26 September 2022

Energy Policy and Partnerships Section
Clean Energy Regulator
GPO Box 621
CANBERRA ACT 2601

CER-CERT@cer.gov.au

Dear Clean Energy Regulator,

2023 Corporate Emissions Reduction Transparency report (CERT), Consultation paper

Hydro Tasmania welcomes the opportunity to respond to the CERT *Consultation Paper*. The CERT is an important tool that will increase the transparency and consistency of corporate emissions reporting. Hydro Tasmania supports its ongoing development. As the paper notes:

> *"The CERT report is a voluntary initiative for eligible companies to present a snapshot of their climate-related commitments, progress and net emissions position. Using a standardised framework, the CERT report presents a company's net and gross scope 1 and 2 emissions, renewable electricity use, and use of carbon offsets and certificates. Progress data for certain commitments is verified using agency-held data. Progress for other types of commitments is company assured. Each is clearly labelled in the report."*

Hydro Tasmania has provided our comments on the three key design changes below.

1. Independent Assurance

Hydro Tasmania response:

- We recognise that not all commitments can be verified using Clean Energy Regulator (CER) data and as such the recognition of independently assured commitments is appropriate.
- Limited assurance of emissions and energy data to support claims against commitments is appropriate (e.g. TCFD, RE100, Climate Active). The report should make clear in the comments section which framework claims have been assured against.

2. Jurisdictional surrenders of LGCs

Hydro Tasmania response:

- Hydro Tasmania agrees that where jurisdictions (such as the ACT) have made specific identifiable renewable energy purchases on behalf of their customers, and have retired these certificates, customers within that jurisdiction should be able to include the jurisdictional renewables percentage in their market-based accounting calculations.

3. Residual Mix Factor (RMF)

As noted on page 6:

> *"The proposed RMF approach replaces the RPP in the existing RMF equation with a 'Claimable Renewables Percentage', based on actual renewable electricity generation that can be claimed by participants for the relevant period."*

To calculate the 'Claimable Renewables Percentage', the following formula is proposed:

$$\text{Claimable Renewables Percentage} = \left(\frac{\text{MWh LGCs created for large scale solar, wind, hydro and biofuels} + \text{MWh of small scale solar generation}}{\textit{MWh national electricity generation}} \right) * 100$$

Hydro Tasmania response:

- We support the proposed change, noting the important issue below.

As the paper shows on page 7, the calculation of the Residual Mix Factor is based on 'Claimable Renewables'. This incorrectly apportions below-baseline renewables to all NEM energy users benefitting them through a lower RMF.

- The Department of Climate Change, Energy, the Environment and Water (DCCEEW) is considering future approaches to Renewable Electricity Certification.
- A nationally consistent approach to the certification of below-baseline renewable energy is needed as soon as practical. This will support existing and emerging clean industries in Tasmania (and nationally).
- Hydro Tasmania has a particular focus on Tasmanian energy users.
    - While based in a renewable energy state, these energy users have no government endorsed mechanism with which to make a substantiated renewable energy claim from below-baseline renewable energy consumption.
    - To establish the claimable right to renewable energy use from below-baseline sources, participants would need to demonstrate a commercial relationship with Hydro Tasmania or another below-baseline generator (as is currently the case with claims based on LGCs).
- Tasmanian energy users reporting a *renewable electricity use* commitment under CERT would need to use the RMF for any non LGC MWh purchases. This demonstrates the necessity of accrediting and verifying below-baseline renewable electricity as soon as is practical.

- As the paper notes, *"national electricity generation data will be sourced from AEMO via the NEM-Review tool as well as from the latest available NGER generation data."* Hydro Tasmania believes there are two options with respect to the RMF and below baseline generation.

  Either:

  1. **The volume of below-baseline MWhs is considered through the calculation of the Residual Mix Factor for the 2023 CERT report.** This would be done by including these MWhs in the numerator. The same AEMO and NGER data sets could provide this information.
     - The strength of this approach is that the RMF would better reflect the emissions intensity of electricity purchases for CERT participants who are not making a specific renewable energy claims/purchase. It would only attribute renewable energy to participants who had explicitly purchased it.
     - Importantly this approach would remain consistent going forward. The counterfactual to this is that when below-baseline certification is

established, CERT participants will face a step change in the RMF to reflect the new volume of 'claimable renewables' in the numerator.

- It may be better to indicate the full volume of renewable energy in the NEM from 2023 onwards rather than making this later adjustment.

Or:

2. **The Residual Mix Factor is calculated as proposed** on page 7 of the paper. The volume of below-baseline MWhs would be included in the calculation of the RMF only after below-baseline certification commences.
    - The benefit for CERT participants is that the RMF will be lower in the short-term as below-baseline MWhs cannot be certified or claimed by CERT participants. All reporters would benefit from the lower RMF regardless of geographic location or commercial arrangements.
    - The drawback of this approach is that when below-baseline certification is introduced the RMF would face a step-change increase which could compromise the progress of some CERT participants towards their corporate emissions targets.

The existence of alternative approaches (as outlined above) re-affirms the need to ensure that all renewable electricity generation can be appropriately verified and attributed as soon as is practical. The CER should continue to support DCCEEW's work on renewable electricity certification. When established, below-baseline certification should be reflected in the CERT, the CER's Guarantee of Origin approaches and any other relevant frameworks. This is necessary so that Australia's regulatory and emissions accounting frameworks align.

Hydro Tasmania looks forward to ongoing engagement with the CER as this work progresses. If you wish to discuss any aspect of this submission, please contact me ((03) 8612 6443 or colin.wain@hydro.com.au).

Yours sincerely,

Colin Wain
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