



27 March 2015

National GreenPower Steering Group

By e-mail: greenpower_admin@trade.nsw.gov.au

GreenPower Program Review: Public Consultation Paper

Origin Energy Limited (Origin) welcomes the opportunity to respond to the GreenPower Program Review. Origin is a significant investor in renewable energy technologies and is the largest GreenPower Provider with over 200,000 customer accounts. Origin also owns and operates generators accredited under the Program and takes a keen interest in the scheme's future direction.

Since the inception of GreenPower in 1997, there has been considerable change in the Program's operating environment. This includes rising electricity prices, the uptake of solar PV and the introduction and subsequent removal of a price on carbon. Although GreenPower has remained a consistent option for customers since commencement, declining sales and customer numbers does highlight the need to adapt. Origin does not believe GreenPower requires redesign, but the program does need to be revised in the context of current market dynamics.

Rising electricity prices is a key concern for many consumers. It is therefore imperative that GreenPower costs are kept as low as possible to ensure continued viability. Origin therefore supports amending the rules so that GreenPower takes into account the proportion of renewable energy already in the grid due to the mandatory requirements of the RET. Similarly, we do not support increasing the minimum GreenPower content of residential products, as this would impact on a large number of existing GreenPower customers who are choosing to participate in the scheme at 10%.

Origin is of the opinion that Product Providers continue to be best-placed to undertake marketing initiatives under the Program, with the role of the Program Manager to provide confidence to consumers on scheme creditability. Origin therefore does not support increasing Provider fees for additional marketing purposes. Any centralised marketing that is undertaken should focus on enabling customers to understand GreenPower fundamentals and explain how it interacts with other mandatory green and energy efficiency schemes. In general however, marketing activities should be left to the discretion of the Program Providers as this is the most efficient and cost effective way in which to reach the customer base.

We provide specific comments on the questions raised in the consultation paper below. Should you wish to discuss the contents of this response, please contact me on (02) 9503 5418.

Yours sincerely

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

Sally Bell
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Response to issues in the Public Consultation Paper

Program Aims	
<p>A1: No change Keep the aims as they are.</p>	<p>In general, Origin considers that most of the aims that underpin the GreenPower program are still relevant in the current context. However, we would be supportive of 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.</p>
<p>A2: Update the aims Revise the wording of the aims to better reflect Program strengths and the current context.</p>	<p>As per comments in A1, Origin considers that most of the aims that underpin the GreenPower Program are still relevant in the current context.</p> <p>In response to the options provided in the consultation paper, Origin does 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.</p>
<p>A3: Develop completely new aims Radically redefine the objectives of the Program to support renewable Energy in an entirely new way.</p>	<p>Radically changing the program aims is currently not an appropriate strategy. This objective is too broad and does not provide current participants with any certainty as to what a "new" GreenPower Program would look like. Origin would also not be supportive of a complete Program overhaul as this could serve to reduce the integrity of the scheme.</p>
<p>A4: Introduce targets Introduce specific targets or indicators for the GreenPower Program to allow clearer assessments of progress.</p>	<p>The introduction of performance targets is not a supported option in the Program's current operating environment, which has been characterised by declining sales and customer numbers. There is also limited value in introducing targets that that cannot be influenced by the Program Manager.</p> <p>It is also important to note that additional metrics increase the data collection and analysis requirements for the Provider, who already provide sales and customer data to the Program Manager on a quarterly basis. Any additional metrics should only be utilised at the discretion of the Providers.</p>

Governance	
<p>G1: No change <i>Maintain current governance structure</i></p>	<p>Origin has no specific concerns with the current Governance structure of the Program, but if it was to be expanded, adequate Provider representation would be required on The National GreenPower Steering Group (NGPSG)</p> <p>Origin is comfortable with the current consultation processes undertaken by the Program and does not see the need for formal annual reviews, however we would support the introduction of open annual forums as a way in which to gain regular participant input.</p>
<p>G2: Steering Group expansion <i>Additional jurisdictions and stakeholder representatives incorporated into the GreenPower Steering Group.</i></p>	<p>As per comments above</p>
<p>G3: Establish a Stakeholder Reference Group <i>Establish a Stakeholder Reference Group to advise and make recommendations to the Steering Group on key program decisions.</i></p>	<p>Origin does not object to the establishment of a Stakeholder Reference Group that includes adequate Provider representation; however the Program would need to ensure that this does not simply add an additional level of bureaucracy. Similarly, the Stakeholder Reference Group should not duplicate any of the roles undertaken by the NGPSG.</p>
<p>G4: Governance by an alternative organisation <i>Management of the GreenPower Program shifts to a different government or non-government location</i></p>	<p>This option requires further discussion with the Federal Government and associated agencies before it can be considered viable for the GreenPower Program review at this point in time</p>
Funding	
<p>F1: No change <i>Maintain existing funding arrangements.</i></p>	<p>There is currently no transparency on the methodology used to calculate GreenPower Provider fees. This can cause complexity for Providers, as contractual arrangements with customers are established prior to the confirmation of actual scheme costs.</p> <p>Origin suggests making Provider fee calculations more transparent, particularly when structures are amended or fees increased.</p>
<p>F2: Raise additional funds from Providers for central marketing and promotion <i>Increase Provider fees to expand the Program marketing and promotions budget</i></p>	<p>Origin does not support additional funding from Providers for marketing and promotional purposes. Increased fees would result in increased cost pass through, which may further reduce GreenPower customer numbers. In general, marketing activities should be left to the discretion of the program Providers, as this is the most efficient and cost effective way in which to reach the</p>

	<p>customer base.</p> <p>From a centralised marketing perspective, this function should focus on communicating that the scheme is credible and enable customers to understand the fundamentals of the program and how it interacts with other mandatory green and energy efficient schemes.</p>
<p>F3: Increase funding by other means <i>Seek other funding sources to increase the funds for marketing and promotions.</i></p>	<p>Origin does not object to GreenPower seeking funds from sources other than providers, although it is not clear what other avenues are available. Origin does not believe that raising additional funds from GreenPower customers is a viable option as this may serve to further reduce customer numbers under the Program.</p>
<p>F4: 'Real-time' fees for Providers <i>Base Provider fees in each year on actual GreenPower sales in that year.</i></p>	<p>As there is currently no transparency on the methodology used to calculate GreenPower Provider fees, it is difficult to fully comment on what impact this change may have to current processes. However, changing to a 'real time' methodology would be likely to increase the complexity for both the Providers and for the Program Manager and the benefits vs the costs of this option would need to be established.</p>
<p>F5: Restructure Generator fees to improve equity <i>Replace the current Generator fee structure with a sliding scale based on generation capacity or volume.</i></p>	<p>Origin does not believe that there is currently a need to restructure generator fees, as the fees are already determined based on block capacity of the generator.</p>
<p>Marketing</p>	
<p>M1: No change <i>Continue the existing approach to marketing and promotions.</i></p>	<p><i>The points raised in M1-M7 of the consultation paper have been combined into a single discussion below.</i></p> <p>The general theme of our response to this consultation process is that in order for GreenPower to address falling sales, costs needs to be kept as low as possible in order to try to reduce the loss of current customers, as well as potentially enticing new entrants into the program.</p> <p>As per points made in the funding section above, Origin is of the opinion that marketing activities should be left to the discretion of the program Providers, as this is the most efficient and cost effective way in which to reach the customer base. For example, undertaking targeted marketing is raised as an option for the Program to consider, however this is an activity that is already undertaken by Providers as part of their business-as-usual activities.</p> <p>We therefore do not support increasing Provider fees to increase</p>

	<p>the GreenPower marketing budget and believe that the central marketing function of the program should focus on enabling customers to understand the fundamentals of the program and how it interacts with other mandatory green and energy efficient schemes in particular</p> <p>We also do not believe that there is currently an appetite for a complete rebranding of the scheme, nor do we see this as a viable option. We would also suggest greater transparency of current marketing approaches, as it is difficult to assess if changes are required or if they would be an effective response to declining customer numbers and sales</p>
<p>Program Rules</p>	
<p>R1: No change <i>Leave the Program rules unchanged.</i></p>	<p>Origin does not have any major concerns with respect to the program rules as they currently stand however there are a number of minor changes that could be made to benefit the program from an operational perspective. These opportunities are discussed below.</p>
<p>R3: Strengthen GreenPower Generator eligibility requirements <i>Introduce additional ecological, social or economic criteria for eligible generation.</i></p>	<p>This amendment is not supported for three reasons. Firstly, it may serve to reduce the number of GreenPower accredited generators currently able to participate in the scheme. This could have a significant impact on the GreenPower REC supply and could negatively impact those Providers that already have contracts in place to met future compliance obligations.</p> <p>Secondly, limiting the REC supply may also increase the cost that would be passed through to consumers, which could reduce the number of customers willing to purchase GreenPower further.</p> <p>Thirdly, this change would increase the complexity and administration for those able to meet the new requirements and would also further deviate the accreditation process from the RET.</p>
<p>R5: Redefine new generation <i>Introduce a rolling baseline for the definition of 'new' generation.</i></p>	<p>Origin does not support the proposal for rolling baselines as introducing this methodology could inadvertently decrease future GreenPower REC supply.</p> <p>As Providers may have entered into long-term power purchase agreements with existing GreenPower generators, any change to the scheme that restricts a generator from continuing to be recognised under GreenPower may cause some Providers to be unfairly impacted. It would also disadvantage those generators and contracted Providers who funded the building of renewable</p>

	generators first, over those more recently built
<p>R6: Increase the minimum GreenPower content of residential Products <i>Increase the required GreenPower content of blended residential Products beyond 10%.</i></p>	<p>Origin does not support increasing the required GreenPower content as this would impact on a large number of existing GreenPower customers who are choosing to participate in the scheme at 10%</p> <p>It also may limit the ability of some customers to purchase GreenPower at all due to the increased cost of GreenPower above 10%, further reducing customer numbers under the Program</p>
<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></p>	<p>Origin is supportive of changes that would increase the uptake of GreenPower products.</p> <p>Although we are cognisant of the fact that any new threshold would need to protect the integrity of the Program, this amendment could potentially unlock substantial additional GreenPower sales</p>
<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>Rising electricity prices is currently a key concern for many consumers. As a result, GreenPower costs need to be kept as low as possible to ensure continued viability. Origin therefore supports amending the rules so that GreenPower takes into account the proportion of renewable energy already in the grid due to the mandatory requirements of the RET</p> <p>This change would mean that a 100% GreenPower consumer is only paying for the additional GreenPower required to top-up the mandatory RET obligation and is not paying for more than 100% renewable energy</p>
<p>R9: Remove block-based GreenPower Products <i>Revise the rules to make block-based GreenPower Products ineligible for accreditation.</i></p>	<p>Origin does not support the removal of block based products as this simply serves to reduce the number of GreenPower products available to consumers which is at odds with the current drive to increase sales and Program viability.</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>Origin supports both alignment with LRET and the review of current generator eligibility requirements. This amendment would decrease the administration currently required under the Program as well potentially increasing GreenPower accredited REC supply</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>Origin believes that Providers are best placed to determine which GreenPower products are most attractive to consumers</p>

<p>R12: Strengthen contractual obligations for GreenPower Providers <i>Revise Provider contracts to add a contingency process for failure to surrender LGCs and data sharing requirements.</i></p>	<p>Origin does not support this change 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</p> <p>Further contingency processes would also serve to increase scheme costs for customers, without any specific or justifiable benefit</p>
<p>R13: Streamline auditing of Providers <i>Reduce auditing frequency according to specified criteria.</i></p>	<p>Origin supports the option of streamlining audit requirements and utilising a risk based approach but does not agree with 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. Audits should be conducted in a manner which is fairly allocated across all Providers.</p>
<p>Advocacy</p>	
<p>A1: Confirm the additionality of GreenPower <i>Seek Australian Government confirmation on the continued additionality of GreenPower</i></p>	<p>Whether GreenPower is counted as additional by the Australian Government is beyond the control of the GreenPower scheme</p>
<p>A2: Simplify the LGC surrender process <i>Work with the CER to simplify the LGC surrender process.</i></p>	<p>The current operational aspects of the surrender process are not a concern. We do not feel any specific changes are required</p>
<p>A3: Introduce opt-out requirements for GreenPower <i>Require the initial offer of a GreenPower Product by electricity retailers when contracting customers.</i></p>	<p>Origin objects to this amendment as Providers should only offer products that meet the specific needs of the individual customer. GreenPower may not always be an appropriate option in every circumstance</p>

