



GreenPower Program Review 2022

City of Melbourne Submission to the GreenPower Program Review Consultation

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National GreenPower Accreditation Program
NSW Office of Energy and Climate Change
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RE: GreenPower Program Review 2022

The City of Melbourne welcomes the opportunity to provide feedback on the GreenPower Program Review 2022. This submission is provided on behalf of the management of the City of Melbourne and is based on endorsed Council policy.

The City of Melbourne's [Climate Change Mitigation Strategy](#) and [Response to the Climate and Biodiversity Emergency 2020](#) outline the Council's commitment to becoming a city powered by 100 per cent renewable energy by 2030 and for net zero emissions across the local area by 2040.

Affordable renewable energy options are needed for all residents and businesses in our city if we are to achieve these targets.

More than 83 per cent of households in our municipality live in apartment buildings and 66 per cent of these are renters. Many of these residents, as well as small businesses, have limited opportunities for onsite renewable energy due to structural and systemic barriers. As a result, GreenPower remains the only viable way for many in our community to access renewable energy.

City of Melbourne supports the review of the GreenPower program and recognises that changes are needed for the Program to remain fit-for-purpose within a dynamic and changing energy landscape.

City of Melbourne strongly believes the GreenPower program has a valuable role to play in decarbonising the electricity sector and providing pathways for communities to support the energy transition. As such, the City of Melbourne is highly invested in the success of the GreenPower program and in seeing GreenPower purchasing widely adopted.

This submission highlights several key issues which City of Melbourne suggests should be a focus for reform and makes the following recommendations:

1. Focus the program on improving affordability and certifying zero emissions electricity

City of Melbourne understands that the GreenPower program was conceived to drive investment in new renewable generation and to enable consumers to support emissions reduction by purchasing a renewable electricity product.

While this mission was entirely appropriate for much of GreenPower's existence, the City of Melbourne considers the focus on additionally of renewable energy to be less relevant today, and increasingly so into the future, given that as the Australian Energy Market Operator (AEMO) [2022 Integrated System Plan](#) forecasts, the grid will reach 83 per cent renewable penetration by 2030.

In this context, City of Melbourne is of the view that maintaining the program's focus on additionality of renewables would likely to drive up costs for consumers and disincentivise uptake of GreenPower electricity products.

A continued focus on additionality of renewable energy risks increasing costs and reducing demand for GreenPower

The City believes the actions proposed in the consultation paper focussed on driving additionality, such as LGC vintage requirements and limiting eligible LGCs to those purchased from new, not-yet-built renewable generation projects, would have the effect of increasing the cost of GreenPower

and suppressing consumer demand. It therefore would not have the desired effect of supporting investment in new generation.

In today's electricity system, where firmed renewables are the cheapest form of new generation, for new projects to reach financial close they require revenue certainty through long-term offtake agreements, more so than revenue from merchant LGCs. The City anticipates the level of consumer interest in voluntarily purchasing additionality-linked certificates, as contemplated in the Consultation Paper, would be low due to high certificate costs that would likely be needed to support additional projects. In this scenario, the GreenPower program is unlikely to be able to guarantee sufficient volume and revenue certainty to catalyse investment. If the Program were designed in this way, the City believes the effectiveness, impact, and take-up of the GreenPower program would be severely reduced.

Place affordability at the core of program redesign

Affordability is critical to ensure continued relevance of the program and enable widespread adoption of GreenPower. There exists a significant tension between maximising additionality in new generation and increasing the costs of certified GreenPower. Increased costs from a focus on additionality has the potential to depress the demand for GreenPower and risks retailers no longer offering the product.

Market research undertaken by City of Melbourne affirms that the biggest barrier to consumer uptake of GreenPower is the additional cost, relative to other electricity products. Purchasers of GreenPower are primarily looking to make zero emissions claims and the clear value proposition of the program is that it allows for authentication of such claims.

Improving affordability of GreenPower could be achieved by changing GreenPower's mission away from a focus on additionality, towards one of certifying zero emissions electricity claims, aligned to the GHG Protocol.

Refocus the Program on certification of zero emissions electricity

As noted in the Program Review and Consultation Paper, the Australian Government's Renewable Energy Target (RET) scheme has been met and there is an escalating over-supply of LGCs; creating a situation where the voluntary purchase of GreenPower no longer has the same impact of incentivising the construction of new, renewable generation capacity.

City of Melbourne acknowledges this as a fundamental problem for the GreenPower program if its mission is to drive additionality of renewables. However, rather than trying to maintain this mission and risk higher costs for consumers and a less impactful program, City of Melbourne recommends that GreenPower reconsider its mission and purpose.

The City of Melbourne believes that refocusing GreenPower's objective on certification of zero emissions products, rather than additionality of renewables, would make the program more coherent, affordable, and attractive to consumers.

Many businesses have made net zero commitments or are part of a supply chains aligning with their own major customer's climate objectives. GreenPower is well-placed to provide these businesses with the ability to make a transparent and defensible zero emissions claims and meet the needs of residential customers wanting a zero emissions electricity product.

2. Ensure a robust Program aligned to carbon accounting best practice

Consumer confidence in the GreenPower brand is vital to program's long-term success. Claims to zero emissions electricity and emissions reduction are central to the value proposition of the product, and as such the GreenPower program must align with best practice carbon accounting standards.

Align with international accounting protocols and scope 2 accounting requirements to prevent double counting of emissions

As identified in the Program Review report and Consultation Paper, GreenPower is currently misaligned with carbon accounting standards as set out in the [Greenhouse Gas Protocol: Scope 2 Guidance](#), and specifically, market-based accounting methodology. This misalignment has resulted in a program which does not recognise the Renewable Power Percentage (RPP) in the grid.

The consequence of this misalignment is that the program has required consumers to purchase LGCs for 100 per cent of their annual electricity consumption, regardless of the RPP, thereby adding an unnecessary premium on the cost of GreenPower, while also producing a double-counting of emissions.

The City of Melbourne commends GreenPower's intention to address this double counting issue, however it does not support either Option A or Option B as contemplated in the Consultation Paper, as both approaches fall short of carbon accounting best practice. Option A only proposes to account for the RET for 100 per cent renewable products, while Option B proposes a fixed 15 per cent RPP which, while administratively simpler, is nonetheless inaccurate.

Recognise the Renewable Power Percentage in the grid

City of Melbourne recommends that the GreenPower Program recognise the full RPP to allow consumers to meet their zero emissions accreditation by subtracting the RPP from their GreenPower purchase.

The advantages of this approach would be twofold. Firstly, it would be consistent with the Greenhouse Gas Protocol. Secondly, the cost of GreenPower would become cheaper, as consumers would only need to purchase LGC's equivalent to their nominated GreenPower percentage minus the RPP. This would improve the affordability of GreenPower in the near term while also ensuring that GreenPower became progressively cheaper over time as the grid decarbonises (rather than progressively more expensive if the renewables additionality objective was pursued).

Introduce an environmental rating for electricity retailers

City of Melbourne is supportive of the proposal for a star rating system and disclosure of the energy and emissions performance of retailers. Providing a star rating or similar would assist consumers in making informed decisions regarding their choice of energy supplier and enable quick and easy decision making. Having the rating system administered through an independent government-backed program like GreenPower would enhance consumer confidence in the system, noting that any such scheme would need to be carefully crafted to ensure the methodology was empirical and defensible.

The City acknowledges that there may be pushback from retailers concerned their rating looks poor, which might result in said retailer not offering GreenPower altogether. A potential solution could be to make GreenPower offerings a requirement under the Electricity Retail Code. The City of Melbourne is supportive of the GreenPower Program Manager advocating to the ACCC for such changes.

3. Support small energy users to access GreenPower

Many small energy users in our city are locked out from on-site renewables because they live in apartments, are renting, lacking capital, or because the built form constrains their opportunity. Options for affordable renewable purchasing, such as Power Purchase Agreements (PPAs), are similarly unavailable to these uses as due to their small electricity loads and lack of bankability which makes them unviable prospects for long-term renewable supply contracting.

Purchasing certified GreenPower remains one of the only viable options for these consumer segments to access renewable energy, however the cost premium on GreenPower is a significant barrier to uptake. Improving affordability through the approaches outlined in recommendations 1 and 2 would be expected to increase demand for GreenPower by residents and SMEs.

The City is aware that approximately 360,000 customers purchase GreenPower nationwide, with 30,000 of these being businesses. This represents only 2-3 per cent of total energy consumers, therefore there is huge potential to grow the program. The City of Melbourne recommends the GreenPower program focus its efforts on increasing demand for its product amongst small energy users, through increased promotion, partnerships, and by improving affordability.

Differentiate GreenPower from carbon neutral products

Consumers face significant confusion when distinguishing between GreenPower and 'carbon neutral' energy, with the distinction between these products not clearly understood. The GreenPower program should seek to ensure that the value of its product is clearly and simply communicated to consumers through enhanced promotional efforts and certification labelling.

4. Drive demand through promotion and partnerships

The City of Melbourne is supportive of GreenPower increasing its marketing budget to enhance information delivery to consumers and expand its promotional efforts; noting that this ought not be funded by increasing the cost of GreenPower.

A stronger focus on promotion of GreenPower has the potential to increase demand for LGCs and prevent erosion of certificate prices in an increasingly over-supplied marketplace. By so doing, renewable generators would benefit from an enhanced LGC revenue stream, better enabling portfolio developers to fund new generation projects (noting that as previously stated, LGCs are not the primary revenue stream for supporting investment). While less direct than imposing additional requirements, driving demand for GreenPower through promotion would be coherent way for the program to support both affordability and grid decarbonisation objectives.

Provide postcode level data on GreenPower purchases to enable council partnerships

Councils already play a key role in promoting voluntary renewable energy uptake and are well-placed to partner with the GreenPower program to drive community awareness of accredited products. The City of Sydney's [GetGreen Power](#) campaign exemplifies these promotional activities.

Other local governments, including the City of Melbourne, are contemplating similar campaigns and programs to increase uptake of GreenPower purchasing by the community. To justify council's investment of effort, the program absolutely must make postcode level data on GreenPower uptake available. Such data would enable councils to better track their municipal emissions and the voluntary action of their communities and would be useful in tracking the momentum and effectiveness of local GreenPower marketing and uptake across communities.

Coordinate with energy compare websites to promote GreenPower products

Recognising that consumers typically make their energy decisions at or near point of sale, energy compare websites are among the most likely channels for small energy consumers to select energy plans. There is a clear opportunity for further promotion of GreenPower on energy compare websites, some of which are government operated (e.g. [Victorian Energy Compare](#)).

Efforts should be made by GreenPower administrators to ensure the information provided on energy compare websites is both useful and credible. By way of example, while *Victorian Energy Compare* does allow consumers to filter for green offers, it does little to explain this option and moreover it positions a 10 per cent GreenPower offer as equivalent to 100 per cent GreenPower offers, steering consumers towards the lower percentage option as it is shown as cheaper.

Partnering with energy compare websites would provide the opportunity to better explain and clarify the value proposition of GreenPower and build consumer understanding.

Investigate ways for private electricity networks to offer GreenPower

As noted in the Consultation Paper, there is a significant cohort of energy users situated within embedded networks who may not be able to purchase GreenPower. Despite Power of Choice legislation, many embedded network customers lack the metering infrastructure to affordably switch retailers.

In July 2022, [the Victorian Government passed reforms](#) to ban residential embedded networks and introduce a new regime – Local Energy Systems (LES) – which place more stringent licencing requirements on private network operators. This includes stronger consumer protections, and most relevantly, a requirement that LES's use 100 per cent renewable electricity (mix of on-site and off-site renewables).

Engagement should be undertaken with Victorian private electricity network operators to investigate ways to offer GreenPower products to meet the new LES requirement. This approach could see whole apartment buildings switch to renewable energy, supplying individual tenancies in addition to common areas.

5. **Coordinate for system reform**

A suite of enabling policies and mechanisms led by federal and state governments will be needed to drive the transition to a 100 per cent renewable energy system.

Work with the Australian Government on the establishment of a new Renewable Energy Target

GreenPower products have an important role to play in accelerating the renewable transition, however in and of itself, the GreenPower program is not best placed to ensure delivery a 100 per cent renewable grid.

The National GreenPower Steering Group and the NSW Treasury as Program Manager, are however well placed to advocate for the necessary policy changes, in particular the establishment of a new RET.

A new RET would impact the function and prices of renewable energy certificates and shape the extent to which the GreenPower program can deliver environmental impact. In so doing, a new RET could solve many of the issues that GreenPower is facing and renew GreenPower's role in with respect to additionally.

Given that the long-term success of the GreenPower program is subject to any changes in the RET beyond 2030, the future of the RET should be a key area of focus for the GreenPower Steering Group in their interactions with the Australian Government.

Improve alignment and coordination with the Australian Government

Recognising that administration of the GreenPower program sits within NSW Treasury, and acknowledging the political history that led to this arrangement, the City of Melbourne would encourage GreenPower to pursue greater levels of engagement and coordination with the Australian Government; particularly the Clean Energy Regulator and the Department of Climate Change, Energy, the Environment and Water (DCCEEW).

Having governance of GreenPower separated from the arms of government with responsibility for national energy and climate policy and administration, clearly presents issues in terms of consistency and efficiency. A presumably low level of coordination between GreenPower and the Australian Government appears to have led to a misalignment on carbon accounting standards and exacerbated the issue of double counting that has been recognised in the program for several years.

The potential for GreenPower administration and delivery to be taken on by the Australian Government should be investigated. At the very least, the GreenPower program should seek to better align and work in partnership with federal government administered programs and agencies such as the Clean Energy Regulator and Climate Active. This would help ensure that definitions,

processes and accounting frameworks are consistent and complimentary for participants across these programs.

The City of Melbourne appreciates the opportunity to provide input into GreenPower's 2022 Program Review and are committed to supporting the program into the future. City of Melbourne welcomes the opportunity to respond to any future consultation regarding the long-term program design for the National GreenPower Accreditation Scheme.

Should you have queries or questions relating to this submission, please contact john.griffiths@melbourne.vic.gov.au

Kind regards,

A handwritten signature in blue ink, appearing to read 'Tiffany Crawford', is positioned above the typed name.

Tiffany Crawford
Co-Director, Climate Change and City Resilience