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RE: 2012 "Special Circumstances" Review of Electricity Standing Contract Price Determination.

Dear Stuart

The Conservation Council is pleased to provide comment on the Special Circumstances Review covering the electricity standing contract price determination

Guiding principles

When carbon costs are passed through to consumers the following principles should apply:

- Transparency – Disclosure of relevant carbon emissions, the cost rate and total costs should be displayed on bills
- Opportunity –Retailers that source lower emissions energy sources should be able to display lower carbon costs (even where other aspects of their electricity products may be more expensive)
- Accuracy - Carbon pass through costs should reflect a retailer's carbon liabilities based on their greenhouse gas emissions exposure and the fixed carbon price as set by government until 2015 (adjusted downwards where free permits are granted).
- Opportunity - Consumers should be able to make lower emission choices based on knowledge of the carbon emissions of retailer electricity sources and the carbon pass through cost rates charged by retailers
- Fairness
    - Consumers (household, commercial and industrial) of any single retailer operating within a state network should pay the same carbon cost rate.
    - Carbon pass through costs should be applied without premium or mark up.

Methodological issues

Forecasting State wide costs

There is no apparent regulatory requirement for carbon costs to be forecast as part of the determination of standing electricity prices, as this cost could be applied as a charge above the cost of supplying electricity and is already regulated by the Clean Energy Regulator.

However, should ESCOSA consider that carbon costs should be part of the standing electricity contract price determination, then there is an even greater need for full transparency of the carbon cost component.

NEM average carbon intensity (ACI) factor.

The National Greenhouse and Energy Reporting (NGER) framework and related National Greenhouse Accounts (NGA) factors are different to the NEM emission factors. The NGA emission factors are determined taking into account interstate transfers of electricity with some adjustment for the greenhouse intensity across the state borders.

Ideally, there should be streamlining to ensure there is a single national greenhouse accounting framework is used for both the setting of greenhouse component of price determinations and for the NGER framework. Such streamlining is however beyond the role of ESCOSA. Until this matter is resolved we accept the recommendation that the ACI factor be used for forecasting, but remain unclear as to whether this factor covers upstream emissions that will also impact on carbon pass through costs.

Retail Margin to recover a retail margin on the costs it has identified as a consequence of the Clean Energy Act

Consistent with our principles, retailers should not recover costs in excess of the pass through cost of carbon.

Any proposal to charge a retail margin on the carbon cost would be unfair and could potentially be applied unequally to different types of customers. Pass through costs should be just that and nothing more. With household customers already paying significantly more than industrial customers for any given MWh of electricity there is already a perceived level of inequity. A further retail margin on household costs that may not be equally applied to industrial electricity consumers would increase this perception of inequity.

Carbon pass through costs on contracts require supplier specific emissions accounting

When allocating carbon pass through costs to electricity consumers, the key questions are:

- What method will be used by individual retailers to pass through their carbon costs to consumers?
- What greenhouse accounting framework will be used to allocate emissions to end users for carbon liabilities? A state wide emissions factor will not be appropriate for individual retailers.

From July 1, retailers will begin to incur carbon liabilities based on the portfolio of their energy sources and will be seeking to pass through costs that they cannot avoid. Carbon pass through costs will be based around a carbon price of $23 per tonne CO2-e until 2015 (and should be adjusted downwards where free permits are granted).

A retailer selling electricity from a portfolio of wind and hydro dominated supplies would incur a very low carbon debt and would therefore not have justification for using a high rate or a National Greenhouse Accounts (NGA) state emissions factor as this would recover an inflated carbon pass through charge.

In contrast, a retailer selling electricity from a greenhouse intensive dominated portfolio, say from coal fired power stations, would not be able to recover their carbon pass through costs using an NGA Factors emissions factor.

Whilst ESCOSA does not have a role in determining the accounting frameworks or carbon pass through methods that will be used by electricity, there should be some recognition that any nominated emissions intensity rate (such as 0.54 tonnes CO_2-e/MWh) would not reflect the actual emissions intensity rates of most individual retailers. A new method of allocating emissions to electricity end users that is relevant to the carbon costs charged to end users is required.

The issue of clarifying carbon pass through costs to 100% GreenPower contributors should also be clarified.

These matters are also beyond the role of ESCOSA and this price determination, being the responsibility of the Department of Climate Change and Energy Efficiency and the Australian Energy Regulator. However, ESCOSA could play a role to advocate for any necessary reforms to ensure transparency and fairness for electricity customers.

I would be pleased to discuss this submission in person

Kind regards

Tim Kelly

Tim Kelly

Chief Executive