

16. AUSTRALIA: NEW SOUTH WALES

According to IPART:

NSW 2003 population is 6,678,400

Total NSW electricity demand is 63,178 GWh

Mechanism:	Costs passed on to consumers; no specific levy
Creation:	Legislative
Duration:	January 2003-2012
Administration:	Independent Pricing and Regulatory Tribunal (Regulatory body)
Budget:	None, market-driven
Name:	New South Wales Greenhouse Gas Abatement Certificates
Benefit Measure:	Market-driven
Incentives:	Penalties for missing targets

Survey Questions

1. Process and timeline

The Electricity Supply Act of 1995, effective 1997, made reduction of greenhouse gas (GHG) emissions a condition of retail electricity supplier licenses, and required parties to submit draft strategies to the New South Wales (NSW) Minister of Energy for negotiation. Emission targets were not reached. The Electricity Supply (Greenhouse Gas Emission Reduction) Amendment Bill 2002 (the “Act”) passed through the NSW Parliament June 2002. This expanded the scope of mandatory participants and, beginning January 2003, set mandatory targets for abating GHG emissions from electricity production and use. Abatement certificates may be traded. There are penalties for noncompliance.

2. Organizational Structure

The Scheme Administrator (“Administrator”) is appointed by the Minister for Energy. Currently the state regulatory body, the Independent Pricing and Regulatory Tribunal (IPART) will administer the program. The Administrator is responsible for:

- Accrediting abatement certificate providers (first task in staged implementation);
- Monitoring benchmark participants’ compliance with benchmarks;
- Verifying abatement activity;
- Imposing penalties if required;
- Maintaining a registry of certificates; and
- Reporting compliance results to the Minister for Energy.

Benchmark participants (“participants”) meet their targets by surrendering New South Wales Greenhouse Gas Abatement Certificates (NGACs) purchased from low-emission electricity generators and other persons accredited as certificate providers.

Persons that may be accredited as abatement certificate providers are those who:
Generate electricity in ways that reduce GHG emissions/MWh; or
Conduct activities that result in reduced consumption of electricity; or
Capture carbon from the atmosphere in forests; or
Large users that elect to reduce on-site emissions (see Special Situations, below).

3. Funding mechanisms

Participants must obtain NGACs on the open market.

NGACs can be created in three ways:

Reduction of greenhouse intensity of electricity generation;

Demand side abatement activities that result in reduced consumption of electricity

The capture of carbon from the atmosphere in forests (Carbon sequestration).

NGACs can be traded. Participants pass the costs of the NGACs on to customers.

4. Degree of association with a long run resources plan

This program represents the electricity sector of NSW's contribution to the nationally agreed-upon policy of GHG emission reductions. The program and its achievements are integrated into state and national GHG policy planning.

In addition, Distribution Network Service Providers are required to investigate cost-effective demand side solutions before augmenting their networks. These providers are State government-owned and regulated monopolies. (See the Demand Management Code: www.doe.nsw.gov.au/industry_performance/index.htm)

5. Guidelines for program effectiveness and success

The NSW government set a state-wide benchmark of reducing per capita greenhouse gas emissions from the production and use of electricity to 5% below 1990 levels by 2007, and maintaining that level until at least 2012. This equates to a reduction from 8.65 to 7.27 tonnes of CO₂ equivalent per capita. The benchmarks are set progressively tighter each year leading to the final 2007 level.

Participants are responsible for their share of the state-wide benchmark based on percent share of NSW electricity sales.

One NGAC represents one tonne of CO₂ equivalent emission abatement.

The number and ways in which demand-side abatement NGACs can be created is determined by the *Greenhouse Gas Benchmark Rule (Demand Side Abatement) No.3 of 2003*, available at www.greenhousegas.nsw.gov.au/

6. Pre-implementation program evaluation guidance

The Administrator determines and publishes key factors used to set benchmarks statewide

and for each participant, for the next year. These include:
NSW pool coefficient for greenhouse emissions;
Total state electricity demand;
Total state population;
Electricity Sector Benchmark;
Attributable emissions for benchmark participants; and
Number of abatement certificates an accredited certificate provider can produce per unit of production.

7. Results of program evaluation

Participants must surrender NGACs within six months of the end of the calendar year in which the abatement occurred to document target achievement. Participants must submit an annual benchmark statement to the Administrator confirming the number and details of NGACs surrendered to ensure they met their benchmark.

The program is too new to be evaluated. The Administrator will use third party verifiers to audit and verify abatement activity and abatement certificate providers.

8. Financial or performance incentives

Since the NGACs can be traded there are market incentives. There are also penalties of \$10.50 per tonne of CO₂ equivalent for the amount of any shortfall. A participant may carry forward a shortfall of up to 10% of their benchmark to the following year without incurring a penalty. If the amount carried forward is not abated in the following year it will be subject to the penalty.

Issues and Special Situations

Mandatory Benchmark Participants

Mandatory participants include:

- Electricity retail suppliers;
- Generators with contracts to supply electricity directly to customers; and
- Electricity customers taking supply directly from the National Electricity Market.

Elective Benchmark Participants

Large electricity users (using more than 100 GWh/year at one site, or at multiple sites as long as one site uses more than 50 GWh/year) may elect to participate and manage their own emissions not directly related to the acquisition or use of electricity. They apply to the Administrator for participation, and the liability for their benchmark is transferred from their retail supplier to the large electricity user. The Large User Abatement Certificates they create and surrender are not transferable.

Renewable Energy Certificates

A national law requires all electricity suppliers to meet Mandatory Renewable Energy Targets according to the Renewable Energy (Electricity) Act. Suppliers redeem Renewable Energy Certificates as proof of purchase. These certificates can also count towards their NSW GHG benchmark.

Resources

Independent Pricing and Regulatory Tribunal (IPART)

IPART, according to their website, “is an independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW. IPART has six core functions, which are conferred by legislation and codes and access regimes established by legislation.”

www.ipart.nsw.gov.au/index.htm

Information about the Act and how the scheme will operate is maintained by IPART at:

www.greenhousegas.nsw.gov.au/

Electricity Supply Act 1995 is available at

www.doe.nsw.gov.au/environment/guidelines/env_gd13.html

Sustainable Energy Development Authority (SEDA)

www.seda.nsw.gov.au

Funded by the State government to administer the Sustainable Energy Fund, act as a market transformation agent, work as a partner with others as a service provider and reduce GHG emissions.

Annual Report:

www.seda.nsw.gov.au/pdf/ANNUAL_REPORT2002.pdf

Energy Futures Australia

www.efa.com.au/dsmdocs.html

Discussion of recent history of demand side management and sustainable energy policies in Australia.