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Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100, Parliament House
Canberra ACT 2600
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Via website

RE: Future Made in Australia (Guarantee of Origin) Bill 2024¹

About Iberdrola Australia

Iberdrola Australia delivers reliable energy to customers through a portfolio of wind and solar capacity across New South Wales, South Australia, Victoria, and Western Australia's. Iberdrola Australia also owns and operates a portfolio of firming capacity, including open cycle gas turbines, dual fuel peaking capacity, and battery storage. Our development pipeline has projects at differing stages of development covering wind, solar and batteries. This broad portfolio of assets has allowed us to retail electricity to some of Australia's most iconic large energy users.

Iberdrola Australia is part of the global Iberdrola group. With more than 120 years of history, Iberdrola is a global energy leader, the world's number-one producer of wind power, an operator of large-scale transmission and distribution assets in three continents making it one of the world's biggest electricity utilities by market capitalisation. The group supplies energy to almost 100 million people in dozens of countries, has a workforce of more than 37,000 employees and operates energy assets worth more than €123 billion. Our global expertise positions us to deliver an integrated approach to decarbonisation across Australia, including through our hydrogen and networks businesses.

Overview of our submission

Iberdrola Australia welcomes the opportunity to provide input on the Guarantee of Origin Bill 2024.

Consistent with our previous submissions, we are generally supportive of the proposed framework. The Product GO framework appears fit for purpose and will support the development and certification of green products.

We also support the Renewable Energy Guarantee of Origin (REGO) framework which provides an enduring approach for certifying renewable energy, including

¹ https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/GuaranteeofOrigin

for projects not included in the Large-scale Renewable Energy Target (LRET) or beyond the current LRET expiry date.

We have provided specific comments on the following aspects of the legislation:

Treatment of baseline REGOs

Preserving confidence in Australia's renewables markets is key. As previously communicated by industry, allowing production of renewable certificates from below-baseline hydro generation without a corresponding increase in demand risks creating a surplus of certificates that do not contribute to investment. This could reduce confidence in green certifications and adversely affect the investment market for renewable generation.

The current position to restrict below-baseline certificates to certain roles before 2030 is a reasonable balance. However, if there is a regulatory risk that this could be changed before 2030 (e.g., that any business could use baseline REGOs to classify itself as 100% green), it may undermine investment in renewable energy as well as risk increasing the cost to government under the Capacity Investment Scheme. As a relevant example, the change to the ACCU framework in 2022 that allowed developers to break long-term contracts resulted in a surplus of certificates and 38% reduction in ACCU prices.

On that basis, we recommend that the proposed restrictions on REGOs be placed in legislation rather than in the rules.

Timestamping and storage

Timestamping of REGOs potentially introduces significant complexity, and it is not yet clear how significant the costs of timestamping implementation will be. It may also reduce the fungibility of REGOs, inhibiting their trading and thereby substantially increasing compliance costs of businesses trying to demonstrate zero Scope 2 emissions. It would be reasonable to avoid mandatory timestamping until after 2030.

As a specific comment, we note that the treatment of storage needs to be carefully considered. In general, we agree that if timestamping is implemented then storage units will be required to produce timestamped REGOs. However, if storage units are not required to surrender timestamped REGOs corresponding to their charging periods, it may create inefficient outcomes. For example, a storage unit could purchase a REGO or LGC from a different period and then produce a REGO that is timestamped but not physically linked to the inputs.

To be clear, we do not consider that such a level of matching from physical inputs to REGO (or LGC) production is ultimately required, but if it is to be implemented it must be done correctly.

More generally, we note that timestamping may create strange incentives, particularly for hybrid projects. For example, when prices are zero or negative, projects are incentivised to consume energy - even if through a resistor bank - simply to produce a REGO that could be traded and used. This reflects the lack (especially post-2030) of a demand side obligation to surrender LGCs/REGOs for load.

As noted in peer reviewed literature², a carbon price or demand-side certificate based scheme would lead to more efficient outcomes. This would help ensure that all loads have an incentive and framework to procure their fair share of renewable energy.

Treatment of behind the meter generation and small-scale certificates

It is critical that the carbon value of small-scale systems is recognized, given the contribution of small-scale residential and commercial systems to decarbonisation.

However, if consumers sell the REGOs from their systems equivalent to all generation (both consumed and exported), their consumption is no longer zero emissions. Instead, they would be effectively buying energy at the residual emissions factor of the grid.

This situation presents two challenges:

1. Consumer Emissions status: Consumers would not be zero emissions as is often marketed for rooftop PV systems. This discrepancy needs to be communicated carefully to avoid misleading consumers. This will be exacerbated with the rapid uptake of EVs charging from home solar systems (or solar carparks) that will not be zero emissions if their REGOs are on sold.
2. Double counting of emissions reductions: If REGOs from rooftop PV are sold to large energy users, allowing them to claim they are 100% renewable, there is a risk of “double counting” emissions reduction. Households would be physically supplied by rooftop solar (with minimal or no grid purchases), while businesses could continue to be physically supplied by coal generators but claim to be 100% green through the surrender of rooftop solar REGO.
 - a. As an extreme illustrative example: consider a hypothetical grid where half of consumption was served by rooftop solar (no net grid purchases), and the other half physically by coal generation but financially through buying and surrendering rooftop REGOs. All participants might consider themselves 100% green, and all grid purchases would be backed by certificates. In strict accounting

² <https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-8489.12457>

terms, however, household consumers in this hypothetical grid would effectively be importing emissions from coal.)

These challenges could potentially be addressed through deemed or counterfactual consumption figures. However, it may therefore be more appropriate to provide a more targeted carbon signal to households such as through an expansion of a scheme such as the SRES. This would allow behind the meter solar to be directly valued without consumers needing to sell their certificates. However, to ensure the grid can reach 100% renewables, solar exports might still need to be eligible for REGO production, perhaps with an opportunity to link REGO or SRES eligibility to moving to cost reflective network tariffs. Different approaches may be necessary for residential, commercial, and industrial scale behind-the-meter installations.

The complexity of metering and recording production from small systems (including of quantities below 1 MWh) also needs to be considered.

On this basis, we suggest further analysis and consultation is required before incorporating small-scale systems into the REGO framework. We agree with the analysis that most systems would not be eligible to create REGOs until 2030, allowing time for further consideration.

Recognition of Voluntary REGO Surrender

Finally, it is important that voluntary abatement is able to be recognised as action above and beyond any legislated renewables or emissions targets. That is, voluntary action should result in an increase in Australia's emissions reduction targets. REGO scheme accounting must therefore allow easy implementation and reporting of voluntary action, and its impact on Australia's targets.

We look forward to continuing to engage on delivering Australia's renewable energy targets and supporting the ongoing decarbonisation of Australia. Please do not hesitate to contact me on the details below if you would like to discuss further.

Yours sincerely,

Joel Gilmore
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Iberdrola Australia