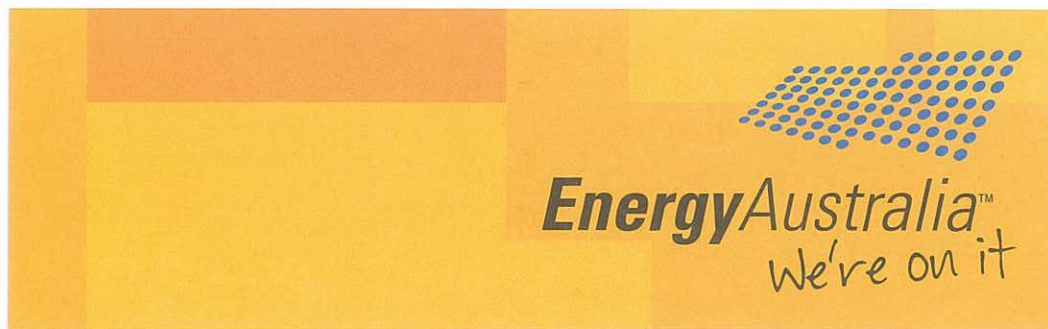


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28 October 2008

Ms S Schreiner  
Chief Executive Officer  
Independent Competition and Regulatory Commission  
GPO Box 296  
CANBERRA ACT 2601

Dear Ms Schreiner

### Implementation of GreenPower Initiative

Thank you for your letter of 23 September 2008 ("Implementation of GreenPower Initiative: Proposed Electricity Retail Licence Conditions") inviting views on certain proposed variations to electricity retail licence conditions.

We understand the purpose of these varied conditions is to implement the terms of a ministerial direction requiring the Commission to oblige electricity retailers to make a one hundred percent GreenPower accredited product offering the first offer to new and moving customers of all classes within the ACT.<sup>1</sup>

This ministerial direction arose as a response to the ACT Government's publication *Weathering the Change – The ACT Climate Change Strategy 2007-2025* and the first Action Plan under that strategy, in which the introduction of such an obligation was identified as an action to be taken.<sup>2</sup>

We note that the Action Plan did not specify that the initial offer must be a one hundred percent accredited option. That requirement appears to have been introduced in the subsequent ministerial direction.

EnergyAustralia has one hundred percent GreenPower accredited products for residential and large commercial/industrial customers that are currently available in the ACT and can be made available as a first offer from 1 January in the manner envisaged by the proposed new licence conditions. We will have such a product for smaller commercial customers later in 2009.

From your letter, we note that the policy intent behind this GreenPower initiative is "... to increase the number of customers in the ACT who take up GreenPower and to increase the total amount of GreenPower purchased in the ACT." EnergyAustralia supports this policy intent.

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<sup>1</sup> Utility (Electricity Retail) Licence Conditions Direction 2008 (No 1), Disallowable instrument D12008 – 10, 22 January 2008.

<sup>2</sup> Action 5, "The ACT Climate Change Strategy – Action Plan 2007-2011.

However, based upon our experience, we question whether the initiative itself will meaningfully promote achievement of that goal.

A one hundred percent GreenPower accredited product is typically charged at a high premium price above a retailer's standard electricity rates. Our experience in both the residential and business market segments is that only a very small number of residential customers are prepared to pay the higher price for a one hundred percent product, and an even smaller proportion of business customers. Given the rising costs of energy, the unknown financial impacts of a Carbon Pollution Reduction Scheme and the present global financial crisis, it would seem reasonable to speculate that even fewer customers are going to be inclined to spend more on their energy costs in future. Hence our view that the initiative will not help achieve the stated goal. Yet, it will cause retailers such as EnergyAustralia to incur additional costs for little or no outcome.

We would also want to place on the record our view that it is not desirable for yet another jurisdictional inconsistency to be created in the retail regulation environment. Jurisdictional difference leads to compliance complexities, with retail staff in a market that is supposed to be national having to manage subtle or sometimes substantial differences. Despite best endeavours, these kinds of differences create the environment for honest mistakes or oversights.

We also note that this new licence condition would impose new reporting requirements for retailers in the ACT that differ from other jurisdictions. Significant systems development will be required to capture the necessary information adequately. EnergyAustralia would like it noted that there will be a delay beyond the currently advised start date of 1 January 2009 before we are able to undertake the necessary enhancements, owing to already prioritised projects and resulting limited resource availability. A manual process would be necessary to alleviate this gap in the interim.

Finally, we would raise a practical difficulty with the proposal in respect of its application to customers participating in a retailer's hardship program. If a customer cannot cope with their current energy bill payments, he or she is not going to be able to afford a premium price product. So, if they move premises, it would be unwise to offer them such a product. In fact, in NSW, where there is a similar 10% obligation (since January 2007), EnergyAustralia does not make the offer to hardship customers when they move. We have reported this practice to IPART as a licence partial non-compliance, and they have chosen not to enforce compliance.

If you would like to discuss this submission, please feel free to contact Mal Jones on (02) 9269 2575 or Brad Nichols on 9269 4498.

Yours sincerely



for

Nicholas Convery  
Executive Manager Retail Regulation