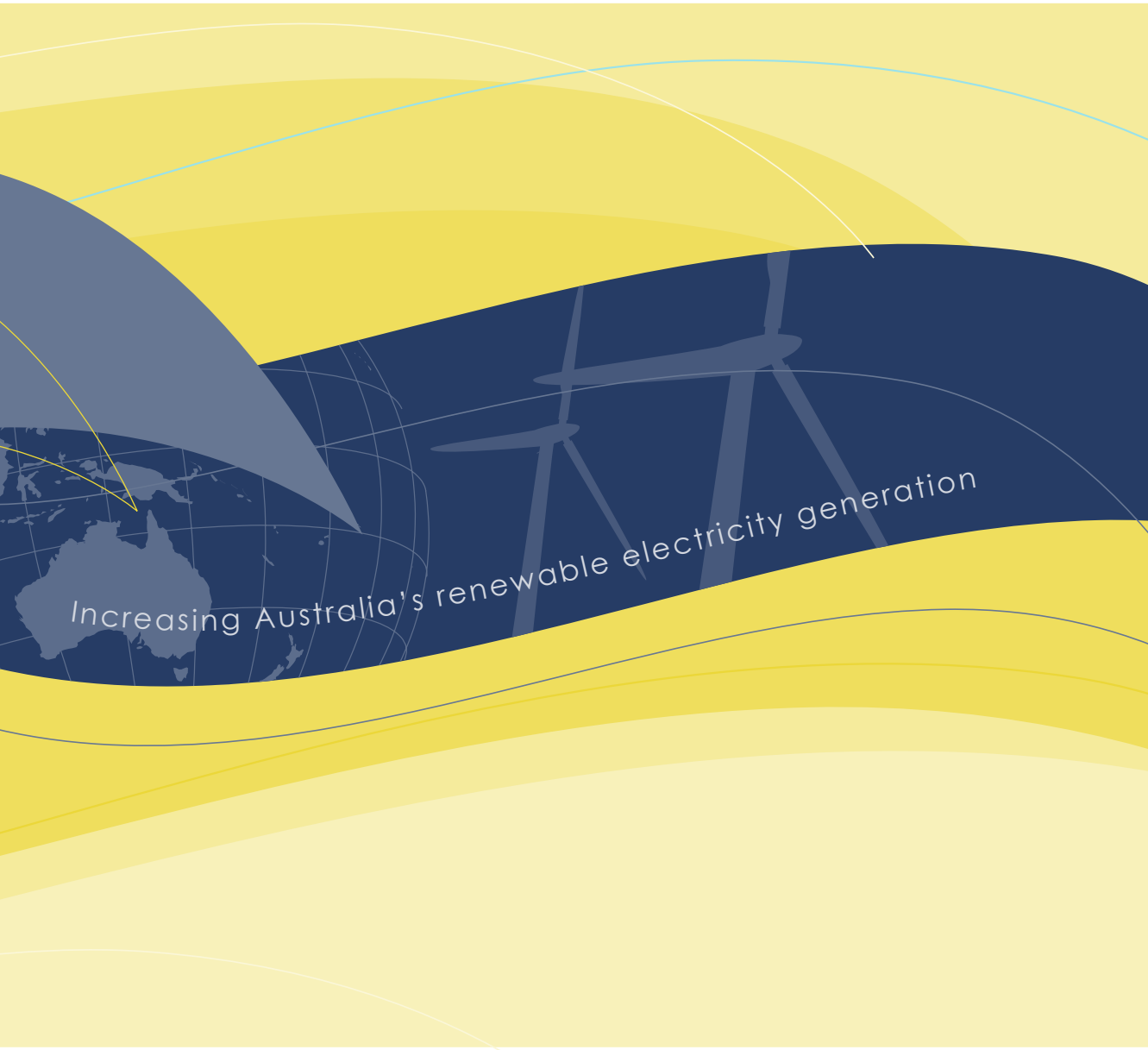
Australian Government

Office of the Renewable Energy Regulator



Annual Report 2004

Australian Government

Office of the Renewable Energy Regulator

Increasing Australia's renewable electricity generation

Annual Report 2004

Senator The Hon Ian Campbell
Minister for the Environment and Heritage

Dear Minister

I am pleased to present to you the fourth Annual Report of the Office of the Renewable Energy Regulator.

This 2004 Annual Report focuses on the working of the *Renewable Energy (Electricity) Act 2000* for the calendar year.

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 2005

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Opening Statement 2004 Annual Report

Year four of the operation of the Renewable Energy (Electricity) Act 2000 has had yet another very full agenda. Not only have we seen the results of the statutory review of the Act and the Government's statement on the implementation of that review, but also we have seen the total number of RECs created exceed 10 million and targets being met even more completely by REC surrender as opposed to paying of penalty charges.

The year opened with the release of the MRET Review report *Renewable Opportunities* on 16 January 2004. The report covered the review of the operation of the *Renewable Energy (Electricity) Act 2000* conducted in 2003 in accordance with section 162 of the Act.

On 15 June 2004 coinciding with the release of the Government's energy policy white paper—Securing Australia's Energy Future—a statement was made on the MRET Review. The statement indicated the measure would continue to operate and some improvements would be introduced to increase operational and administrative efficiency.

The improvements included publication of baselines, encouragements to create all RECs in the registry within a limited time of generation, publication of more statistical data on eligibility and liability matters, clarification of eligibility of some forms of biomass, changes to deeming arrangements for photovoltaic small generation units and solar water heaters, the addition of a 'provisional accreditation' and limiting the time for accreditation processes.

As a contributor to the review, I would like to thank all those industry and government businesses and individuals who also contributed to the review process, enabling it to be a well informed report. Consequently the process has lead to recommendations that should improve the operation of the Act for all participants. We are looking forward to implementing the changes when the empowering Act and Regulations are amended.

Over ten million RECs were validly created by participants in MRET to the end of 2004, against a cumulative surrender target to the end of 2004 of 5.8 million. While this might at first sight imply a surplus of RECs the measure is still early in its sequence of targets and by 2020 about fourteen times that number of RECs will be needed to stay on track. Or to put it another way, we are only about 7% of the way to the 2020 cumulative target and about 93% of the required RECs have yet to be created.

In terms of performance against the liability requirements of the Act, 99.95% of compliance was by REC surrender in 2003. For 2003 a total shortfall of about 790 RECs was recorded from 4 liable parties. This high level of REC surrender rather than payment of penalty charges is of course beneficial to the renewable energy industry

market as it provides maximised demand for RECs and hence the greatest incentives to develop renewable energy projects.

Further liable parties continued to take advantage of the redeeming mechanism within the Act to redeem historic shortfalls by surrendering additional RECs to reduce the shortfalls for 2001 and 2002 to 582 and 516 RECs respectively. Opportunities still exist to further reduce the 2003, 2002 and 2001 shortfalls in 2004 and 2005. After 2005 the three year redeeming period will end for 2001 compliance year shortfalls.

In 2004 the renewable energy industry has continued to display its commitment by further investing in renewable energy technologies to provide a reliable supply of RECs. This effort by the eligible parties was made possible because liable parties provided the market by seeking RECs instead of paying penalty charges. I congratulate the liable and eligible parties for this combined effort.

The ORER has been in operation for nearly four years and the Internet Based Registry System (IBRS) for Renewable Energy Certificates (RECs) is the key facilitating mechanism of the process. A requirement of the Renewable Energy (Electricity) Act 2000 (the Act) is that an IBRS be made available for the creation, transfer and surrendering of RECs online.

The level of activity in the registry has, as anticipated, increased considerably since the measure began. The current IBRS service provider's contract expires on 31 December 2005. In September 2004 the ORER commenced the tender process to select the service provider for the next five year period to 2010. It is anticipated in the next five year contract period the registry will need to handle about four times the traffic of the current registry.

We hope to make this transition between registry contracts as seamless as possible to users and expect the transition period to be between October 2005 and December 2005 ready for the 2005 surrender period in early 2006.

I look forward to 2005 as a year of transition from firstly one registry contract to another and secondly as at time when the measure becomes more efficient as the review recommendations begin to be implemented.

David Rossiter
Renewable Energy Regulator

Glossary

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

MRET	The Mandatory Renewable Energy Target, enacted through the Act and the Regulations
MWh	Megawatt-hour—a measure of electricity generation. One thousand kilo watt hours
ORER	The Office of the Renewable Energy Regulator
REC	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
REC-Registry	An internet based database of information on participation under the Act, located at http://www.rec-registry.com/
Registered person	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
Registration	A process of registering persons that intend to create RECs
Registration of RECs	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
Regulator	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 the Regulations
RESC	Renewable Energy Shortfall Charge
RESS	Renewable Energy Shortfall Statement
SGU	Small generation unit
Small generation unit	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
SWH	Solar water heater
The Act	The *Renewable Energy (Electricity) Act 2000*
The Charge Act	The *Renewable Energy (Electricity) (Charge) Act 2000*
The Regulations	The *Renewable Energy (Electricity) Regulations 2001*

CHAPTER ONE

Introduction

Background

The Australian Government's Mandatory Renewable Energy Target (MRET) places a legal liability on wholesale purchasers of electricity to proportionately contribute towards the generation of an additional 9,500 GWh of renewable energy per year by 2010. The MRET has been introduced to encourage the additional generation of electricity from renewable energy sources in Australia's electricity supply, and achieve reductions in greenhouse gas emissions.

The MRET legislation sets the framework for both the supply and demand sides of the renewable energy certificates market.

On the demand side, wholesale purchasers of electricity are parties acquiring electricity directly from a generator or from the wholesale electricity market are liable under the Act. These parties, usually called the liable parties, are directly responsible for proportionally contributing towards increasing the amount of electricity generated from renewable energy sources. In meeting their obligation under the MRET the liable parties can create a demand for Renewable Energy Certificates.

On the supply side of the market, accredited renewable energy power stations generating electricity from eligible renewable energy sources are eligible to create renewable energy certificates. These parties are called eligible parties. These renewable energy power stations must meet set eligibility criteria prior to being accredited. Accreditation is necessary if a generation asset is to participate in the measure, although very small generators typically under 10 kW and solar water heaters 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 certificates, 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 sets the Renewable Energy Shortfall Charge (RESC), payable where RECs are not surrendered. This is currently $40 per REC not surrendered to the ORER. 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 seven times, with new amendments expected each year. These amendments predominantly relate to the 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 the 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. Each registered entity is allocated a unique registration number, which is entered onto the Registry of Registered Persons. This registry is required to be publicly available on the Internet.

- **Accreditation of eligible power stations**

  Renewable energy power stations must be accredited before they may participate in the MRET scheme. Owners or operators of accredited renewable energy power station are eligible to create RECs in respect of the eligible generation above the baseline. 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 if it generates 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 (www.rec-registry.com). Any transfer of ownership or retirement of certificates is also recorded in this registry.

  Ultimately RECs can be surrendered to acquit liabilities and a further 8 cent fee is levied against each REC extinguished by the acquittal process.

- **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 REC shortfall.

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 under the *Financial Management and Accountability Act 1997* from 1 July 2003. Consequently the ORER now also publishes a separate financial year annual report, outlining activity over the financial year from 1 July to 30 June each year.

CHAPTER TWO

Overview of 2004

The Act operates on a calendar year basis. This report focuses on the operation of the Act between 1 January and 31 December 2004. In some areas, previous year's data is provided for comparison purposes.

Liable and eligible parties are required to report their electricity acquisitions and generation for each year, by 14 February of the following year by submitting annual statements. The surrender of RECs against 2004 liabilities, or continued REC creation for generation that occurred in 2001 to 2004, will be reported in the 2005 annual report as these actions have taken place in 2005 calendar year.

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 or 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 2004, the ORER processed 48 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/. In 2004 no request for the review of a decision relating to registration of a person was lodged with the ORER.

By 31 December 2004, the total number of registered participants since commencement of the scheme reached 287.

Accreditation of power stations

In 2004, the ORER received 29 new applications for accreditation of power stations. In addition, 14 applications received prior to 2004 were to be processed in 2004. 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 43 applications to be processed in 2004, 17 were accredited by 31 December 2004, 4 were withdrawn by 31 December 2004, with the remaining 22 required information or third party approvals to be provided to the ORER prior to becoming accredited.

Of the 17 power stations accredited in 2004, a broad range of eligible renewable energy sources were proposed for use, as detailed in the table at right.

Additionally, in 2004, two power stations applied to have additional renewable energy sources included in the accreditation. On both occasions, after verification of approvals and making appropriate checks, these were allowed. These are detailed in the table to the right.

In 2004, accreditations of two power stations were revoked for not complying with section 20 of the Act.

The table to the right shows the number of power stations with different renewable energy sources accredited by the ORER by the end of 2003 and 2004

Power Stations Accredited in 2004

Fuel Source	Accredited in 2004
Bagasse Cogeneration	1
Food and Ag Waste	1
Hydro	2
Landfill Gas	5
Photovoltaic	2
Sewage Gas	1
Wind	4
Wind/Photovoltaic	1

Changes to Power Station Eligible Fuels during 2004

	Previous Fuels	Additional Fuel
Case 1	Bagasse Cogeneration	Wood Waste
Case 2	Wood Waste, Municipal Solid Waste	Food and Agricultural Wet Waste

Comparative Accreditations by Fuel Source

Fuel Source	Accredited by 31 Dec 2003	Accredited by 31 Dec 2004
Bagasse Cogeneration	26	26
Bagasse Cogeneration/ Wood Waste	1	2
Black Liquor	1	1
Black Liquor/Wood Waste	1	1
Crop Waste	1	1
Food and Ag Waste	2	3
Hydro	73	75
Landfill Gas	29	34
MSW	1	1
Photovoltaic	29	29
Sewage Gas	6	7
Wind	18	22
Wind/Photovoltaic	1	2
Wood Waste	2	2
Wood Waste/MSW	5	4
Wood Waste/MSW/Food and Agricultural Wet Waste	0	1
Total	**196**	**211**

Accreditations by Fuel Source and State as at 31 Dec 2004

Fuel Source	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Bagasse Cogeneration		2		23				1	26
Bagasse Cogeneration/ Wood Waste		1		1					2
Black Liquor							1		1
Black Liquor/ Wood Waste		1							1
Crop Waste				1					1
Food and Ag Waste		1					1	1	3
Hydro	1	26		7		28	11	2	75
Landfill Gas	2	5		9	4		7	7	34
MSW		1							1
Photovoltaic	1	13	1	5	3		3	3	29
Sewage Gas		2		3			1	1	7
Wind		4		2	3	3	4	6	22
Wind/Photovoltaic				1			1		2
Wood Waste				1				1	2
Wood Waste/MSW		4							4
Wood Waste/MSW/ Food and Ag Waste		1							1
Total	**4**	**61**	**1**	**53**	**10**	**31**	**29**	**22**	**211**

The above table shows the number of accredited power stations by renewable energy sources and by State/Territory at the end of 2004.

Requests for internal reviews of decisions relating to Power Stations accreditation

The decision to accredit a power station is an appealable decision. In 2004, no company submitted an appeal in respect of an accreditation decision. When an appeal is lodged, the review is conducted by a person (or persons) not involved with the original assessment submitted to the Regulator. The appeals are to be completed within 60 days of receipt of the request for review. Appellants remaining dissatisfied with a review decision can apply to the AAT.

At the end of 2003, an appeal for review of the power station accreditation was lodged by a registered person before the Administrative Appeals Tribunal (AAT), and the Tribunal completed the hearing in December 2004. At the time of printing of this report a decision was yet to be handed down by the AAT.

Assessing the validity of created Renewable Energy Certificates

A total of 11,043,587 RECs had been created in the REC-Registry as at 31 December 2004. Of these, 3,324,398 RECs were created in the 1 January 2004 to 31 December 2004 period. In accordance with the legislation only valid RECs created from 2001 to 2004 could be used to discharge a company's 2004 liability.

As at 31 December 2004, there were 6,541,554 RECs that were Registered, 230,003 RECs Pending Registration, and 3,238,359 RECs that had been surrendered to the ORER against 2001, 2002 and 2003 liabilities.

A total of 1,033,671 RECs had been failed by the ORER.

A wide range of eligible renewable energy sources were used to generate electricity for which RECs were created in 2004. Not all accredited power stations created RECs for their eligible electricity generated in 2001 to 2004.

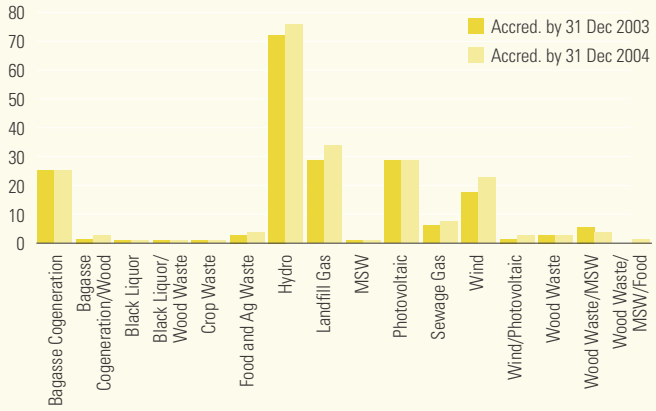
The busiest month for REC creation in 2004 was December as in previous years. This reflects a number of factors:

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

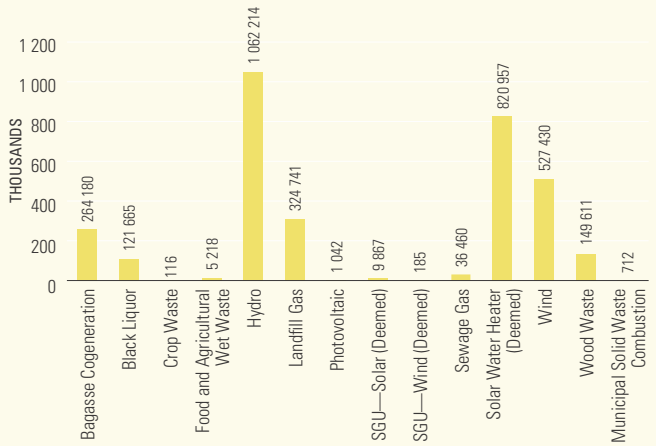
Unusually high monthly REC creation activity also occurred in October and May 2004.

As was the case in 2001, 2002 and 2003, the ORER recommended that companies create the majority of their RECs by 14 December 2004, to ensure that these RECs could be validated in early 2005 and be available for trading for liability

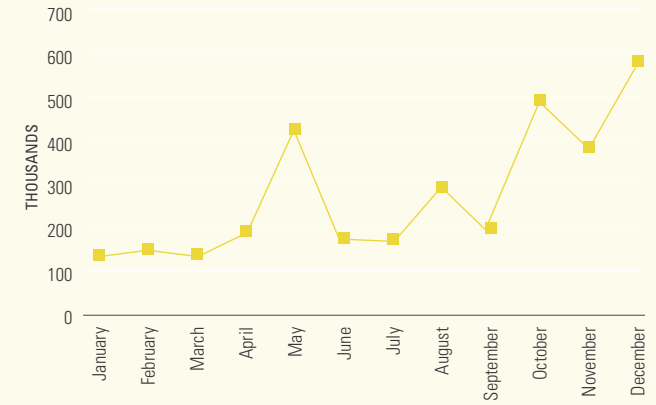
Number of Power Stations by Fuel Source



Number of RECs by Fuel Source by Year of Creation



RECs created in 2004 by month



compliance purposes. In 2004 there was an excellent response from registered persons to create RECs by 14 December 2004. As a result, the vast majority of these RECs were registered prior to 14 January 2005.[1]

As in previous years, the ORER checked nearly 100 percent of the claims for RECs. For power stations, in 2004 this ranged from assessing meter data, through to analysing claimed generation against third party data.

In 2004 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 2004. The accuracy of claims for RECs from this group is improving. Throughout 2004 the ORER completed validation for 100 percent of solar water heater RECs that were claimed.

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 RECs is an appealable decision. In 2004, no company submitted an appeal in respect of REC registration decision. When an appeal is lodged, the review is conducted by a person (or persons) not involved with the original assessment submitted to the Regulator. The appeals are to 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 2004, no company submitted an appeal in respect of the registration of RECs.

The market for RECs

The Act allows for RECs to be transferred. All transfers of RECs between parties that take place on the REC-Registry and are automatically reported to the Regulator as required under section 28 of the Act. At the time of publishing there were 791 either confirmed or still pending transactions, representing a total of 5,218,713 RECs, up from 548 confirmed transactions (representing 2,688,418 RECs) in 2003.

Compliance

The 2004 compliance year commenced on 1 January 2004 and ended on 31 December 2004. The due date for the lodgement of the annual returns for the 2004 compliance year was 14 February 2005.

Annual Energy Acquisition Statement and Renewable Energy Shortfall Statement

By 31 December 2004, a total of 3,238,359 RECs were accepted for surrender against 2001, 2002 and 2003 liabilities.

For the 2003 compliance year, a total of 57 parties were identified and required to surrender RECs. In the 2003 compliance year, only 4 out of the 57 liable parties had individual shortfalls, and by the end of 2004, the 2003 shortfall was only 790 RECs. For the 2003 compliance year more than 99.9 per cent of the 2003 liability was met by REC surrenders. This shows that compliance through REC surrender is at an all time high.

In addition to addressing 2003 liabilities, liable parties are permitted by the Act to provide RECs to redeem any outstanding shortfall charges for the immediately prior three years. The Act came into force in 2001 and during

1 The ORER assessed the vast majority of these by the 14 January 2005 target date, leaving at least one month for trading to occur before the compliance date of 14 February 2005. 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 2005 may have remained pending registration until the fee was paid.

REC Surrender summary for the 2003 compliance year	
Total RECs surrendered as at 31 December 2004	3,238,359
Total RECs surrendered against 2003 liability	1,723,964
Total RECs surrendered against 2001 and 2002 liability	1,514,395
Parties with a 2003 liability	57
Parties without a 2003 REC shortfall	53
Parties with a 2003 REC shortfall	4
Total REC shortfall for 2001 at 31 December 2004	516
Total REC shortfall for 2002 at 31 December 2004	582
Total REC shortfall for 2003 at 31 December 2004	790
2003 Liability acquitted by RECs Surrender (%)	99.9

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.

the 2003 compliance process shortfall charges were reviewed for 2001 and 2002.

The number of liable parties with a 2001 compliance year REC shortfall went down from 19 in 2002 to 6 at the end of 2004. At the end of 2004, the 2001 shortfall was 516 RECs, down from 25,842 RECs in 2002. For 2002 compliance year, the number of parties with a REC shortfall was reduced from 8 to 6.

The majority of annual energy acquisition statements for the 2003 compliance period were submitted to the ORER by the 14 February 2004 due date. The ORER completed one default assessment on behalf of a company that failed to submit a return.

Comprehensive details regarding the 2004 compliance period will be provided in the 2005 Annual Report.

Electricity Generation Returns

By 31 December 2004 a total of 199 Annual Generation Returns were received for the 2003 compliance year. Assessment of the annual generation returns continued throughout the 2004 calendar year.

Field and Desk Audits under section 100 to 115 of the Act

Liability compliance audits seek to determine whether or not electricity acquisitions were reported correctly to the ORER. Eligibility compliance audits seek to determine whether or not accredited power stations are correctly calculating and reporting their eligible generation. Audits not only help liable and eligible parties understand the application of the MRET to their circumstances, but also provide feed back to the ORER on areas where systems might need some improvement.

In 2004 the ORER initiated four field audits and two desk audits. Four audits related to the 2003 liability compliance and two to the 2003 eligibility compliance. The audits were performed to substantiate information provided to the ORER, and to determine compliance with the Act. Any information provided to the Regulator under the Act can be audited including information relating to accreditation, solar water heater and small generation unit installations, eligible generation and energy acquisitions.

The ORER has developed a risk assessment methodology to select the parties to be audited. This methodology evaluates potential risks against various factors and the eventual risk rating is used to select the parties for audit.

CHAPTER THREE

Other Activities

The MRET Review

On 16 January 2004, the report of the Mandatory Renewable Energy Target Review was released. For further information on the review see the MRET Review website www.mretreview.gov.au and the Australian Greenhouse Office website www.greenhouse.gov.au.

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. The Australian Greenhouse Office is working on implementing various recommendations of the MRET review report by amending the Act.

Amending the Regulations

The Regulations, which were first made on 6 February 2001, were amended once during 2004. This was in addition to the six amendments made up until 31 December 2003. 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 amendment rounds that commenced in 2004 are provided in the table below.

The amendments to the Regulations were administrative in nature and related to:

- clarification of eligibility requirements for solar water heaters, including the addition of new solar water heater models, revision of solar water heater models listed, and to revise solar water heater definitions;

Regulation Amendments Commencing in 2004

Activity	Round Seven	Round Eight*	Round Nine
Proposed amendments released	25 June 2004	3 February 2005	17 November 2004
Public submissions closed	27 July 2004	4 March 2005	16 December 2004
Number of submissions received	8	3	0
Federal Executive Council meeting	18 November 2004	–	10 February 2005
Amendment regulations gazetted	25 November 2004	–	15 February 2005**
Amendment regulations tabled in the House of Representatives	29 November 2004	–	15 February 2005
Amendment regulations tabled in the Senate	29 November 2004	–	7 March 2005

* The ORER anticipates that the Round Eight amendment process will be finalised in April 2005.
** As the *Legislation Instruments Act 2003* took effect from 1 January 2005 the gazettal day becomes the registration day.
Note: See previous years' Annual Reports for details of rounds one to six.

- clarification of eligibility requirements for small generation units which included a simpler formula by which small generation unit installations can calculate the number of eligible RECs; and
- specifying the Renewable Power Percentage for 2005.[2]

Tender for an Internet Based Registry System (IBRS)

The Act requires that an IBRS be made available for the creation, transfer and surrender of RECs online. The current IBRS has been in operation since 1 April 2001 and that contract expires on 31 December 2005. The ORER prepared a detailed request for tender for the provision of an IBRS. In September 2004 the ORER requested tenders for providing an IBRS on a fixed term contract for a period up to 31 July 2010. At the tender closing date of 15 November 2004, the ORER received 5 compliant tenders out of which 3 companies were short-listed. The preferred tendered has been notified and contract negotiations have started.

The planning and development of the new IBRS is expected to start in April 2005 and to go live by the end of October 2005. As the IBRS is the backbone of the MRET the ORER will be working closely with the service provider for a smooth transition to the new IBRS.

Advice to Industry

The ORER placed a number of public notices in 2004 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 provided through the ORER's website, http://www.orer.gov.au/ to advise the participants of the framework and processes for participating in the MRET. Information is also sent directly to all REC-Registry users via email on a number of occasions.

Working with Industry

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

In the fourth year of the measure, the ORER continued the positive interaction with the participants to ensure all parties were familiar with their obligations and entitlements under the legislation. The ORER continued to provide phone/email assistance and visited or was visited by, many stakeholders and interested parties. The ORER also presented at numerous public fora. This extensive contact and feedback enables ORER and participants to refine and develop systems to better align projects with the requirements the Act.

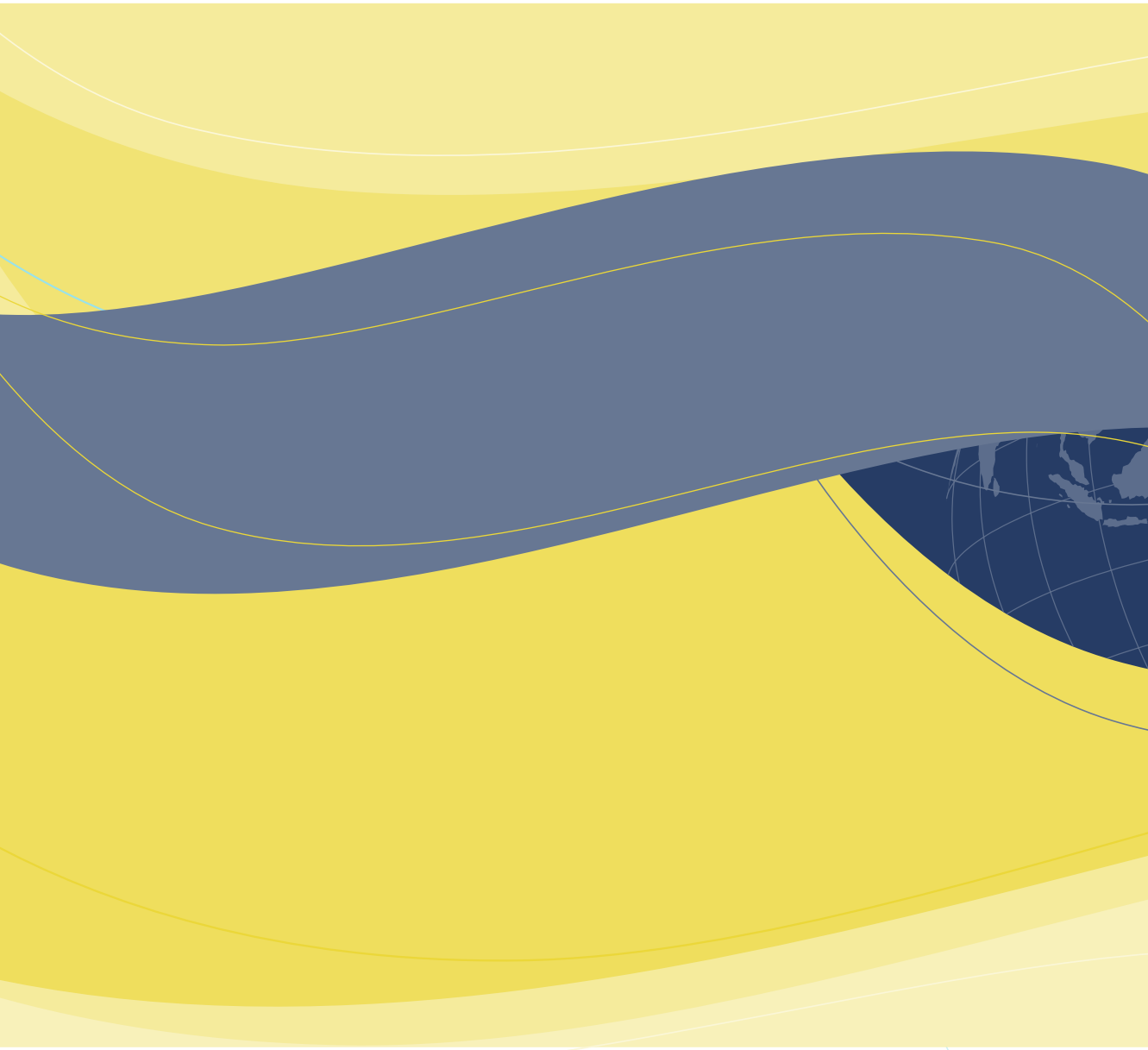
Working with Government Agencies

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.

2 The Renewable Power Percentage for 2005 is 1.64%. It was 0.24% for 2001, 0.62% for 2002, 0.88% for 2003 and 1.25% for 2004. This is detailed in Regulation 23 of the Regulations.



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