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Submission 2 to the Senate Select Committee's inquiry into Electricity Prices

Introduction

In addition to my submission recommending demand management as an important means of minimising electricity prices, I also wish to raise the issue of GreenPower, as it is a central and legitimate component of Australia's electricity markets.

Many electricity customers want more than simply electricity at the lowest cost. In paying extra for attributes such as renewable energy and reduced emissions, GreenPower customers have a well deserved expectation that these attributes will be allocated to them and not others. Unfortunately, as the Scheme currently operates, this is not the case.

In recent weeks, we have received numerous complaints and questions about the pass-through of carbon costs to GreenPower customers. In investigating the issue further, it has become clear that there are significant issues with GreenPower's operation and management, which are placing unfair price pressures on GreenPower customers.

As strong believers in the benefits of renewable energy, the Greens fully support the underlying intent of the GreenPower scheme. However, we feel that flaws in its accounting framework, marketing, coordination and integration with national policy settings are undermining this intent. As such, our letter outlines four areas of concern:

1. The lack of protection for GreenPower customers
2. Misleading marketing of the GreenPower scheme

3. Poor coordination of the GreenPower scheme nationally

Problem 1: Lack of protection for GreenPower customers

Whilst most customers installing on-site renewable energy receive government support for the renewable energy certificates that they purchase, GreenPower customers do not. In fact, GreenPower customers pay for more than the GreenPower they sign up for. As of July 1, they are liable for carbon costs. They also pay a renewable power percentage (RPP) contribution which is additional to the percentage of GreenPower that they have elected to purchase. Given that emissions-intensive trade-exposed industries are partially exempt from contributing to the Renewable Energy Target, it is perplexing that GreenPower customers are not.

Recommendation: these inequities could be simply addressed by excluding GreenPower accreditation from the average grid intensity factors and for GreenPower's accounting framework to formally prevent carbon costs being passed through to GreenPower customers. Relying upon retailers to offset the carbon liability by reducing the GreenPower premium is not good enough. As we have seen, only some retailers are willing or able to do this, thereby further exacerbating the pricing inequities.

Problem 2: Misleading marketing of the Green Power scheme

In the absence of a resolution to Problem 1, the way in which GreenPower is marketed has the potential to mislead consumers. Currently, GreenPower customers do have carbon liabilities, yet GreenPower marketing suggests that, by switching to GreenPower, consumers can reduce their personal emissions. In fact, GreenPower customers are reducing the emissions intensity of electricity purchased by the retailer and, subsequently, reducing the carbon price liability of all electricity customers not specifically their own. It should be made clear to consumers that GreenPower is a donation scheme only and claims such as "*Make the switch and cut your greenhouse gas emissions today*" and "*You can cut your household greenhouse gas emissions by around 50%*" should be withdrawn to avoid further confusion. Similar schemes in the UK and US are increasingly realising the need for greater transparency in their marketing, for example the UK Office of the Gas and Electricity Markets (OFGEM) states:

"...the carbon emissions that physically result from your electricity use will not be reduced– they will just be notionally reassigned to other customers."

Recommendation: in the absence of a resolution to the flaws in the GreenPower accounting framework (Problem 1), GreenPower customers should be made fully aware of why the accounting system causes them to be subject to carbon liabilities.

Problem 3: Poor coordination and integration of the GreenPower scheme nationally

Management of GreenPower by the States is creating a disjunct between the program rules (as set by the States) and relevant national policies relating to greenhouse accounting and allocation. This dual state-federal responsibility stymies reform and accountability for the scheme as a whole.

Recommendation: GreenPower should be coordinated at a Federal level. The Federal Government should oversee integration of the GreenPower rules and accounting framework with Australia's broader policy settings (e.g. the RET and NGER Framework) whilst the independent Climate Change Authority should be tasked with the scheme's administration.

At a time when Australia should be investing greater support in clean energy solutions, we have seen a 25% drop in GreenPower customers over the past 3 years.¹ By attending to the flaws outlined above, it is possible to reverse this trend, take full advantage of the significant role that GreenPower can play in building a clean energy future for Australia and correct the inequities in the scheme that currently have GreenPower customers paying for more than they signed up for.

Yours sincerely,

Shane Rattenbury, MLA

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¹ This is based on a comparison of quarterly Green Power reports for March 2009 and March 2012: <http://www.greenpower.gov.au/Business-Centre/Quarterly-Reports/>