower includes the proportion of renewable energy already in the grid due to the RET.</i></p>	<p>We oppose incorporating renewable electricity from the grid into the GreenPower percentage. Although this amendment is likely to reduce direct GreenPower costs, we consider that it is administratively difficult and the additional complexity required to calculate GreenPower purchases may deter new entrant retailers from becoming providers.</p>
<p>R9: Remove block-based GreenPower Products. <i>Revise the rules to make block-based GreenPower Products ineligible for accreditation.</i></p>	<p>We oppose the removal of block-based GreenPower products on the basis that significant numbers of legacy customers are on these products.</p>
<p>R10: Review eligible generation technologies. <i>Undertake a review of generation technologies to determine if additional technologies should be eligible to generate GreenPower.</i></p>	<p>We support a review of eligible generation technologies and support alignment with the LRET.</p>
<p>R11: Expand the GreenPower Product family. <i>Allow for the introduction of additional GreenPower Product types alongside the 'standard' GreenPower offering.</i></p>	<p>We support the expansion of the GreenPower Product family however we consider that retailers are best placed to innovate and propose alternative products for approval.</p>

Advocacy Options

In contrast to other elements of the discussion paper, we do not believe that the Advocacy Options rely on finalisation of the aims or direction of the program and we support options A1 and A2.

With regard to *A1: Confirm the additionality of GreenPower*, we understand that a number of consumers purchase GreenPower on the understanding that it is not counted towards Australia's mandatory emission's reductions. We consider that confirmation of this is critical to the future success of the scheme. We also support *A2: Simplify the LGC surrender process* in that it may assist in reducing the administrative burden of operating within the scheme.

EnergyAustralia is strongly opposed to *A3: Introduce opt-out requirements for GreenPower*. We do not consider that mandating GreenPower is appropriate in a competitive market and as previously, mentioned we believe that each retailer should determine the extent to which GreenPower is part of their service offering. In addition to this, GreenPower is a premium product and we feel that it may be irresponsible to impose a product which attracts a higher cost per kilowatt hour in the current climate where energy affordability is a concern for many consumers.

Summary

EnergyAustralia supports the continued operation of the GreenPower program however we believe that its role in the current retail energy market and its direction through an increasingly challenging landscape in the future must be clearly defined before many of the more operational aspects of the discussion paper can be addressed. The strategic and operational elements must align to ensure that providers can continue to offer GreenPower to consumers at a price that represents value for money.

We believe that the providers will ensure the success of the program and that the central marketing and administrative functions should support this to deliver optimal outcomes to consumers in the form of choice and a low cost option to support renewable energy generation.

If you require any further information with regard to this submission, please contact me on 8628 1731 or via email at joe.kremzer@energyaustralia.com.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joe Kremzer', with a long horizontal flourish extending to the right.

Joe Kremzer
Regulatory Manager, Retail