

28 January 2016

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### **Draft GreenPower Program Rules Version 10 consultation**

Thank you for the opportunity to respond to the consultation about version 10 of the GreenPower Program Rules (the Rules).

Simply Energy is a leading energy retailer servicing Victoria, South Australia, New South Wales and Queensland. Simply Energy is well established as a GreenPower provider, with both residential and commercial GreenPower customers.

The key changes from version 9 of the Rules are the introduction of rules relating to the new GreenPower-Connect product and the proposal to create a new category of GreenPower accredited generator, which attracts lower fees than other generators.

#### **GreenPower-Connect**

The proposed GreenPower-Connect product is designed to support direct contractual funding of GreenPower generators by large customers. The customer enters into a contract with a GreenPower generator (such as a Power Purchase Agreement) that gives the customer ownership of Large-scale Generation Certificates (LGCs) created by the generator. Simply Energy understands that these LGCs must then be transferred to the GreenPower Provider (retailer) who provided the product, who then surrenders the LGCs in the usual way when notified by the GreenPower auditor.

The draft Rules propose that a \$5,000 annual fee will be charged to the GreenPower Provider for a single GreenPower-Connect agreement. If a customer has multiple GreenPower-Connect agreements with the same provider, then the annual fees are capped at \$15,000.

It is not clear to Simply Energy how the program has determined that these fees are appropriate compared to the GreenPower fees paid by retailers and generators, and Simply Energy requests that the program explains how the GreenPower-Connect fees represent an equitable and economically efficient recovery of the costs of the program.

## Low-fee GreenPower accredited generators

Simply Energy does not support the proposal to charge lower fees to community-owned generators than to other GreenPower generators. On the basis that all costs are ultimately recovered from customers, it seems inappropriate that some customers will pay more for GreenPower solely due to the ownership structure of the generator providing their GreenPower LGCs.

Under the draft Rules, generators that meet the program's definition of community ownership and have capacity between one megawatt (MW) and five MW will pay no annual fee. Those with capacity of five MW or more will pay \$500 per year. Generators with capacity of one MW or more that do not meet the definition of community ownership pay \$1,000 per year.

The difference in annual fee is not that great (up to \$1,000 per year), but the principle of favouring one ownership model over another goes against economic principles and the energy industry reforms undertaken for the last 20 years to enable private for-profit business to compete in the industry on the same terms as businesses with other ownership structures (such as community ownership by governments).

Also, Simply Energy does not consider that the proposed fee differentiation is supported by the GreenPower program's stated aims and principles. The aim of the fees is to recover the costs of the program equitably from participants, rather than drive a particular agenda such as community ownership of generation.

Furthermore, the costs incurred by the GreenPower program will increase as the program will have to decide whether applications from generators demonstrate sufficient community ownership to be eligible for the lower annual fees. This is particularly the case given the subjective definition of a community-owned generator, which includes concepts such as 'widely' sharing financial benefits and demonstrating 'strong' support levels across the host community.

Finally, the proposal is economically inefficient because it will increase overall costs. This is because it creates an incentive to structure projects so they meet the eligibility criteria for the lower fees, which would be expected to lead to additional legal and accounting costs.

Simply Energy urges the program to remove this proposal, because it is not in the interests of GreenPower customers.

If you have any questions about this submission, please contact James Barton, Regulatory Policy Manager on (03) 8807 1171.

Yours sincerely

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