



Australian Government  
Office of the Renewable Energy Regulator

A stylized graphic featuring a globe on the left with a map of Australia highlighted. To the right, two wind turbines are depicted against a dark blue background. The entire graphic is overlaid with several curved, overlapping bands in various shades of blue and green. The text 'Increasing Australia's renewable electricity generation' is written across the globe and turbines in a white, sans-serif font.

Increasing Australia's renewable electricity generation

Annual Report 2003



Australian Government  
Office of the Renewable Energy Regulator

Increasing Australia's renewable electricity generation

Annual Report 2003



© Office of the Renewable Energy Regulator 2004

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Office of the Renewable Energy Regulator. Requests and inquiries concerning reproduction and rights should be addressed to the Manager, Office of the Renewable Energy Regulator, GPO Box 621, Canberra ACT 2601.

The Hon Dr David Kemp  
Minister for the Environment and Heritage

Dear Minister

I am pleased to present to you the third Annual Report of the Office of the Renewable Energy Regulator. The 2003 Report comprises an overview of the third year of operation of the *Renewable Energy (Electricity) Act 2000* and the *Renewable Energy (Electricity) (Charge) Act 2000*.

The report focuses on the period from 1 January 2003 to 31 December 2003.

The report is submitted for presentation to the Parliament in accordance with section 105 of the *Renewable Energy (Electricity) Act 2000*.

Yours sincerely



David Rossiter  
Renewable Energy Regulator

April 2004

# Contents

<b>Opening Statement 2003 Annual Report</b>	<b>v</b>	<b>Chapter 3 Other Activities</b>	<b>10</b>
<b>Glossary</b>	<b>vii</b>	The MRET Review	10
<b>Chapter 1 Introduction</b>	<b>1</b>	Amending The Act	10
Background	1	Amending the regulations	10
Legislative framework	1	Advice to Industry	11
Administration	2	Working with Industry	11
<b>Chapter 2 Overview of 2003</b>	<b>4</b>	Working with Government Agencies	11
Registration of persons	4	Working with the Community	11
Accreditation of power stations	4		
Requests for internal reviews of decisions relating to Power Stations accreditation	6		
Assessing the validity of created Renewable Energy Certificates	6		
Requests for internal reviews of decisions relating to the registration of RECs	8		
The market for RECs	8		
Compliance	8		
Annual Energy Acquisition Statement and Renewable Energy Shortfall Statement	8		
Electricity Generation Returns	9		
Field Audits	9		

# Opening Statement 2003 Annual Report

The Office of the Renewable Energy Regulator (ORER) has been operating for nearly three years and the Renewable Energy Certificate (REC) internet based registry for a slightly shorter period since April 2001.

In a remarkably busy 2003 the renewable energy industry significantly increased generation activity, liable parties demonstrated even tighter compliance with over 99% of compliance by REC surrender and the review panel reported on the operation of the Act.

On the generation side the office has seen increased REC creation activity, more eligible generator participants and a renewable energy industry that is rising to the challenge of the legislated targets. The 2003 calendar year saw creation of valid RECs increase by over 90% relative to 2002, with more RECs being created in the month of December than had been created in both of the previous years of operation.

Yet despite the high level of activity this year the total of all the valid certificates created to date only represents under 5% of the total of about 138 million certificates needed over the twenty year life of the Mandatory Renewable Energy Target. Or to put it another way over 95% of RECs required to meet the current target period to 2020 have still to be produced.

While 2003 was the third year of operation of the Act, it was only the second year of surrender of RECs under the Act when certificates were offered for calendar year

2002 on 14 February 2003. During 2003 approximately 1.19 million RECs were accepted against 2002 liabilities and for redeeming outstanding liabilities remaining from 2001.

For 2002 a total shortfall of under 3000 RECs occurred which is about one quarter of one percent of the 2002 target of 1.1 million RECs, demonstrating the strong commitment from liable parties to surrender RECs rather than pay shortfall charges.

Liable parties are to be congratulated on this 2002 result—an improvement on the 2001 figure of over 25,000 RECs shortfall. Further in 2002 liable parties took advantage of the flexibility mechanism within the Act to redeem historic shortfalls and reduced the 2001 shortfall by additional surrenders to leave only slightly over 11,000 RECs in shortfall for 2001. More opportunities still exist to further reduce both the 2002 and 2001 shortfalls in 2004 and 2005. After 2005 the three year shortfall redeeming period will end for 2001. Early indications for 2003 compliance, nominally commenced on 14 February 2004, are that the outstanding REC shortfall for 2001 has again plummeted through use of the redeeming mechanism.

This strong behaviour towards REC surrender being displayed by the liable parties should increase the confidence of investors in eligible renewable energy projects, show that a vibrant market for RECs is here

to stay and ensure the foundations of renewable energy industry development are secure.

As we enter 2004 the renewable power percentage, that is the percentage of liable power purchases to be matched by RECs, is 1.25% up from 0.88% in 2003, and well on its way towards about 4 to 4.5% by 2010 under the currently legislated target of 9,500,000 RECs annually.

Aside from the normal activity of REC creation and surrender, 2003 also saw the commencement and completion of the review of the operation of the Act. The review, required by the Act itself, commenced on 27 March 2003 and was completed by its submission to the Minister for Environment and Heritage on 29 September 2003.

ORER was pleased to assist the independent review panel by supplying information for their work and admired their dedication to the complex task of review of what has become a well established measure strongly supporting the Government's suite of climate change policies.

The renewable energy industry is to be congratulated on its active participation in the review process and thanks also go to all those who provided information

to the review panel, totalling over 5000 submissions. We all now share an interest in the review report and await the Government's comment on it.

In the interim one thing is clear from the review that despite the innovative approach put forward by the Act and the concerns of wider industry at the time of its passage, the report strongly supports the MRET mechanism of tradeable renewable energy certificates and its continuance. I hear a sigh of relief from the investors in this industry as they more confidently await a new chapter of the MRET story as it unfolds during the next few months.

In closing I would like to note the synergy of this market mechanism. On one side the liable parties through their confident behaviour have enabled demand for RECs to flourish and on the other side the renewable energy industry has invested and developed to support that demand by providing a reliable supply of RECs. It takes two to tango and one can only admire and congratulate the dedicated partnerships that are required for success.



David Rossiter  
Renewable Energy Regulator

# Glossary

Term	Meaning
<b>AAT</b>	Administrative Appeals Tribunal.
<b>Accreditation</b>	A process of determining if a power station is eligible to participate in the MRET and contribute to the achievement of annual targets.
<b>AEAS</b>	Annual Energy Acquisition Statement and Renewable Energy Shortfall Statement.
<b>Compliance date</b>	Eligible and liable participants must report their electricity generation and REC creation for eligible parties and surrender of RECs (for liable parties) by 14 February of the year following the compliance period.
<b>Compliance period</b>	The period, over which each annual target must be achieved, which, except for 2001, is each full calendar year.
<b>EGR</b>	Electricity Generation Return.
<b>Eligibility</b>	The eligibility to create renewable energy certificates.
<b>Eligible Parties</b>	Parties generating renewable electricity and creating renewable energy certificates.
<b>kW</b>	Kilowatt—one thousand watts.
<b>kWh</b>	Kilowatt-hour—a measure of electricity generation. One thousand watt hours.
<b>Liability</b>	The liability to surrender renewable energy certificates.
<b>Liable Parties</b>	Wholesale purchasers of electricity.
<b>Minister</b>	Minister for the Environment and Heritage.
<b>MRET</b>	The Mandatory Renewable Energy Target, enacted through the Act and Regulations.



<b>MWh</b>	Megawatt hour—a measure of electricity generation. One thousand kilo watt hours.
<b>ORER</b>	The Office of the Renewable Energy Regulator.
<b>REC</b>	Renewable Energy Certificate—an electronic certificate that may be created, on the internet REC-Registry, by each eligible party for each megawatt hour of eligible renewable electricity generated. The RECs may be traded separately from the physical electricity market.
<b>REC-Registry</b>	An internet based database of information on participation under the Act, located at <a href="http://www.rec-registry.com">http://www.rec-registry.com</a>
<b>Registered person</b>	A person registered by the ORER as the owner/operator of a power station, owner of a solar water heater or small generation unit or agent whose name appears in the registry of registered persons. A person must be registered to create RECs.
<b>Registration</b>	A process of registering persons that intend to create RECs.
<b>Registration of RECs</b>	The change in status required for a REC to be traded and used against a liability, which results from successfully demonstrating the accuracy of a REC claim and payment of the specified fee.
<b>Regulator</b>	The Renewable Energy Regulator appointed under section 143 of the Act to oversee the achievement of the MRET, as established through the provisions of the Act and Regulations.
<b>RESC</b>	Renewable Energy Shortfall Charge.
<b>RESS</b>	Renewable Energy Shortfall Statement.
<b>SGU</b>	Small generation unit.
<b>Small generation unit</b>	A device using hydro, solar or wind to generate electricity, with a generation capacity of less than 10 kW and generating less than 25 MWh per year.
<b>SWH</b>	Solar water heater.
<b>The Act</b>	<i>The Renewable Energy (Electricity) Act 2000.</i>
<b>The Charge Act</b>	<i>The Renewable Energy (Electricity) (Charge) Act 2000.</i>
<b>The Regulations</b>	<i>The Renewable Energy (Electricity) Regulations 2001.</i>

# Introduction

## Background

The Mandatory Renewable Energy Target (MRET) is a key element of a broader government response to climate change and possible commitments to reduce greenhouse gas emissions. The MRET is one of more than 80 measures that the Australian Government has established to combat climate change. The MRET has been introduced to encourage the development of a more sustainable energy supply industry. It will also increase the contribution of renewable energy sources to Australia's electricity supply, achieving reductions in greenhouse gas emissions.

The MRET is supported by legislation that operates to establish a market for renewable energy. The renewable energy is represented in the market by renewable energy certificates. The legislation sets the framework for both the supply and demand sides of the market.

On the demand side are the wholesale purchasers of electricity—those parties purchasing electricity directly from a generator or from the wholesale electricity market. These parties, usually called the liable parties, are directly responsible for increasing the amount of electricity generated from renewable energy sources. This is implemented through the acquisition and surrender of renewable energy certificates.

On the supply side are the parties generating renewable electricity and creating renewable energy certificates,

normally called the eligible parties. Generation assets must meet set eligibility criteria prior to being accredited. Accreditation is necessary if a generation asset is to contribute towards the achievement of the annual targets, although very small generators under 10 kW can have their output deemed under the Act.

The Act requires the Regulator to give the Minister a report on the working of the Act during the year, for presentation to Parliament. This report is provided to meet that requirement.

## Legislative framework

The *Renewable Energy (Electricity) Act 2000* (the Act) came into force on 18 January 2001, after passage through Parliament on 8 December 2000.

Section 3 of the Act sets out three main objectives:

- to encourage the additional generation of electricity from renewable sources;
- to reduce emissions of greenhouse gases; and
- to ensure that renewable energy sources are ecologically sustainable.

The main provisions of the Act, which established the market for renewable energy, came into effect on 1 April 2001. The main role of the Office of Renewable Energy Regulator (ORER) is to assist the Regulator in the implementation and the administration of the Act.

The Act is supported by the *Renewable Energy (Electricity) (Charge) Act 2000* (the Charge Act), which provides the level of penalty for the Renewable Energy Shortfall Charge (RESC), payable where RECs are not surrendered. This is currently \$40 per MWh or REC.

The Act is also supported by the *Renewable Energy (Electricity) Regulations 2001* (the Regulations), which provide more detailed rules on a number of issues, including additional eligibility criteria for renewable energy sources, criteria for accreditation of power stations, and deemed renewable energy certificate amounts for solar water heaters and some specified small generators. In combination, the Act, the Charge Act and the Regulations, set the framework for the implementation of the Australian Government's MRET.

The Charge Act came into force, and was subsequently amended, in 2000. The Regulations came into force on 6 February 2001, and have subsequently been amended six times, with new amendments expected each year.

These amendments were and are predominantly required to address issues relating to solar water heaters (SWH) and small generation units (SGU), including the addition of new eligible models, and to set the renewable power percentages, allowing liable parties to calculate their REC liability.

## Administration

The role of the Regulator and the ORER are established under Part 14 of the Act to oversee the implementation of the MRET. The key role of ORER is to assist the Regulator in performing the Regulator's functions (section 150 of the Act). The Regulator and the ORER constitute a Statutory Agency for the purposes of the *Public Service Act 1999*.

The first Regulator was appointed on 12 February 2001 by the then Minister for the Environment and Heritage,

Senator the Hon Robert Hill. Mr David Rossiter accepted this role, and will lead the ORER initially for a period of 5 years.

The main roles of the Regulator are:

- **Maintenance of a registry of owners/operators of eligible power stations**

Individuals and companies must be registered before they can seek accreditation of power stations. Registered entities are each allocated a unique registration number, which is entered onto the Registry of Registered Persons. This registry is required to be publicly available via the Internet.

- **Accreditation of eligible power stations**

Renewable energy power stations must be accredited before they may participate in the MRET scheme and consequently have RECs created in respect of their owners/operators eligible generation.

The accreditation process includes:

- application for accreditation;
- verification that a power station is using eligible renewable energy sources;
- establishment of annual baseline (either zero for new power stations or non-zero for existing power stations);
- estimation of the amount of additional energy that will be generated from the power station; and
- confirmation of an agreed methodology to calculate eligible generation.

Each accredited power station is allocated a unique accreditation number. The Regulator maintains publicly available registers of applications for accreditation of power stations and power stations' accreditation codes.

### • **Registration of Renewable Energy Certificates**

Once a power station is accredited, and it has generated electricity above its baseline, the registered person is entitled to create one REC for each megawatt hour of eligible renewable electricity generated. Some installations of solar water heaters may also be eligible for RECs.

Certificates must be created in an electronic form via the Internet, and are not valid until the ORER registers them. The Regulator may check the validity of a certificate prior to allowing it to be registered. There is an 8 cent fee levied against each REC created.

In accordance with the Act, the Regulator maintains a publicly accessible registry of certificates on the Internet (<http://www.rec-registry.com/>). Any transfer of ownership or retirement of certificates is also recorded in this registry.

### • **Monitoring and compliance**

The Regulator is responsible for ensuring compliance with the scheme and maintaining the integrity of the measure. This involves assessing and overseeing the submission of annual Electricity Generation Returns (EGR), Annual Energy Acquisition Statements (AEAS) and Renewable Energy Shortfall Statements (RESS). Eligible parties report their renewable energy generation and REC creation in the EGR. Liable parties surrender RECs to discharge their liability. If a liable party cannot meet its liability, and the shortfall is greater than 10% of a total liability in a given year, then the Regulator must impose a Renewable Energy Shortfall Charge (RESC) on the liable party, which equals \$40 for each liable MWh of electricity.

In addition to the duties detailed above the ORER will assist the Regulator to:

- oversee the creation of valid renewable energy certificates;
- impose any penalties for non-compliance with the provisions of the legislation;
- allow the liable parties to redeem any RESCs if shortfalls are made up within three years;
- ensure the integrity of the measure and, undertake audits of participants including renewable energy generators and liable parties;
- maintain publicly available registries; and
- provide industry and other stakeholders with advice.

The Office of the Renewable Energy Regulator (ORER) was established to administer the Act on 12 February 2001, and became a prescribed agency from 1 July 2003. The ORER will now also publish a separate financial year annual report, outlining activity over the July to June period.

# Overview of 2003

The Act operates on a calendar year basis. This report focuses on the operation of the Act between 1 January and 31 December 2003. In some areas, previous year's data is provided for comparison purposes.

Liable and eligible parties are required to report their acquisitions and generation for each year, by 14 February of the following year.

Actions that have taken place in 2004, such as surrender of RECs against liabilities, or continued REC creation for generation that occurred in 2001 to 2003, will be reported in the 2004 annual report.

The Act establishes a process for participating in the MRET. Firstly a person must apply to become a registered person under the Act. If registration is successful, that person may seek to have a power station that they own/operate accredited by the Regulator. Next, RECs can then be created for the eligible output of accredited power stations. Finally compliance occurs through the surrendering of RECs by liable parties.

The ORER is therefore involved in a number of key tasks:

- registration of persons;
- accreditation of power stations;
- assessing the validity of created renewable energy certificates; and
- evaluating compliance.

## Registration of persons

During 2003, the ORER processed 44 applications to be a registered person. The registrations covered a range of stakeholders, including both individuals and companies seeking to claim RECs for power stations, solar water heaters and small generation units. The Act requires that the Regulator maintain a registry of registered persons by electronic means. The registry of registered persons has been operational since 1 April 2001 and is available at <http://www.rec-registry.com/>. There were no requests for the review of a decision to register a person submitted in 2003.

By 31 December 2003, the total number of registered participants since commencement of the scheme reached 229.

## Accreditation of power stations

In 2003, the ORER received 20 new applications for accreditation of power stations. In addition, 15 applications received prior to 2003 were to be processed in 2003. The Regulator is required to maintain, by electronic means, a registry of applications for accreditation of power stations. The registry of applications for accreditation of power stations has been operational since 1 April 2001 and is available at <http://www.rec-registry.com/>.

Of the 35 applications to be processed in 2003, 21 were accredited by 31 December 2003, with the remaining 14 requiring information or third party approvals to be provided prior to becoming accredited.

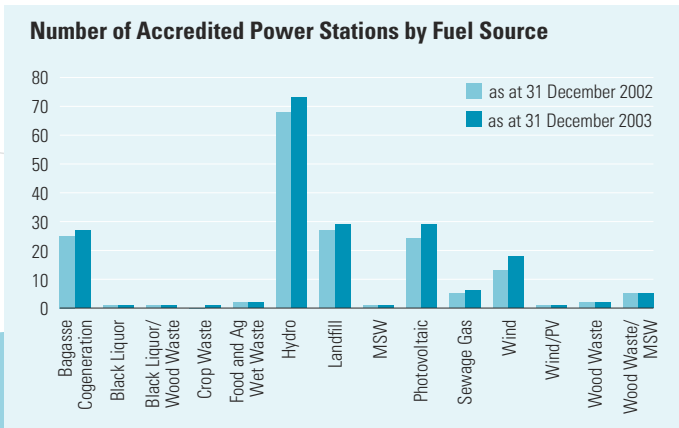
Of the 21 power stations accredited in 2003, a broad range of eligible renewable energy sources were proposed for use, as detailed in the table and graph below.

#### Summary Statistics for accreditation by fuel source

	Accredited by 31 Dec 2002	Accredited by 31 Dec 2003
Bagasse cogeneration	25	27
Black Liquor	1	1
Black Liquor/Wood Waste	1	1
Crop Waste	0	1
Food and Ag Wet Waste	2	2
Hydro	68	73
Landfill Gas	27	29
MSW	1	1
Photovoltaic	24	29
Sewage Gas	5	6
Wind	13	18
Wind/PV	1	1
Wood Waste	2	2
Wood waste/MSW	5	5
<b>Total Accredited</b>	<b>175</b>	<b>196</b>

#### Summary Statistics for accreditation by fuel source and state

Total to 31 Dec 2003	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Bagasse cogeneration		3		23				1	27
Black Liquor							1		1
Black Liquor/Wood Waste		1							1
Crop Waste				1					1
Food and Ag Wet Waste		1						1	2
Hydro	1	24		6		28	12	2	73
Landfill Gas	2	5		9	4		4	5	29
MSW		1							1
Photovoltaic	1	13	1	5	3		3	3	29
Sewage Gas		2		2			1	1	6
Wind		4		2	1	3	3	5	18
Wind/PV							1		1
Wood Waste				1				1	2
Wood waste/MSW		5							5
<b>Total Accredited</b>	<b>4</b>	<b>59</b>	<b>1</b>	<b>49</b>	<b>8</b>	<b>31</b>	<b>25</b>	<b>18</b>	<b>196</b>



### Requests for internal reviews of decisions relating to Power Stations accreditation

The decision to accredit a power station is an appealable decision. In 2003, one company submitted an appeal in respect of an accreditation decision. Appeal reviews are conducted by a person (or persons) not involved with the original recommendation submitted to the Regulator, and must be completed within 60 days of receipt of the request for review.

In the one case for review, the company submitted its appeal within the allowable timeframe, in accordance with section 66 of the Act, and a review of the decision proceeded accordingly.

The review was finalised in 2003, and a new baseline was set. Appellants remaining dissatisfied with a review decision can apply to the Administrative Appeals Tribunal (AAT).

One case was also lodged before the AAT at the end of 2003. This case is yet to be heard by the Tribunal.

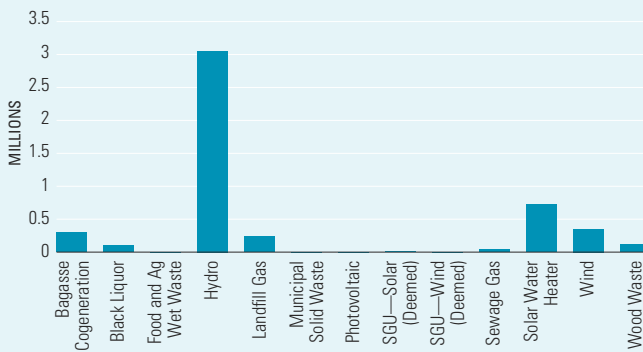
### Assessing the validity of created Renewable Energy Certificates

A total of 7,719,189 RECs had been created in the REC-Registry as at 31 December 2003. Of these, 4,907,607 were created in the 1 January 2003 to 31 December 2003 period. In accordance with the legislation only valid RECs created in 2001 to 2003 could be used to discharge a company's 2003 liability.

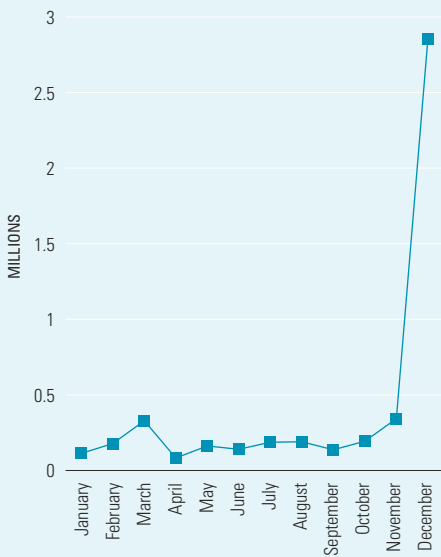
As at 31 December 2003, there were 4,836,226 RECs that were Registered, 408,982 RECs Pending Registration, and 1,471,322 RECs that had been surrendered to the ORER against 2001 and 2002 liabilities. A further 1,002,659 RECs had been failed by the ORER.

A wide range of fuel sources were used to generate electricity for which RECs were created in 2003. Not all accredited power stations created RECs for their eligible electricity generated in 2001 to 2003.

### RECs created in 2003 by fuel type



### RECs created in 2003, by month



- delays in finalising meter readings; and
- parties eligible to create RECs, from their eligible generation as well as small generation units and solar water heaters, were waiting for possible contracts with liable parties to sell those RECs prior to creating the RECs in the Registry.

As was the case in 2001 and 2002, the ORER recommended that companies create the majority of their RECs by 14 December 2002, to ensure that these RECs could be validated early in 2004 and be available for trading for liability compliance purposes. In 2003 there was an excellent response from registered persons to create RECs from eligible generation, small generation units and solar water heaters by 14 December 2003. As a result, the vast majority of these RECs were registered prior to 14 January 2004<sup>1</sup>.

As in 2001 and 2002, the ORER manually checked nearly 100% of the claims for Renewable Energy Certificates in 2003.

The majority of the RECs created in 2003 were created in December 2003. This reflects a number of factors:

- accredited power stations passing their baselines in the November/December period, and only at that time being eligible to create RECs;

<sup>1</sup> The ORER assessed the vast majority of these by the 14 January 2004 target date, leaving at least one month for trading to occur before the compliance date of 16 February 2004. However, it is the responsibility of the parties creating the RECs to provide supporting data and pay the registration fee, before the REC can be validated, transferred or used against a liability. A proportion of the RECs passing audit before 14 January 2004 may have remained pending registration until the fee was paid.



For Power Stations, in 2003 this ranged from assessing meter data, through to analysing claimed generation against applicable Bureau of Meteorology weather data.

In 2003 the ORER continued to pay particular attention to RECs being created by agents for solar water heaters, as a large number of the RECs that were invalidated came from this group. Processes to correctly record the model type and serial number of the solar water heater being installed, the type of system being replaced, and owner contact details were the focus of audit action in 2003. The accuracy of claims for RECs from this group is improving. Throughout most of 2003 100% manual audits occurred, prior to any solar water heater RECs being validated.

The ORER also worked closely with companies creating RECs for the first time. This involved pre-creation audits, where requested, and an in depth manual check of the first claims for certificates from every power station, as well providing 'walk-throughs' of the creation process.

## Requests for internal reviews of decisions relating to the registration of RECs

The decision not to register certificates is an appealable decision under section 66 of the Act. Appeal reviews are conducted by a person (or persons) not involved with the original recommendation submitted to the Regulator, and must be completed within 60 days of receipt of the request for review. Appellants remaining dissatisfied with a review decision can apply to the AAT.

In 2002, one company submitted an appeal in respect of the registration RECs. The case was heard before the AAT in late 2002 with the decision being handed down in July 2003. The AAT supported the original decision by the ORER.

## The market for RECs

The Act allows for RECs to be transferred. All transfers of RECs take place on the REC-Registry and are automatically reported to the Regulator as required under section 28 of the Act. In 2003 there were 548 confirmed transactions, representing a total of 2,688,418 RECs, up from 417 confirmed transactions (representing 1,446,378 RECs) for 2001 and 2002 combined.

## Compliance

The 2002 compliance year commenced on 1 January 2002 and ended on 31 December 2002. The due date for the lodgement of the annual returns for the 2002 compliance year was 14 February 2003.

## Annual Energy Acquisition Statement and Renewable Energy Shortfall Statement

By 31 December 2003, a total of 1,499,727 were accepted for surrender against 2001 and 2002 liabilities.

For the 2002 compliance year, a total of 56 parties were identified and required to surrender RECs. In the 2002 compliance year, only 8 out of the 56 liable parties had individual shortfalls. At the end of 2003, the 2002 shortfall was 2,757 RECs

In addition to addressing 2002 liabilities, of the 19 liable parties with individual shortfalls in 2001, 9 redeemed their shortfalls in the 2002 compliance year. At the end of 2003, the remaining 2001 shortfall was 11,243 RECs, down from 25,842 RECs at the end of 2002.

For the 2002 compliance period, the RECs surrendered by the wholesale electricity purchasers were over 99% of the total REC surrender requirement. Of the 8 parties with shortfalls, under 30% of the total shortfall came

## REC Surrender summary for the 2002 compliance year

Total RECs surrendered as at 31 December 2003	1,499,727
Total RECs surrendered in 2003 against 2001 and 2002 compliance	1,189,777
Total RECs surrendered in 2002 against 2001 compliance	309,950
Parties with a 2002 liability	56
Parties without a 2002 REC shortfall	48
Parties with a 2002 REC shortfall	8
Total REC shortfall for 2001 at 31 December 2003	11,243
Total REC shortfall for 2002 at 31 December 2003	2,757
2002 Liability acquitted by RECs Surrender (%)	99%

Note: Not all shortfalls resulted in the payment of the penalty of \$40/MWh, as shortfalls within 10% of the total requirement are carried forward and added to next year's target.

from 5 companies, indicating the majority of companies with shortfalls had small numbers of RECs outstanding.

The majority of annual returns for the 2002 compliance period were submitted to the ORER by the 14 February 2003 due date. The ORER completed one default assessment on behalf of a company that failed to submit a return.

Comprehensive details regarding the 2003 compliance period will be provided in the 2004 Annual Report.

## Electricity Generation Returns

By 31 December 2003 a total of 187 Annual Generation Returns were received for the 2002 compliance year. Processing continued throughout 2003.

## Field Audits

In 2003 the ORER performed three field audits, with two relating to the 2002 compliance year and one relating to the 2002 eligibility year. The audits were performed to substantiate information provided under the Act, and to determine whether the Act has been complied with. Any information provided to the Regulator under the

Act can be audited, and typically this will include information relating to accreditation, solar water heater and small generation unit installations, eligible generation and energy acquisition.

Compliance audits seek to determine whether or not electricity acquisitions were reported correctly to the ORER. Eligibility audits seek to determine whether or not accredited power stations are correctly calculating and reporting their eligible generation. In addition, audits also help educate liable and eligible parties about the application of the MRET.

The ORER has developed a risk assessment methodology to determine the parties to be audited. This methodology evaluates potential risk against various factors and the eventual risk rating is used to select the parties for audit. The ORER believes that audits provide an opportunity to establish an ongoing contact with eligible and liable parties under the Act. The 2002 compliance year audits were also used to assist in educating these parties in compliance issues, and to help them in interpreting the issues relating to the application of the Act, as well as providing feed back to the ORER on areas where systems might be improved or clarified.

# Other Activities

## The MRET Review

In 2003, the Government was required to ensure that an independent review of the operation of the Act was conducted. The ORER, as administrator of the Act, was not a formal participant in the review. However, in 2003 the ORER provided a submission to the Mandatory Renewable Energy Target Review panel as part of the public submission process, as well as responded to questions and information requests from the Review team regarding the running of the MRET and the ORER.

For further information on the review see the Australian Greenhouse Office annual report.

## Amending The Act

The ORER continues to dedicate resources to working closely with the Australian Greenhouse Office, which

has retained policy responsibility for MRET, to identify problems and remedies in respect of a variety of administrative issues.

## Amending the regulations

The Regulations, which were made on 6 February 2001, were amended twice during 2003. This was in addition to the four amendments made up until 31 December 2002. The Act requires that any proposed regulation amendments must be publicly available for a period of not less than 30 days prior to being made. Details of the two amendment rounds are provided in the table below.

These amendment processes were administrative in nature, and related to clarification of the eligibility of solar water heaters, including the addition of new solar water heater models and revision of solar water heater

### Regulation amendments commencing in 2003

Activity	Round Five	Round Six
Proposed amendments released	29 March 2003	11 October 2003
Public submissions closed	28 April 2003	10 November 2003
Number of submissions received	2	3
Federal Executive Council meeting	28 May 2003	4 December 2003
Amendment regulations gazetted	29 May 2003	11 December 2003
Amendment regulations tabled in the House of Representatives	4 June 2003	10 February 2004
Amendment regulations tabled in the Senate	16 June 2003	10 February 2004

Note: See previous years' Annual Reports for details of rounds one to four.

definitions, revision of the formula for calculating RECs for small generation units and specifying the Renewable Power Percentage for 2003<sup>2</sup>.

## Advice to Industry

The ORER ran a number of public notices in 2003 to advise stakeholders of proposed amendments to the Regulations, and to remind stakeholders of the annual compliance requirements.

In addition, a wide range of information is contained on the ORER's website, <http://www.orer.gov.au/> to advise industry of the framework surrounding, and processes for participating in, the MRET. Information was sent directly to all REC-Registry users via the email on a number of occasions.

## Working with Industry

The ORER has dedicated substantial resources to working with industry to improve their understanding of the legislation and regulations, facilitate involvement in the scheme and provide support throughout the measure.

As this was the third year of the measure, it was important to ensure all parties were familiar with

their obligations and entitlements under the legislation. The ORER presented at numerous public fora, provided phone/email assistance and visited or was visited by, many stakeholders and interested parties. This extensive contact and feedback enabled ORER and participants to refine and develop systems to better align projects with the requirements, and administration of, the Act.

## Working with Government Agencies

The ORER maintains strong links with the Australian Greenhouse Office. The ORER also liaises with other interested Commonwealth and State Government Department and Agencies. Some of these include NSW Greenhouse Gas Abatement Scheme, Green Power and Queensland Gas Energy Certificate Scheme.

## Working with the Community

The ORER provides information to a variety of stakeholders, ranging from individuals wishing to claim RECs for solar water heaters, to special purpose interest groups.

---

<sup>2</sup> The Renewable Power Percentage for 2004 is 1.25%. It was 0.24% for 2001, 0.62% for 2002 and 0.88% for 2003. This is detailed in section 23 of the Regulations.



