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Response to GreenPower program review

Flow Power submission

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About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

+ Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
+ Hardware solutions that equip customers with greater information, visibility, and control over energy use.
+ Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation agreement with utility-scale wind and solar farms

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Overview of submission

The key points we would like to make regarding the GreenPower Program Review 2022 are:

+ The Renewable Energy Target (RET) should be accounted for the in GreenPower percentage. The current methodology results in a duplication of Large Generation Certificate (LGC) surrenders and is inconsistent with other certifications such as Climate Active.
+ The minimum threshold for GreenPower should be raised. Retailers should not be allowed to offer GreenPower for less than 100% of customer demand.
+ We support the proposal to restrict the vintages of LGCs used for GreenPower. Greater alignment between the date of LGC creation and when they are surrendered for GreenPower is consistent with the intent of the program.
+ The GreenPower generator accreditation fees are excessive for smaller generators. The fees should be reduced for small generators and greater alignment between the Clean Energy Regulator (CER) and GreenPower accreditation processes should be sought.

We've provided some additional comments on various aspects of the consultation paper below.

Renewable Energy Target should be incorporated

We support Option B raised in section 4.3.1 of the consultation paper. We disagree with Option A because:

- It relies on the creation and understanding of a new logo. It will take time for consumers to understand the different between two types of GreenPower programs; one that incorporates the RET, and one that does not. While GreenPower suggests this option will be quicker to implement, we believe it will be slower to be effective which is more important.
- Option B is easier to understand and is consistent with other accounting methodologies such as Climate Active. Using Option B is also more likely to increase take up of GreenPower where consumers are also seeking certification under Climate Active.
- We do not consider there would need to be a long implementation timeframe for updated GreenPower certifications that incorporate the RET. As discussed below, we think Option B should be coupled with an increase in the minimum threshold for GreenPower plans.

Minimum threshold should be raised

The existing GreenPower percentages are too low. At the commencement of the GreenPower program it was understandable to offer consumers a 10% GreenPower plan due to the fledgling level of renewable generation. However, given we are regularly reaching high levels of renewables in the NEM and are projecting to reach close to 90% renewables over the next decade, it no longer seems appropriate to offer consumers 10% LGCs over the RET and call this GreenPower.

In our experience, many retailers fail to make clear distinctions in their marketing as to whether a product is 100% or less; its just labelled "GreenPower". We think this dilutes the GreenPower brand, as consumers are frequently confused as to the significant price differential between the various GreenPower options. This makes it very challenging for retailers like us who are committed to 100% GreenPower. For example, the Victorian Energy Compare website that includes a filter for "Green Offers". Applying this filter includes everything from 10% to 100% GreenPower, with no clear information provided explaining the difference. We think a consumer could very easily purchase a plan after reviewing the Energy Compare website, thinking that they are buying a 100% GreenPower product.

Raising the minimum threshold is also consistent with the intent of the program to support renewables into the NEM. It will support the growth of LGC demand which supports the continued development of renewable projects. Noting our preference for the inclusion of the RET in the GreenPower percentages, we think a minimum level of 100% GreenPower is appropriate.

LGC vintage requirement should be introduced

We agree with the proposed approach outlined in the consultation paper. The GreenPower tag should represent temporally aligned renewable generation and energy consumption. Alignment between these two things is important for the legitimacy of the claims underpinning GreenPower as a product.

While we appreciate the appeal of aligning with the timeframes in other certification schemes, we consider 36 months to be too long. As noted in the consultation paper, the vast majority of the LGCs

used for compliance are from that year. We believe a 12-month vintage requirement would be a better approach.

Generator accreditation should be more accessible

We support the proposal to align accreditation dates between the Clean Energy Regulator and GreenPower schemes, however, we do not believe this is going far enough. The GreenPower accreditation process has overlapping requirements with the CER 's accreditation requirements. Further, the costs of receiving accreditation from GreenPower is too high for smaller generators.

CER accreditation has significant overlap with the assessment undertaken by GreenPower. While there may be additional considerations GreenPower might make in assessing a generator for accreditation, GreenPower should consider whether the CER accreditation could be considered sufficient for GreenPower accreditation. This would reduce costs for projects, and administrative burden for GreenPower.

Currently, GreenPower does not charge projects of less than 1MW for accreditation. All projects above 1MW have a $1,500 fee for initial assessment, and an ongoing $1,500 fee for keeping accreditation. Flow Power has developed several generation projects with capacity of less than 5MW, and these recurring fees are a material impost of these projects. While they may be absorbed easily into the revenue of a 200MW generator, it is difficult to justify for a smaller generator. For these reasons, we suggest GreenPower consider the following options:

+ Increasing the threshold capacity for generators that do not need to pay the GreenPower fees. This could be raised to 5MW or 30MW to align with other thresholds in the regulatory framework.
+ Scaling the accreditation fees based on the nameplate capacity of the project. Fees could scale from $100 to $1,500 as the project size increases from 1MW to 30MW and stay at $1,500 beyond 30MW.
+ Reduce the recurring fees. The annual accreditation fees are set at the same level as the initial accreditation fee. If the annual fee does not pertain to a full reassessment, it might be appropriate to consider whether it could be lowered.

GreenPower in 2025

As an electricity retailer, we strongly believe offering consumers 100% GreenPower is best practice for an electricity plan. It is effective for supporting the development of new renewables and empowering consumers to take meaningful steps to support the energy transition. As such, we support the role for GreenPower beyond 2025.

The consultation paper dedicates significant discussion to additionality. Having a link between GreenPower and the transition is important but measuring or embedding additionality will be challenging. Instead of emphasising additionality (and tackling the challenges that this entails), we

believe the current program should be retained. It is a highly effective practice for voluntarily allocating renewable energy to consumers via the surrender of LGCs.

The LGC price curve has consistently defied expectations and remains buoyed at least in part due to voluntary surrenders. As such, we think programs have and will continue to support the development of new renewable projects. In our experience, the sale of LGCs is a major contributor to project financing.

Instead of focusing on restricting GreenPower to new generators, measures to increase uptake of GreenPower would provide a counterbalance to oversupply of LGCs as the RET is met and exceeded. As such, we would support measures to increase demand for GreenPower as the primary focus beyond 2025. This could be achieved in part by restricting the vintages of the LGCs used and raising the minimum thresholds for GreenPower.

An area the GreenPower program could look at restricting or differentiating is GreenPower backed by strictly renewable electricity sources. For example, generation from biomass wastes or wood wastes is not the same as output from a solar farm or wind farm. Oftentimes, the biomass is releasing carbon that otherwise would have stayed in the ground and, at least will have a higher carbon intensity than emission-free sources. They don't have the same carbon emissions impact however both have the same 100% GreenPower certification. The legitimacy of GreenPower could be strengthened by focussing support of strictly renewable electricity sources.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

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