

Energy Saver Incentive

Treatment of whole tonnes of abatement and certificate creation

Submission by Wellbeinggreen

Wellbeinggreen thanks the Department of Primary Industries (DPI) for hosting the consultation forum on Friday 6 November 2009 and for the opportunity to make a submission on the issue of the treatment of whole tonnes of abatement and certificate creation.

It is however disappointing that it has taken so long to find a solution to this matter and that a solution will not be possible before 2010 at the earliest.

The four options being considered by DPI are:

- 1) Allow rounding up/down
- 2) Aggregate at the household level
- 3) Aggregate across households, through 'batching'
- 4) Amend the Act to create 100kg certificates (canvassed earlier in 2009, but not supported by market participants).

Wellbeinggreen does not support Option 4. It would create considerable expense for participants in the Scheme and set the Scheme apart from all similar energy saving and renewable energy schemes in Australia and overseas in that certificates would not represent a saving of a tonne of CO₂-e. Our comments on the other options are set out below.

Option 3 –Aggregate at the activity level, or 'batch'

This is our preferred option and we believe that it should be considered as part of the Scheme review if you are not prepared to implement it now.

We do not agree with the "Cons" that you have identified. While some administrative change will be necessary we do not see this option as requiring a fundamental change to the Scheme design. We also fail to see how this option would increase administrative complexity (and cost). It would be no more difficult to verify and to audit savings and we consider that it would reduce the risk of scheme manipulation. And we don't understand why this option would require a longer time to implement than Option 1 which also requires legislative changes.

Option 2 –Aggregate at the household level

This option would require changes to the Scheme design of similar complexity and scope to those required to implement Option 3 but would not deliver the same overall benefits. It is therefore considered only a "second best" alternative to Option 3 and not supported.

Option 1 - Round up/down

We agree with your observations that this option would be relatively simple to implement and be a manageable change at the administrative level with only minor changes required to the VEEC creation spreadsheets.

We also believe that it would be appropriate for application across all activities.

We do not agree with your concerns about potential for gaming with this option. As a general rule, installers are paid per installation and will seek to maximise the number of units of product installed. They are not focused on whether the next item or length of product installed will result in a rounding advantage or disadvantage. We have concluded, based on considerable experience, that it would not be to our advantage to "game" the current situation to try and minimise the revenue losses caused by rounding down at the activity and premises level. These losses represent more than 6% of revenues for CFL installations, over 36% for shower head installations in metropolitan areas and over 11% for shower head installations in regional areas of Victoria.

Rounding Procedure

We support a simple rounding procedure across all activities that delivers a statistically satisfactory outcome that neither advantages nor disadvantages certificate creators. We propose that when the calculation tones of abatement results in a decimal value of up to and including 0.5, the calculation be rounded down, while values of greater than 0.5 be rounded up. Any other solution would introduce another, unacceptable bias in the Scheme.

Support for Option 1

We note your advice that a legislative window in 2010 could be found which would allow the implementation of this option. On this basis we support Option 1 and urge DPI to move as quickly as possible to implement it.

Dr Graeme Towers

Chief Executive Officer

12 November 2009