

**2020 Election Commitment – ACT Greens**

<b>Name of Commitment:</b>	<b>Supporting the transition off gas</b>	<b>Reference Number:</b> GRN006
<b>Request Submitted by:</b>	Shane Rattenbury MLA, ACT Greens	
<b>Date Request Received:</b>	07-Oct-20	
<b>Additional Information Requested (details and date)</b>	N/A	
<b>Additional Information Received (details and date)</b>	N/A	

<b>Financial Implications</b>					
<b>Impact On:</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues <sup>(a)</sup>	0.0	0.0	0.0	0.0	<b>0.0</b>
- Other Revenue	0.0	0.0	0.0	0.0	<b>0.0</b>
- Revenue Forgone	0.0	0.0	0.0	0.0	<b>0.0</b>
Expenses <sup>(a)(b)</sup>	-558.3	-4,409.4	-4,582.8	-4,653.1	<b>-14,203.6</b>
- Employee Expenses	-558.3	-861.4	-878.0	-895.2	<b>-3,192.9</b>
- Other Expenses	0.0	-3,500.0	-3,600.0	-3,600.0	<b>-10,700.0</b>
- Cost of Financing	0.0	-48.0	-104.8	-157.9	<b>-310.7</b>
Depreciation	0.0	0.0	0.0	0.0	<b>0.0</b>
Concessional Loan Impacts	0.0	-567.7	-570.6	-471.9	<b>-1,610.2</b>
- Concessional Loan Expense	0.0	-683.5	-797.4	-797.4	<b>-2,278.3</b>
- Unwinding of Concessional Loan Expense	0.0	115.8	241.7	356.5	<b>714.0</b>
- Write-off expenses	0.0	0.0	-15.0	-31.0	<b>-46.0</b>
- Interest Received on Concessional Loan	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Net Operating Balance</b>	<b>-558.3</b>	<b>-4,977.0</b>	<b>-5,153.4</b>	<b>-5,125.1</b>	<b>-15,813.8</b>
Capital Outflows (loan asset)	0.0	-3,000.0	-3,500.0	-3,500.0	<b>-10,000.0</b>
Capital Inflows (loan repayments)	0.0	0.0	285.0	589.0	<b>874.0</b>
<b>Net Capital Requirement</b>	<b>0.0</b>	<b>-3,000.0</b>	<b>-3,215.0</b>	<b>-2,911.0</b>	<b>-9,126.0</b>
<b>Cash Surplus/Deficit</b>	<b>-558.3</b>	<b>-7,409.4</b>	<b>-7,797.8</b>	<b>-7,564.1</b>	<b>-23,329.6</b>

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

<b>Other Information</b>
<b>Costing Methodology Used:</b>
<b>- Costing Technique:</b>
The costing is an estimate based on a fixed value of rebates and interest free loans. Staffing elements have been costed based on the standard salaries and on-costs for the proposed positions.
<b>- Proposal Parameters:</b>
<ul style="list-style-type: none"> <li>The costing request assumes a 100 per cent take up of the available grants and loans. The total amount of grants available would be \$10 million, and total interest free loans available would be \$10 million, over three years, commencing from 2021-22 and ceasing in 2023-24.</li> <li>Cost of financing has been calculated at 1.6 per cent.</li> <li>The costing request assumes the repayment of interest free loans to commence from 2022-23 at a rate of 10 per cent of the total issued loan balance, adjusted in subsequent years for expenses associated with bad debts and repayments in prior years. A write-off expense rate of five per cent is assumed.</li> <li>One SOG C and one ASO 6 would administer the fund. In addition, one ASO 6 would deliver an education campaign, and a dedicated team (one SOG B, one SOG C, and one ASO 5) would be established to support the roll-out of community scale batteries and microgrids.</li> <li>The employee expense profile would be subject to the recruitment of suitably qualified staff and their respective start dates.</li> <li>No indexation has been applied to the rebates or other expenses (salaries are indexed).</li> </ul>
<b>Caveats or qualifications to the costing:</b>
In accordance with <i>AASB9 Financial Instruments</i> , Treasury notes that there would be a non-cash impact on the Net Operating Balance reflecting the difference between the market borrowing interest rate and the zero interest rate it offers to borrowers. This would be reflected as an upfront expense (negative impact) to Government when the loan is provided, equal to the present value interest rate differential on the loan amount relative to the market rate at which the loan holder would otherwise have accessed financing (for the purposes of the costing assumed to be 5 per cent).
Over the life of the loan, this expense would be unwound. The initial expense recognition would also have a negative impact on Government net debt over and above the face value of the loan. Treasury has sought external accounting advice and has referenced methodology employed by the Commonwealth Department of Finance to accurately reflect these implications.
<b>Other Comments:</b>
The costing request indicates that funding would be sought through the Clean Energy Finance Corporation and the Australian Renewable Energy Agency to expand the scope of the program. It is assumed that any funding obtained through these alternative sources would be in addition to the funding outlined in the costing request.
The costing treats the receipt of loan repayments as a capital inflow, rather than revenue as in the costing request. This reduces the net additional capital required in each year.
<b>- Statistical Data Used:</b>
Treasury estimates and information as provided in the costing request.



David Nicol  
Under Treasurer  
15 October 2020