


Request for Costing an Election Commitment

Name of election commitment:	<i>Require all ACT electricity providers to source 90% of their electricity from renewable energy by 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 1, page 3).
Summary of election commitment:	Amendments to the <i>Utilities Act</i> requiring all ACT energy providers to source 90% of their electricity from renewables by 2020, with 20% to come from locally-generated renewables.
Intention of election commitment:	To increase the ACT's purchase of clean energy and support the achievement of the ACT's 40% emissions reduction target.
Signature of person requesting costing:	
Date of request for costing:	10/10/12

Key assumptions that have been made in the election commitment

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.
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.

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)?

	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue ^(a)						
Expenses ^(a)		-40	-77	-150	-292	-559
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?

The cost impacts are the additional cost for the government energy purchase.

The assumptions underpinning these cost impacts are:

- The target is met predominantly through the purchase of Renewable Energy Certificates (RECs)
- 2020 electricity consumption is approximately 20% lower than current consumption (2930 GWh in 2011) – as a result of energy efficiency improvements
- Sourcing 85%¹ of the ACT's 2020 electricity consumption from renewables amounts to approximately 2040 GWh/year. Given this is only a 4.5% increase in the additional 45,000 GWh required to meet Australia's Federal Renewable Energy Target, it is not expected that this measure would significantly increase the cost of RECs.
- At least 20% of the renewable energy purchased is locally generated (including up to 5% from the Greens commitment to introduce a 'Renewable Generator Guarantee')
- A cost of \$30 per REC², such that the ACT will need to surrender up to \$61.2 million worth of RECs in 2020, of which up to \$50.4 million would be for renewable energy generated outside of the ACT and at least \$10.8 million³ would be for energy generated within the ACR.
- No difference in the price of RECs for locally versus non-locally generated renewable energy
- The \$61.2 million in REC purchases is built up to in an accelerated rather than linear fashion, to minimise the overall cost to the community.

As such, the following territory-wide pass-through costs are anticipated:⁴

	2013/14	2014/15	2015/16	2016/17	TOTAL
Additional REC purchase (\$'000)	412.5	825	1,650	3,300	6,187
Additional cost per GWh (\$)	330	670	1,370	2,800	5,160

In terms of the impact on Government electricity bills, the following additional assumptions have been made:

- Baseline whole-of-government electricity consumption in 2012-13 of 128 GWh.⁵
- Whole-of-government electricity consumption reduces in keeping with the Greens proposed energy efficiency targets of 10% in 2013-14 and 5% annually thereafter to 2020-21.

¹ 5% of the 90% is expected to be met through the Greens commitment to introduced a 'Renewable Generator Guarantee'.

² Equivalent to 1MWh.

³ 0.15*2400 GWh*\$30 (20% minus the 5% for solar PV installed through the RGG – the costs for which are dealt with separately).

⁴ Note that the REC surrender period is actually 1 April to 31 March, so this is an approximation only.

⁵ This figure was 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. It has been inflated by 10% (2.5% per year to 2012-13) to 128,000 MWh.

As such, Government is expected to face the following pass-through impacts:

	2013/14	2014/15	2015/16	2016/17	TOTAL
Electricity consumption (GWh)	121.6 ⁶	115.52	109.74	104.26	451.12
Impact on Government bills (\$'000)	39.7	77.15	150	292	559

Administration of the election commitment

How will the election commitment be administered?

Who will administer the election commitment?

ESDD will be primarily responsible for the initiative.

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.

This is a legislative commitment. It has been assumed that meeting the additional obligation would not lead to a material increase in workload and as such no staffing resources have been allocated.

What is the intended implementation date of the election commitment?

The increased REC purchase would commence in 2013-14.

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?

It is proposed that the commitment would commence from 2013-14 and run until 2019-20.

Will the election commitment cease and if so when?

REC purchase is proposed to run until the 2020 target is met.

⁶ Assumes a 10% reduction on 2012/13 consumption

