


Request for Costing an Election Commitment

Name of election commitment:	<i>Increase Government purchase of renewable energy from 37.5% of total electricity consumption to 90% in 2020</i>
Person and party requesting costing:	Meredith Hunter, ACT Greens Parliamentary Leader
Date of public release of election commitment, including source:	21 st September 2012, http://act.greens.org.au/sites/greens.org.au/files/CLIMATE-ENERGY_PACKAGE.pdf (point 18b, page 5)
Summary of election commitment:	The phase-in of the ACT's 90% Renewable Energy Target will see Government purchase an increasing proportion of renewable energy through its standard electricity. To maintain current renewable energy purchase levels, Government GreenPower purchase will be gradually phased out as the 90% RET is phased in such that the total proportion of renewable energy purchased by the Government never drops below its current level of 37.5%. It is expected that GreenPower would no longer be purchased after 2018 at which point the renewable energy component of standard ACT electricity should exceed the current GreenPower purchase level of 37.5%. ¹
Intention of election commitment:	To maintain the Government's current level of clean energy purchase as the ACT's 90% Renewable Energy Target is phased in and to contribute towards the achievement of Carbon Neutrality in Government Operations by 2020.
Signature of person requesting costing:	
Date of request for costing:	10/10/12
Key assumptions that have been made in the election commitment	
<p>Note: that where the request to cost an election commitment differs from the public announcement, the costing will be on the basis of information provided in the costing request.</p> <p>Note: it will be up to the professional judgment of the Director-General as to whether these assumptions are adopted in the costing of the election commitment.</p>	
Where relevant, is the funding for the policy to be demand driven or a capped amount?	
N/A.	
Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the election commitment?	
No.	
Will funding/the cost require indexation?	
N/A.	
What are the estimated costs each year (if available)?	
Only the GreenPower component of this initiative is accounted for here. The remaining pass-	

¹ Assuming an exponential build up to 90% renewable electricity in 2020.

through impacts from the 90% Renewable Energy Target are dealt with in the initiatives titled '90% Renewable Energy Target' and 'Renewable Generator Guarantee'.

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue ^(a)						
Expenses ^(a)		2,800	2,400	2,000	1,500	8,700
Capital						

(a) A negative number indicates a decrease in revenue or an increase in expenses.

What is the likely take up?

N/A.

What are the capital requirements for this election commitment and estimated costs each year (if available)?

N/A.

Any other assumptions?

- no change to the GreenPower premium currently paid by the Government
- annual energy efficiency savings of 10% in 2013-14 and 5% annually thereafter as outlined in the initiative 'Government Energy Efficiency Dividends'.
- Baseline (2012-13) electricity consumption of 128,000 MWh.²
- 37.5% GreenPower purchased in 2011-12, correlating to approximately 48 GWh
- Government expenditure of approximately \$3.2 million on GreenPower in 2010-11,³ translating to a premium cost of approximately \$67/MWh.
- The 37.5% renewable energy purchase level will be maintained until 2018 through a combination of GreenPower purchase and the phase-in of the 90% RET (See Initiative '90% Renewable Energy Target')

This initiative is necessary because were the Government to drop its GreenPower commitment and solely rely on the 90% RET to meet its renewable energy purchase objectives, total renewable energy purchase would drop and not re-attain its current level of 37.5% until 2018,⁴ as illustrated below:

² Extrapolated from the Environment Commissioner's 2010 Audit of Environmental Performance Reporting (p.16), which reports 2008-09 electricity consumption (excluding GreenPower) of approximately 116,700 MWh. This has been inflated by 10% (2.5% per year to 2012-13) to 128,000 MWh.

³ According to a meeting with the Minister on the 7th of September 2012

⁴ Assuming the build up to the 90% RET occurs exponentially from 2013-14 to 2019-20, as explained in Initiative 1

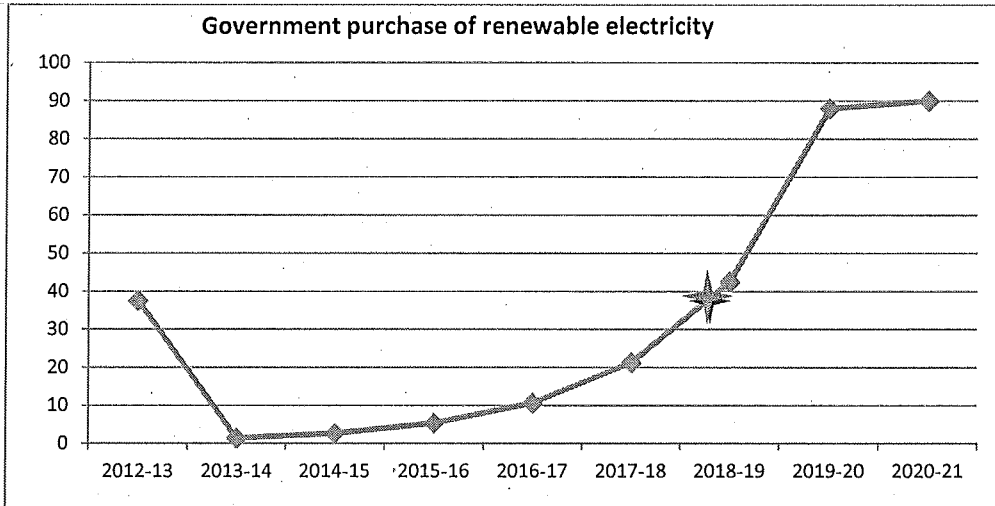


Figure 1: Government renewable energy purchase projections assuming no GreenPower purchase

To avoid this dip, it is proposed that the percentage of renewable energy purchased through standard ACT electricity (due to phase-in of the 90% RET) be deducted from the 37.5% GreenPower contribution so that the current purchase level of 37.5% is maintained. Once the renewable energy component of standard ACT electricity exceeds the current GreenPower purchase level of 37.5%, Government would no longer purchase GreenPower. In summary, this initiative assumes a gradual reduction in GreenPower purchase, such that in 2020, Government will be purchasing 90% of its energy from renewables simply by purchasing standard ACT electricity. This is illustrated as follows:

Year	90% RET	GreenPower	Total
2013-14	1.80	35.7	37.5
2014-15	3.62	33.9	37.5
2015-16	6.79	30.7	37.5
2016-17	12.65	24.9	37.5
2017-18	23.84	13.7	37.5
2018-19	45.69	0.0	45.69
2019-20	88.81	0.0	88.81
2020-21	90.00	0.0	90.00

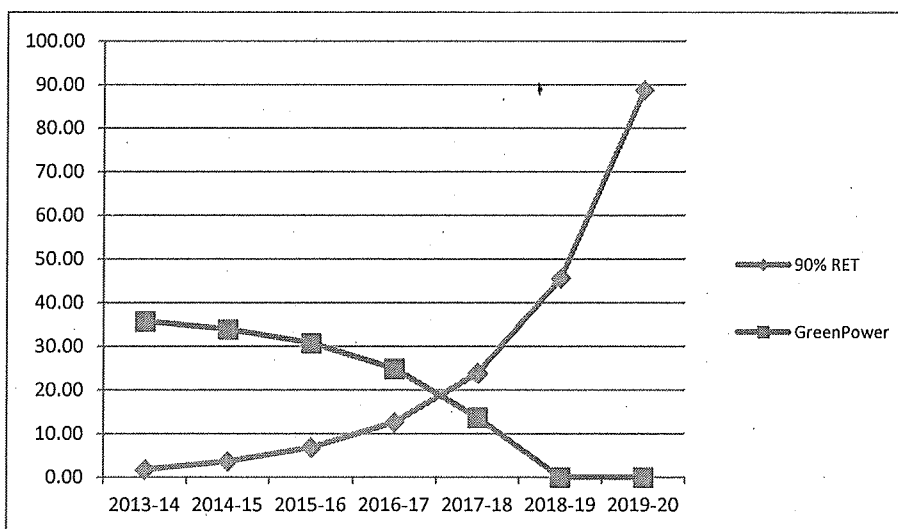


Figure 2: Proposed pathway for achieving the Government 90% renewable energy purchase target

As such, meeting the GreenPower component of this initiative will result in a cost breakdown of:

Phase 1: 2013-14 to 2016-17

Year	2013/14	2014/15	2015/16	2016/17	Total
GreenPower purchased (%)	35.7	33.9	30.7	24.9	NA
Total GreenPower purchased (GWh)	41.8	36.3	30.1	22.3	130.5
Annual cost (\$mil)	2.8	2.4	2	1.5	8.7

The full cost to Government of purchasing 90% renewable energy is a combination of this \$8.7 million plus the pass through impacts outlined in Initiatives titled '90% Renewable Energy Target' and 'Renewable Generator Guarantee'.

Administration of the election commitment

How will the election commitment be administered?

The commitment will be overseen by the Chief Minister's Directorate as it relates to whole-of-government energy purchase.

Who will administer the election commitment?

The Chief Minister's Directorate.

Has an allowance been made for expenses necessary to support the implementation of this election commitment?

- If no, will the government agency be expected to absorb expenses associated with this election commitment?
- If yes, please specify the key assumptions.

No. It is assumed that the time required to oversee this initiative will be immaterial and can be absorbed by existing staff resources.

What is the intended implementation date of the election commitment?

The GreenPower purchase schedule will run from 2013-14 to 2016-17.

Are there transitional arrangements associated with election commitment implementation?

No.

Are there any other assumptions that need to be considered?

No.

When is the election commitment expected to be fully operational?

Please provide further details i.e. start and end dates, the level of commitment during each period etc?

From 2013-14 to 2016-17.

Will the election commitment cease and if so when?

No. As outlined earlier, under this proposal, GreenPower purchase will continue to 2017/18.