Energy Retailers Association of Australia
Suite 3, Level 5, 189 Kent Street, SYDNEY NSW 2000
T (02) 8241 1800 **W** www.eraa.com.au

26 March 2015

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

Email: greenpower.admin@trade.nsw.gov.au

Dear GreenPower Program Manager and Steering Committee,

RE: GreenPower Program Review

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments to the GreenPower Program Manager and Steering Committee on the consultation on the GreenPower Program Review.

The ERAA represents the organisations providing electricity and gas to over 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

Since its establishment, GreenPower has been a credible program and is the only voluntary government accredited program to purchase renewable energy. Through GreenPower Providers such as energy retailers, business and residential consumers are able to displace a proportion of their electricity usage with certified renewable energy, through the purchase of accredited Large-scale Generation Certificates (LGCs) by signing up to a GreenPower product.

However, the energy market we are operating in today is a vastly different energy market to what we were operating in when GreenPower was developed. As such, the review must consider any potential recommendations in the context of current market dynamics. The increase in solar photovoltaic (PV) penetration, declining demand, uncertainty around the future operation and design of other green schemes and energy cost pressures must be acknowledged.

Customer numbers, or the volume of GreenPower products sold, are not necessarily an appropriate indicator of success of the GreenPower Program, and success must be assessed against the aims of the program. At a high level, if one the key objectives of the review is to promote GreenPower as an attractive product for consumers or minimise the current decline in customer numbers, then the Program fees, which are a contributor to the price of GreenPower products, need to be kept as low as possible. Centralised marketing should be limited to producing materials to explain how GreenPower interacts with other environmental schemes and programs as required, development of a general value proposition that individual Providers can pick up and build on in their marketing, as well as approval functions for Providers' materials.

The ERAA recommends a review of the effectiveness of current spending of the GreenPower program to determine if Provider fees can be reduced. A reduction in fees is likely to reduce the upward pressure on prices for GreenPower products and may result in greater uptake, in particular for larger customers.

The ERAA's submission which is attached, provides retail industry comment on each of the options presented in the GreenPower Program Review Public Consultation Paper.

Thank you for the opportunity to outline ERAA member's view on this review. Should you wish to discuss the details of this letter, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

Cameron O'Reilly
Chief Executive Officer
Energy Retailers Association of Australia

Energy Retailers Association of Australia
Suite 3, Level 5, 189 Kent Street, SYDNEY NSW 2000
T (02) 8241 1800 **W** www.eraa.com.au

PROPOSAL	ERAA COMMENT
A1: No change ***Keep the aims as they are.***	In general Retailers consider most of the aims are still relevant in the current content, but would support removing the requirement to '*increase consumer awareness of renewable energy and greenhouse issues*' as this may constrain the Program Manager to undertake marketing initiatives that may not necessarily increase Program uptake.
A2: Update the aims ***Revise the wording of the aims to better reflect Program strengths and the current context.***	As per A1, Retailers consider most of the aims relevant in the current context. In response to the options provided, Retailers do not agree that an appropriate aim is '*to provide GreenPower customers with additional membership benefits in recognition of their voluntary contribution*' as this is a marketing strategy rather than an overarching goal and the purpose and requirements of it are unclear.
A3: Develop completely new aims ***Radically redefine the objectives of the Program to support renewable energy in an entirely new way.***	The ERAA does not believe it is appropriate to radically change the aims of the scheme altering the intent of the Program at this stage as it provides no certainty for existing participants and could reduce the integrity of the Program. A new direction for the Program needs to be consulted on and would only be considered as part of a complete review, which would include changes to governance arrangements.
A4: Introduce targets ***Introduce specific targets or indicators for the GreenPower Program to allow clearer assessments of progress.***	Targets are unsupported by retailers. Internal indicators more appropriate.
G1: No change ***Maintain current governance structure.***	Retailers would not object to not changing the governance structure.
G2: Steering Group expansion ***Additional jurisdictions and stakeholder representatives incorporated into the GreenPower Steering Group.***	Should the Steering Group be expanded, retailer representation would be required. The ERAA believes that the confidentiality and privacy concerns noted in the paper could be overcome, by excluding Providers from participation in matters that raise competition concerns.
G3: Establish a Stakeholder Reference Group	Retailers would not object to the establishment of a stakeholder reference group provided there was adequate retail representation and clear objectives so as to not duplicate role of the Steering Group.

Establish a Stakeholder Reference Group to advise and make recommendations to the Steering Group on key program decisions.	
G4: Governance by an alternative organisation ***Management of the GreenPower Program shifts to a different government or non-government location***	Retailers believe the costs of any alternative governance arrangements is likely to outweigh the benefit.
F1: No change ***Maintain existing funding arrangements.***	Retailers do not believe additional funding is required until aims are clarified and agreed. There is currently no transparency on Program spending or the methodology used to calculate Provider fees, and therefore we cannot assess the appropriateness of additional funding.
F2: Raise additional funds from Providers for central marketing and promotion ***Increase Provider fees to expand the Program marketing and promotions budget.***	The need for additional fees has not been demonstrated. Increased fees would likely see prices of GreenPower products rise, which may contribute to further decline in product uptake. If fees are increased some Providers may withdraw from the Program.
F3: Increase funding by other means ***Seek other funding sources to increase the funds for marketing and promotions.***	The need for additional fees has not been demonstrated. Retailers unlikely to object to GreenPower seeking additional funding from other sources, however it is not clear what sources exist.
F4: 'Real-time' fees for Providers ***Base Provider fees in each year on actual GreenPower sales in that year.***	Retailers are unlikely to take issue with this however the exact methodology must involve consultation with retailers.
F5: Restructure Generator fees to improve equity ***Replace the current Generator fee structure with a sliding scale based on generation capacity or volume.***	Retailers would not object to adjustment of how Generator fees are calculated.
M1: No change ***Continue the existing approach to marketing and promotions.***	Retailers support this option. Providers would like to see greater transparency of current Program spending, including what central marketing activities are being undertaken by GreenPower.
M2: Increase engagement with existing customers ***Establish new mechanisms to engage with existing GreenPower customers and improve customer retention.***	Retailers do not support additional funding from Providers for marketing/promotions. In general, marketing decisions should be made by Providers as part of BAU activities. Retailers do not believe a newsletter and/or an app will be enough to entice the average customer to stay with the Program if the products are not price competitive with other renewable/emission reduction initiatives. Retailers

	opposes this option on the basis that the costs are likely to outweigh the benefits. Further any increase in data requirements from Providers would also need to be clarified.
M3: Narrower marketing focus ***Identify customer segments most likely to purchase GreenPower and target marketing at those segments.***	Retailers believe costs are likely to outweigh the benefits of this option and greater benefit can be achieved by leaving marketing to providers.
M4: Refresh and relaunch ***Relaunch the GreenPower Program with the existing logo, new messages and a new Marketing and Engagement Strategy.***	Retailers believe costs are likely to outweigh the benefits of this option and greater benefit may be achieved by leaving marketing to providers.
M5: Rebrand and relaunch ***As for Option M4, but with development of a new logo and branding.***	Retailers view this option as too drastic and believe the costs are likely to outweigh the benefits.
M6: Pursue third party endorsement and advocacy ***Improve promotion of the Program by securing third party endorsements and advocacy.***	Retailers are unlikely to object provided they are consulted on when endorsements are being considered.
M7: Innovative Product offerings ***Develop new Product offerings to attract new customers.***	Retailers must be provided to offer the products, maintain ultimate discretion to choose what to offer customers.
R1: No change ***Leave the Program rules unchanged.***	Retailers do not object to leaving the program rules as they are.
R2: Relax the minimum renewable energy input requirement ***Change the GreenPower Generator eligibility requirements to allow accreditation of Generators with less than 50% renewable energy input.***	Retailers unlikely to object.
R3: Strengthen GreenPower Generator eligibility requirements ***Introduce additional ecological, social or economic criteria for eligible generation.***	This option is likely to reduce the number of generators that gain accreditation (i.e. LGC supply) and may therefore increase the cost of procurement. This would also increase the complexity and administration burden for those able to meet new scheme requirements. This cost is likely to outweigh any benefits of an increase in environmental credibility.
R4: Support small-scale generation ***Revise GreenPower Generator eligibility requirements to allow accreditation of small-scale generators.***	Retailers have concerns that accrediting Small-scale Technology Certificates (STCs) under the Program could disrupt the market for LGCs. We expect there to be a price differential between LGCs and STCs, given the rate of supply of each certificate type will vary, and this in turn would be likely to drive

	a change in procurement behaviour. For example, if STCs consistently trade at a lower price than LGCs, providers may choose to procure a larger proportion of STCs, disadvantaging large-scale GreenPower generators.
R5: Redefine new generation ***Introduce a rolling baseline for the definition of 'new' generation.***	Retailers are concerned this option could inadvertently decrease future LGC supply, and therefore increase the cost of procurement. As Retailers may have entered into long-term power purchase agreements with existing GreenPower generators, any change to the scheme which restricts a generator from continuing to be recognised as a GreenPower generator may cause some Providers to be unfairly impacted more than others. It would also disadvantage those generators and contracted Providers who funded the building of renewable generators first over more recently built generators.
R6: Increase the minimum GreenPower content of residential Products ***Increase the required GreenPower content of blended residential Products beyond 10%.***	Retailers do not support increasing the required GreenPower content as this would impact a large number of existing GreenPower customers who are choosing to participate in the scheme at 10%. This may decrease the general attractiveness of GreenPower and limit the ability of some customers to purchase GreenPower products, further reducing customer numbers due to increased price. This may also cause some Providers to exit the scheme.
R7: Lower the threshold for large customers to use the GreenPower logo ***Lower the minimum threshold for GreenPower logo usage from 10% for commercial customers consuming large amounts of electricity.***	Retailers likely to support a lower threshold for large business.
R8: Incorporate renewable electricity from the grid into calculations of the percentage of GreenPower ***Revise the rules so that 100% GreenPower includes the proportion of renewable energy already in the grid due to the RET.***	This option may reduce GreenPower costs for the consumer and potentially increase product uptake. If this was to be implemented, the program would need to publish the percentage to be applied for each calendar year at least three years in advance. This would recognise that hedging contracts are purchased years in advance, and reduce the administrative complexity and risk of Providers attempting to forecast the correct percentage.
R9: Remove block-based GreenPower Products ***Revise the rules to make block-based GreenPower Products ineligible for accreditation.***	Retailers do not support the removal of block based products as this simply serves to further reduce potential GreenPower sales volumes.
R10: Review eligible generation technologies ***Undertake a review of generation technologies to determine if additional technologies should be eligible to generate GreenPower.***	Alignment with the Large-scale Renewable Energy Target (LRET) makes sense.

R11: Expand the GreenPower Product family ***Allow for the introduction of additional GreenPower Product types alongside the 'standard' GreenPower offering.***	Product offerings are to be determined by Providers as a commercial business decision.
R12: Strengthen contractual obligations for GreenPower Providers ***Revise Provider contracts to add a contingency process for failure to surrender LGCs and data sharing requirements.***	Retailers do not support the strengthening contractual obligations of retailers as it ignores the fact that there are already contractual requirements in place between Providers and customers, as well as stringent ACCC oversight on false and misleading conduct. Retailers do not believe there is a case for a contingency fund for instances where a Provider does not surrender LGCs. In these cases, either the Provider procures and surrenders the required certificates, or their accreditation is withdrawn. It is very likely that this would incentivise the Provider to surrender the required LGCs. In the unlikely event that it doesn't surrender as required, the customer would have good grounds to lodge a case with the energy ombudsman, and any compensation could be used to fund the procurement and surrender of certificates if they chose. Additional or strengthened contingency processes are not required, and would also serve to increase scheme costs for customers. The increase in provider fees required to establish the contingency fund would increase the cost of GreenPower accredited products and may cause some Providers to exit the scheme. Given the low likelihood of failure to surrender, Retailers do not believe this is justified. If data is to provide in a required format, retailers must be consulted on the format.
R13: Streamline auditing of Providers ***Reduce auditing frequency according to specified criteria.***	Retailers support streamlining audit process and propose a risk-rating approach (like under the RET), whereby providers are only formally audited where there is ground for their operations to be considered at high risk of non-compliance. Retailers do not support a sales threshold. This would result in larger Providers being targeted for additional audits and may serve to undermine the appetite for Providers to increase sales volumes.
A1: Confirm the additionality of GreenPower	Agreed by retailers.

Seek Australian Government confirmation on the continued additionality of GreenPower.	
A2: Simplify the LGC surrender process ***Work with the CER to simplify the LGC surrender process.***	Agreed by retailers. Considered by some retailers as no longer an issue – related to initial teething problems only.
A3: Introduce opt-out requirements for GreenPower ***Require the initial offer of a GreenPower Product by electricity retailers when contracting customers.***	Retailers strongly object to this proposal.