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AGL Response to GreenPower Program Review Consultation

AGL Energy (**AGL**) welcomes the opportunity to comment on the National GreenPower Accreditation Program (**GreenPower**) Program Review 2022 (**Consultation Paper**).

AGL is a leading integrated essential service provider, with a proud 184-year history of innovation and a passionate belief in progress – human and technological. We deliver 4.2 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market (**NEM**). We have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion over two decades in renewable and firming generation.

An important role in the energy transition

Since the GreenPower program was established in 1997, significant changes have occurred in the energy sector. The imperative to act on climate change by reducing emissions in the electricity sector has coincided with the expansion of a much more participatory customer base and an increase in customers seeking to take voluntary action to contribute to emissions reduction, which has significantly accelerated the demand for products and services that support decarbonisation. Accordingly, AGL has committed to offering customers the option of carbon neutral prices across all of its products.

However, as customers become more engaged in the various types of carbon neutral products available, there is also increasing scrutiny on the detail of products that claim to be carbon neutral and/or supporting emissions reductions. At AGL, we welcome these trends and strongly support customer engagement and choice in the range of products that are available to help customers reducing their carbon footprint while also contributing to reducing emissions on a broader scale.

We recognise that although customers should have a range of choices available to them in terms of their energy supply, it is important that claims made about green products are transparent and not misleading. Green products should be generally available and priced on a reasonable basis, but also marketed and sold to customers with an appropriate level of disclosure regarding relevant details.

Within this context, AGL is a strong supporter of GreenPower and offers GreenPower accredited energy products to its customers under the national GreenPower program. We also support the review of the GreenPower program to ensure it is meeting the objectives and consider that it is timely to review elements of the GreenPower scheme that contribute to these broad objectives.



The role of GreenPower

GreenPower has a unique approach among other accredited products in that it seeks to incentivise emissions reductions in the electricity sector, rather than rely on offsets and abatement in other sectors. For many customers, this is an important distinction, and we support the ability for customers to have this choice available to them.

For other customers, this distinction is not as critical as other concerns (e.g., price), and for that reason, in addition to GreenPower AGL also offers carbon neutral products accredited under the federal government's ClimateActive certification, utilising accredited offsets from other sectors. We consider that it is important to provide customers with an informed choice and a range of options, and therefore see a continuing role for both GreenPower and other product options that can meet similar customer intentions.

Nevertheless, generally we support steps to encourage the uptake of GreenPower products by improving the efficiency, accessibility, and awareness of the scheme. While the Consultation Paper covers a range of relevant issues relating to these elements of the scheme, we note as a general point that it is important that these objectives are balanced against cost. Ultimately, if GreenPower products are overly restrictive, this will lead to reduced uptake and a dampening of incentives for customers to take on these products.

We consider there is opportunity for the right balance to be struck and for GreenPower to grow in prominence as an important contributor to reducing emissions in the electricity sector. Further information on details raised in the Consultation Paper are included in Appendix A to this submission.

If you have any queries about this submission, please contact Aleks Smits (Senior Manager Policy) at asmits@agl.com.au.

Yours sincerely,

Aleks Smits

Senior Manager Policy, AGL Energy

Question	Response
1. Do you agree with the above market changes being the main drivers impacting GreenPower sales, public perception and its future role? Are there any other key drivers not included here?	<p>While the listed market changes are a useful reference from which to review the overall program, we note that the relevant changes that are impacting sales and public perception of GreenPower are likely to be much narrower in scope and most likely relate to awareness and costs of the scheme.</p> <p>Concern about the cost of energy is a very relevant driver in an inflationary environment and across a customer base that is increasingly concerned about cost-of-living. Program reform should therefore consider not only overall scheme costs but the need to allocate the costs of energy transition in a way that is equitable.</p> <p>More directly, the costs of LGCs and other offset classes and the direction of carbon markets is a relevant consideration for the scheme. In this respect, we also note that futures pricing indicates LGCs continue to have material value until 2030, and claims about the price of LGCs (and therefore GreenPower costs) being very low should be substantiated before major changes are made to the scheme.</p>
2. Should a vintage requirement for GreenPower certificates be introduced, and what should the validity period be? Should it be 36 months, shorter or longer, and why?	<p>Although it is likely that most parties could comply with this requirement (i.e., CY – 36 months) without significant increases in scheme costs, we consider that this introduces unnecessary complexity to the program and would be largely symbolic in effect, given that more than 90% of certificates are already from the same year.</p> <p>The creation date of certificates does not necessarily allow inferences as to the construction date of a project, so introducing a vintage requirement does not strongly incentivise new generation.</p>
3. Do you agree with GreenPower aligning its generator accreditation dates with the CER accreditation date? If not, why?	<p>We agree this seems like a sensible suggestion that would assist in streamlining scheme requirements.</p>
4. Does Option A sufficiently address the demand from stakeholders to recognise the RET for 100% renewable electricity claims? If not, why?	<p>A possible approach could be to include the Renewable Power Percentage (RPP) in all GreenPower Products, which would allow for a consistent representation of products and allow for a 100% claim, which included the RPP. However, it is not clear that such a change is strongly justified, given that this would represent a relatively significant change to the current representation of the GreenPower product. It may therefore be the case that further feedback from customers could provide useful insights in this regard. We do not however support creating a different standard for 100% Renewable Electricity as this could reduce the integrity of other GreenPower products.</p>
5. What are the advantages of Option B? Would fixing the recognised RET percentage be a good solution to deal with the annual changes to the RPP?	<p>No. This option introduces another layer of complexity as there would be a mismatch between claimed and actual renewable electricity (e.g., 3.6% using the 2022 RPP).</p>
6. The above proposal is a solution that can be quickly implemented. Should	<p>A longer-term approach could include consideration of the benefits of including the annual RPP in each GreenPower</p>

GreenPower consider a different approach in its long-term program design?	product. This however would constitute a relatively large change that should be considered in detail.
7. Which minimum percentage do you think is the most appropriate if Option B noted in 4.3.2 is chosen, and why?	The decision to elect 50% as a minimum product percentage seems arbitrary, and in our view would be detrimental to the overall operation of the scheme. In our view, a higher percentage is likely to dissuade a number of customers (particularly large customers) from participating in the scheme.
8. Should GreenPower's mission expand to include all forms of renewable energy, for example hydrogen, and is the role of GreenPower the same across different energy carriers?	No, the renewable energy definitions which are currently used remain appropriate and should not include renewable gases. In our view, the GreenPower brand is not appropriate for application to gas and is inappropriate in that context. If similar programs are to be developed for gas and liquid fuels, they should be developed separately considering the appropriate needs for different fuels.
9. Is there anything else that you think should be part of GreenPower's mission statement?	We consider that the current program mission remains fit for purpose.
12. Should GreenPower focus on maximum additionality, electricity carbon accounting, or should both types of products be supported?	We do not necessarily agree with the premise that there is an oversupply of certificates. Futures prices for LGCs indicate continued demand for certificates out to 2030. Demand for GreenPower always extinguishes LGCs and supports new renewable energy generators by supporting demand for and prices of LGCs. Focussing on additionality increases another layer of complexity that is detrimental to the integrity of the GreenPower product.
13. Should a vintage requirement for GreenPower certificates be considered in the long-term design of GreenPower, and why?	No, see also answer to question 2. LGCs should remain fungible. LGCs from earlier years will eventually be extinguished by increasing overall demand, every LGC provides a marginal incentive for new generation. The best chance for GreenPower to increase new renewable energy generation is a step change increase in demand, which is only possible if the product is easy to market, implement, monitor, and administer.
14. Should GreenPower consider a generator age limit approach? If so, why?	No. See rationale provided in previous question.
15. Should GreenPower restrict participating generators to new projects only? And if yes, why?	No. See rationale provided in previous question.
17. Which organisations would be most suited to partner with GreenPower to drive awareness and uptake of GreenPower, and why?	Renewable energy developers should have a relatively strong incentive to partner with GreenPower provided that significant volumes could be sold through GreenPower.
18. Would you support GreenPower increasing program fees so that the program manager can increase its marketing and promotional activities?	We are generally supportive of GreenPower being marketed more however there should be a careful monitoring of marketing costs to ensure they are not excessive and are providing overall benefits for the objectives of the scheme.

Ideally, GreenPower should fund its marketing outside of scheme administration costs, without passing on marketing costs to retailers. Ultimately scheme costs are passed through to customers and the more expensive the program becomes, the greater the disincentive to participate.

19. Should retailers be blocked from joining GreenPower if they sell green products that are not linked to renewable energy generation?	<p>No. There should be flexibility to offer carbon neutral products, but renewable energy products should follow the GreenPower standard.</p> <p>These types of restrictions are not consistent with the overall objective of the scheme as they are likely to result in fewer GreenPower offerings overall.</p>
20. What other changes to the program could provide the same level of clarity for consumers?	<p>Our prevailing view is that customer confusion and lack of uptake is primarily due to cost but also a lack of scheme awareness and understanding of differentiating features of GreenPower from other green products. This could be ameliorated by clearer advertising and marketing.</p>
21. Should GreenPower set strict requirements for how providers promote GreenPower and onboard GreenPower customers, i.e., how easy it is to get GreenPower?	<p>No, more detailed marketing and sales restrictions on retailers are not required. Existing program requirements are already appropriate, and the GreenPower program is not the appropriate reference point for broader changes to marketing protocols or consumer protections.</p> <p>Inappropriate consumer protection regulation or guidance on sales and marketing tactics by authorities that are poorly equipped to advise on these issues could lead to further confusion for customers and may not produce overall positive outcomes for customers.</p>
23. How can GreenPower support more flexibility for small energy users to purchase small quantities of GreenPower, such as for embedded network customers?	<p>It is not clear that the type of aggregation proposed in the consultation is in the best interests of customers, and whether the aggregators listed in the paper would be appropriate sellers of GreenPower products. We expect that at a minimum these sorts of providers would need to meet the same level of standards as retailers in terms of mandatory marketing and sales obligations.</p>
24. Should GreenPower reduce its accreditation requirements, or make them stricter; and what do you think is the benefit of either approach?	<p>Accreditation should align with the CER process. Automatically approve wind and solar projects. Case by case for other projects such as biomass and hydropower i.e., in line with current GreenPower rules.</p>
26. Do you see value in an official environmental rating for electricity retailers, and in GreenPower developing this rating?	<p>No, there are already a number of services that provide this information. We do not consider that GreenPower is in a particularly unique position to make this assessment of that this forms a core part of the purpose of the program.</p>
28. What would the minimum fund size need to be to provide material incentives for industry participation in auctions?	<p>GreenPower should focus on its core value proposition of allowing customers to purchase renewable energy through the LGC process.</p>
30. How important is 24/7 renewable electricity coverage to businesses in Australia? Are companies prepared to pay more than normal GreenPower for a 24/7	<p>In our view this is too complex and likely only an option that would be attractive and applicable to a very small number of customers. Funds used to set up such a complex scheme would</p>

load matched product accredited by GreenPower?

compete for funding with other scheme improvements that would better meet the overall program objectives.

The current approach taken by GreenPower supports a level of ease and transparency and this should be preserved.

31. In your experience with GreenPower, is there anything else that could be done to improve the efficacy and effectiveness of the program?

There has been very little recent marketing of GreenPower, resulting in low customer knowledge and brand recognition. We support transparency and increased awareness on the difference between GreenPower and other green products, but there is a degree to which GreenPower generally should lift its brand awareness rather than relying on retailer marketing channels.

The existing simplicity of the product is an attractive proposition for customers that can apply to a range of different needs across different customer cohorts, but overall, a persistent barrier to take up is additional cost. The cost of proposed changes to the scheme, including administration and marketing, should therefore all be considered through an analysis of whether changes will return benefits in terms of uptake while still meeting the overall scheme objective.