

Senate Environment and Communications Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Department of Industry, Science, Energy and Resources
Inquiry into the Clean Energy Finance Corporation Amendment (Grid Reliability Fund) Bill 2020
13 October 2020

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

TOPIC: Clarification of terms and definitions

REFERENCE: Question on Notice - by Senator Hanson-Young

QUESTION No.: 4

Q3. Is there any possibility under the Act that the CEFC could support an Investment that is in (i) energy storage; (ii) electricity generation, transmission or distribution; or (iii) electricity grid stabilisation which does not support the achievement of a low-emissions energy system?

Q4. Please confirm that the meaning of the drafting of the EM. It says the change in the definition of Investment provides “the ability to define, through regulations, an additional class of activities that would qualify as investments under the CEFC Act, including activities that may not make an investment return.” What are the “additional classes of activities”? Given that the CEFC could use its money in “any mode of application of money or financial assets for the purpose of gaining a return (whether by way of income, capital gain or any other form of return) includ[ing] giving a guarantee” is the change just to enable the CEFC to use monies in a way without a return? Would this amendment have achieved the same result or is something else considered than just not making a return? If so what has been considered?

Q5. Please confirm if the following are “additional classes of activities” that could now be approved by the Minister under regulation?

- a) A carbon price indemnity
- b) A carbon price cap payable by a new power station
- c) A cap on the gas price payable by a new power station
- d) A guaranteed return on equity for a new power station or reliability assets

ANSWER

Q3: No. The additional low-emissions technology definition in the Bill requires all of the relevant investments to support a low emissions energy system in Australia.

Q4: The current Act limits the CEFC to only make investments for the purpose of making a return or to provide guarantees.

The Grid Reliability Fund is being established for the broader policy purpose of ensuring a reliable and secure electricity system. An example could be a particular type of revenue floor arrangement which underpins a Grid Reliability Fund investment, but would not necessarily generate a return. The Government will still expect the CEFC to operate the Grid Reliability Fund in a manner that ensures the fund can pay for itself at the portfolio level.

Q5: The Government has not proposed that the regulation making power would be used to prescribe these kinds of arrangements. The regulation making power is intended for revenue floor or similar types of arrangements in support of a Grid Reliability Fund investment that may not necessarily generate a return. Any regulation would be disallowable by the Parliament. This power does not give the Minister the ability to force the board to make an investment.