

Energy Efficiency (Cost of Living) Improvement (Energy Savings Contribution) Determination 2015 (No 1)

Disallowable Instrument DI2015–271

made under the

Energy Efficiency (Cost of Living) Improvement Act 2012, s11 (Energy savings contribution)

EXPLANATORY STATEMENT

Overview

The *Energy Efficiency (Cost of Living) Improvement Act 2012* (the Act) provides for a NERL retailer-obligated energy efficiency scheme in the ACT (the ‘Scheme’). The Act has been designed to ensure that the impact of the Scheme on NERL retailers in the ACT, especially smaller NERL retailers and new market entrants, is minimised.

A key design element of the Act developed to address this issue is the ‘Energy Savings Contribution’ (ESC). Smaller ‘Tier 2’ NERL retailers may choose to pay the ESC to meet their obligations (determined by their market share of electricity sales) under the Scheme rather than undertaking energy saving activities. This is consistent with the ACT Government’s objective of supporting enhanced retail competition in the Territory.

The fee, to be applied for the period from 1 January 2016, has been determined at the modelled expected average cost of abatement to be borne by Tier 1 NERL retailers of \$116/tonne of carbon dioxide equivalent greenhouse gas emissions of the Tier 2 NERL retailer’s *energy savings obligation*. This is intended to offset the cost advantage a Tier 1 NERL retailer would have if a Tier 2 NERL retailer were required to set up and deliver energy efficiency services – with such a cost advantage potentially discouraging competition in the ACT retail electricity market. This simplified obligation considers the impact of the Act on competition and reduces the risk that compliance costs may lead to a competitive disadvantage for smaller NERL retailers in electricity retail markets, thereby reducing competition.

The ESC has been set at the modelled average cost of compliance for Tier 1 NERL retailer. Tier 1 retailer participation in the EEIS is modelled to have an overall net economic benefit to the Territory, at a negative cost of abatement, unlike other greenhouse gas abatement options available to the Government (such as renewable energy). Under the Act, the Tier 2 contributions must be used to support the Objects of the Act. To date, these have been used to support Scheme administration and ACT Government Programs, which have been reviewed for cost effectiveness.

Section 28 of the Act provides that the ESC is to ‘be appropriated to support initiatives or undertake activities consistent with the Objects of the Act’. This may include covering costs associated with the administration of the Scheme. This will occur through the normal annual budget appropriations process, which will allow regular scrutiny and appropriate priority setting by Cabinet.

This instrument commences on the day after notification.

Energy Efficiency (Cost of Living) Improvement (Energy Savings Contribution) Determination 2012 (No 1) (DI2012-92) remains in effect to permit auditing compliance.