12 August 2022

Submitted via email: greenpower.admin@planning.nsw.gov.au

**RE: GreenPower Program Review 2022**

Shell Energy appreciates the opportunity to provide feedback on the GreenPower Program Review consultation.

About Shell Energy in Australia

Shell Energy is Shell's renewables and energy solutions business in Australia, helping its customers to decarbonise and reduce their environmental footprint.

Shell Energy delivers business energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers, while our residential energy retailing business Powershop, acquired in 2022, serves more than 185,000 households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia[1], Shell Energy offers integrated solutions and market-leading[2] customer satisfaction, built on industry expertise and personalised relationships. The company's generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy, while Powershop Australia Pty Ltd trades as Powershop. Further information about Shell Energy and our operations can be found on our website here.

**General Comments**

As one of the largest sellers of GreenPower, Shell Energy highly values the program and its contribution to lowering emissions. We therefore encourage an approach to the review that minimises disruption and complexity for both providers and consumers. Shell Energy cautions against implementing changes to the GreenPower program in the near term that will then be changed again in 2025. This approach could impose substantial inefficiency and costs to GreenPower providers as they would be required to change systems and re-evaluate products and offers. More importantly, this approach risks undermining the simplicity and certainty that is a feature of the program and could lead to a loss of consumer confidence in the product. We look forward to working with the GreenPower team to ensure that the GreenPower program remains at the forefront of consumer sustainability programs.

**Responses to Selected Questions**

*Question 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?*

Shell Energy does not support the introduction of a vintage requirement for GreenPower certificates. We note that the consultation paper highlights very limited carry-over of long-dated certificates currently. This suggests very limited advantage to consumers from the implementation of a vintage requirement. The reduction in flexibility for sellers of GreenPower, along with the additional compliance and tracking costs that would result from the change are likely to far outweigh the benefits of this approach. With 98% of certificates already in compliance with the proposed 36 month limitation, and little consumer demand for change, the introduction of additional scheme complexity is likely to deliver negligible benefit to GreenPower consumers.

*Question 4: Does Option A sufficiently address the demand from stakeholders to recognise the RET for 100% renewable electricity claims? If not, why?*

[1]By load, based on Shell Energy analysis of publicly available data.

[2] Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2021.



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Shell Energy supports the introduction of a 100% renewable electricity product as the approach to incorporating the RET in the GreenPower scheme. Recognising the mandatory renewable power percentage (RPP) alongside the voluntary renewable component in a GreenPower product will give consumers greater choice in the approach they take to ensuring their supply is renewably sourced. We consider that the benefits of a 100% renewable product will encourage greater uptake of GreenPower products and allow a wider range of customers to achieve their sustainability goals.

Shell Energy supports Option A as the approach to creating a 100% renewable product. This approach would introduce a clear and easily understood product that will provide value to customers seeking to address their sustainability goals. At the same time Option A maintains the value and differentiation of GreenPower and would allow existing customers to retain current arrangements. However, we note that the approach introduces complexity for both customers and sellers of GreenPower.

Short-surrender of LGCs by retailers is an issue that needs further consideration prior to the introduction of the 100% renewable product. Short surrender is an allowable and common occurrence of the renewable energy target scheme. If retailers short-surrender LGCs then the RPP component of the 100% renewable product may not strictly have been achieved in the short-surrender year. It will be crucial for scheme credibility that customers can be certain they are getting what they pay for. We note that any solutions to this problem are complex at an operational level for GreenPower sellers. It may be necessary to introduce ring-fencing for customers who are claiming 100% renewable supply to ensure that no short-surrender applies to their contracts. Evidence may need to be provided through an audit process. This would be a material change to business processes and would impose additional ongoing costs on program participants. For this reason it may be appropriate to delay the implementation of a 100% product until sufficient demand has been demonstrated and retailers have resources available to address the changes required. Importantly, any changes implemented in support of this product must endure for a reasonable period to be valuable. Redesigning the program in 2025 would not be a positive outcome for the GreenPower scheme.

Shell Energy considers it essential that the scheme provides clarity and transparency about how each customer is affected as the new product is introduced. One issue yet to be addressed is the treatment of emission intensive trade exposed (EITE) customers who are exempt from the RET. An EITE customer that purchased a 100% renewable product, as described under Option A, would not have purchased the LGCs necessary for their supply to be considered 100% renewable. Similarly, customers who report on their renewable energy or emissions reductions with the current GreenPower product may be exposed to changes in the product which could result in them reporting incorrectly and leave them exposed to damaging scrutiny. Shell Energy suggests that the GreenPower program will need to provide detailed information to customers and all stakeholders outlining the impact of the changes to all types of customers.

We note that customer demand for the 100% renewable product will vary according to the goals and level of understanding of different renewable and sustainability programs. For those seeking 100% renewable supply, a new logo that states that may well be sufficient. For others participating in voluntary reporting schemes such as RE100, this option matches the methodology and should therefore meet their requirements. To ensure the success of the 100% renewable product alongside the RET and existing GreenPower product we encourage the GreenPower administration team to engage with customers of all types to ascertain the level of support for this approach and increase the level of awareness around the complexities involved.

*Question 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?*

Shell Energy does not support Option B as a viable approach to including the RET in GreenPower. We note that not all RPP LGCs will be from GreenPower accredited generators. This creates uncertainty around what customers are paying for and, for corporate customers, the public statements they can make regarding the products they purchase. A notional 15% RPP, which is not the same as the estimated or actual RPP for a given year will be extremely confusing for customers. In addition, Option B means customers will likely still pay for over 100% renewable energy (e.g. 85% GreenPower plus CY22 actual RPP of 18.64% = 103.64%) and customers may ask for exactly 100%, which would create different definitions of what 100% GreenPower really means. In the unlikely, but possible, event that the RPP is lower than 15%, customers would not be purchasing 100% renewable supply but could be claiming it in public messaging.

This complexity is likely to create confusion amongst customers. Shell Energy supports keeping simplicity as a core principle behind the scheme design so that resources can be deployed efficiently to increase demand for GreenPower products rather than explaining its complexities to potential customers. In the event that the complexity leads customers to claim 100% renewable supply when they were not provided with it, reputational impacts would likely result. This could undermine the credibility of GreenPower and the positive impact it has on environmental outcomes and would reflect poorly on all scheme participants.

From a business operations perspective, Option B would require the creation of an entirely new GreenPower product in forecasting, invoicing and settlement systems. This is a complex, time consuming task which would be imposed on top of a series of other ongoing significant market and regulatory changes. It is very unlikely that Shell Energy could make the required changes in early 2023.

*Question 6: The above proposal is a solution that can be quickly implemented. Should GreenPower consider a different approach in its long-term program design?*

As noted above, Option A still has a range of actions to be addressed prior to implementation. As a result it is our view that changes are not likely to be quickly implemented as implied, and may require considerable and costly development by retailers to systematise. We therefore do not support the consideration of a different approach from 2025. This would be too soon after the implementation of substantial changes. Shell Energy would prefer to see a cautious approach taken on timing to ensure that design changes are appropriate for the long term rather than see a rushed implementation lead to another significant change very soon after.

Another consideration regarding the timing of these changes is the treatment of existing contracts. As there are many customers already contracted for future years it is highly likely the “old rules” and “new rules” will coexist for up to 4 more years.

*Question 19: Should GreenPower providers be able to sell other green products?*

Shell Energy has strong reservations about the proposal to block participation by retailers who sell other green products such as carbon credits or carbon-neutral energy. Maximising consumer choice should be a key consideration for the design of the GreenPower scheme.

*Question 26: Do you see value in an official environmental rating for electricity retailers, and in GreenPower developing this rating?*

We note the suggestion in this section that *“participating retailers would need to disclose their market hedging contracts and generation profiles”*. This is highly confidential commercial information and is unlikely to be provided for a voluntary scheme. We suggest a different approach should be taken to determining emissions intensity if the star rating approach is pursued.

For any question regarding this submission please contact Peter Wormald (peter.wormald@shellenergy.com.au).

Yours sincerely

[signed]

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