

24 September 2024

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

Dear Senate Committee,

The Future Made in Australia (Guarantee of Origin) Bill 2024

Hydro Tasmania welcomes the opportunity to comment on the Future Made in Australia (Guarantee of Origin) Bill 2024 and related bills. As stated on the Senate Standing Committee's website:

"The Future Made in Australia (Guarantee of Origin) Bill 2024 would establish the voluntary Guarantee of Origin (GO) scheme to track and verify attributes associated with low-emissions products, starting with hydrogen, and establish an enduring certification mechanism for renewable electricity.

The Future Made in Australia (Guarantee of Origin Charges) Bill 2024 would impose charges on different profiles and registered facilities under the GO scheme, including: production, delivery and consumption profiles, power stations, renewable electricity generation and storage facilities, and aggregated systems.

The Future Made in Australia (Guarantee of Origin Consequential Amendments and Transitional Provisions) Bill 2024 would introduce amendments to various Acts to align them with the Future Made in Australia (Guarantee of Origin) Bill 2024."

Summary of Hydro Tasmania's key positions:

- Hydro Tasmania has worked with the Australian Government over a number of years to proactively support the introduction of an internationally consistent Guarantee of Origin framework that recognises all of Australia's renewable electricity production.
- The current proposed approach to below-baseline generation could result in perverse outcomes, particularly for many Tasmanian electricity users and should be addressed prior to passage of the enabling legislation. If designed poorly, the rules and regulations supporting

the Bills could inhibit Tasmania’s ability to benefit from its renewable energy generation – one of Tasmania’s key economic strengths.

Hydro Tasmania supports the commencement of the Guarantee of Origin and Renewable Electricity Guarantee of Origin (REGO) frameworks in 2025. However, this submission outlines some concerns that we believe should be addressed to maintain the core objectives of the policy and ensure transparent and equitable outcomes for consumers.

Hydro Tasmania has structured this submission in three parts:

- **Attachment A** - The rationale for introducing a Guarantee of Origin scheme;
- **Attachment B** - Proposed rules and regulations that will affect the surrender of “below-baseline” REGO certificates; and
- **Attachment C** - A review of the drafting of the legislation and its appropriateness.

To discuss this submission, please contact me on

Yours sincerely,

Colin Wain
Manager Policy Development

Attachment A - The rationale for introducing a Guarantee of Origin scheme

Hydro Tasmania has been a strong advocate for establishing a Guarantee of Origin framework in Australia including for the certification of all Australian renewable electricity generation through the REGO scheme.

- These frameworks will support the transparent certification of low emissions products and services, avoid double counting of emissions reductions and can ensure that renewable based claims can be accurately verified and communicated to customers.
- We strongly support the intent of the REGO scheme to certify all renewable energy.
- These frameworks are aligned with the empowerment of customer choice. Through providing relevant information on REGOs, electricity customers can voluntarily self-select the types, age, location and technology of renewable electricity that they wish to support. Similarly, domestic and international customers will be able to access Guarantee of Origin certificates to select the emerging low-emissions products and services that align with their values and preferences.
- A focus on voluntary customer choice distinguishes the REGO scheme from the Renewable Energy Target (RET) which has been operational since 2001. The RET has operated as a mandatory scheme with the aim of increasing Australia's share of above-baseline renewable electricity to at least 33,000 GWh by 2020. This target was successfully met and has been surpassed. The cost of the RET is passed on to electricity customers through their electricity bills. In contrast, there is no mandatory cost from REGOs. There is no obligation to purchase or surrender these certificates.
- Going forward, the Australian Government has implemented the Capacity Investment Scheme (CIS). The CIS provides the investment signal for ongoing investment in renewable electricity generation by providing revenue underwriting for new projects. The costs of the CIS will fall on the federal Budget and not directly onto electricity bills.

The Australian Parliament should not pass legislation that unnecessarily or unfairly discriminates against hydropower generation. As has been noted by the Clean Energy Council¹, hydropower is *“The Backbone of a Reliable Renewable Energy System...[and] can play an integral role in supporting the integration of wind and solar in the National Electricity Market”*. *“Hydropower has done a lot of heavy lifting over the last 100 years. With the right support, it can continue to do so for 100 more years, creating thousands of jobs today while underpinning the reliability of the grid for generations to come.”*

Hydro Tasmania supports the commencement of the Guarantee of Origin and REGO frameworks in 2025. However, this submission outlines some concerns that we believe should be addressed to

¹ <https://cleanenergycouncil.org.au/news-resources/hydropower-the-backbone-of-a-reliable-renewable-energy-system>



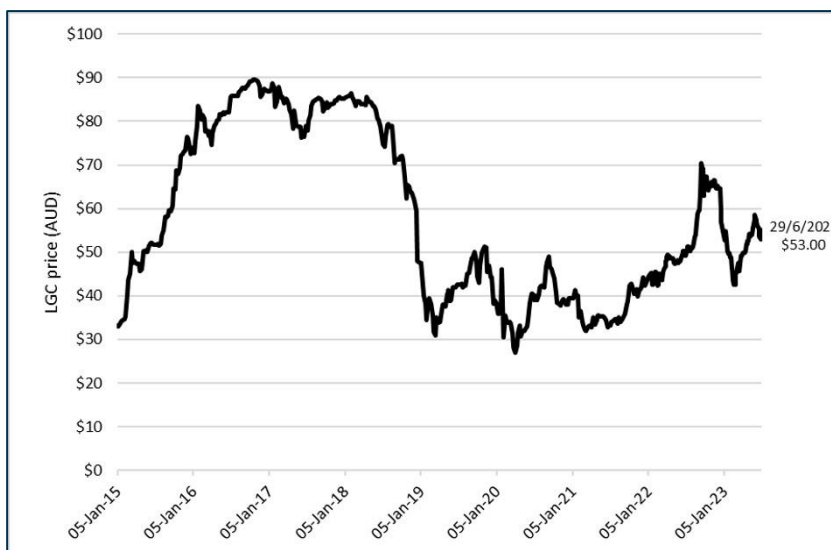
maintain the core objectives of the policy and ensure transparent and equitable outcomes for consumers.

Attachment B - Proposed rules and regulations with respect to “below-baseline” REGOs

Division 4, Subdivision E, Section 108 Retirement of below-baseline certificates

Through consultations with the Department of Climate Change, Energy, the Environment and Water (DCCEE), Hydro Tasmania has strongly opposed the proposed restrictions on the use or surrender of REGOs created from below-baseline (pre-1997) renewable generation. We believe these restrictions:

- Go against the original intent of the REGO scheme which is to facilitate attribution of all renewable electricity to customers (this intent is distinct from the mandatory RET and the CIS which each seek to increase the proportion of renewable electricity in Australia).
- Act against voluntary customer choice (described in Attachment A).
- Particularly discriminate against and unfairly disadvantage Tasmania and Tasmanian based businesses, eroding one of the state’s key economic strengths.
- Unnecessarily protect and enhance the financial returns of wind and solar generators at a cost to Australian electricity customers. This is unnecessary when:
 - o The RET target of 33,000 GWh was met in 2020 (this was the primary purpose of the RET legislation).
 - o Many existing wind and solar projects were built under the original 2001 Mandatory Renewable Energy Target (MRET) introduced by the Howard Government. The MRET was scheduled to end in 2020 and so these projects have already received extended financial benefits from their inclusion in the RET - and were not given a subsequent baseline for the extended period of 2020 to 2030.
 - o The Large-scale Generation Certificate (LGC) price has been approximately \$30 several times over the last five years (graphic below). It is unclear the policy logic (for consumers) for seeking to maintain current LGC prices. This represents a direct cost to electricity consumers (a cost that was lower and has subsequently risen).
 - o The incentive to build new renewable energy is facilitated by the Government’s CIS.



Source: Clean Energy Regulator ([link](#))

Hydro Tasmania strongly recommends that the Future Made in Australia (Guarantee of Origin) Bill 2024 is amended to remove any differentiation between below RET baseline and above RET baseline generation sources.

With particular respect to Tasmania, these restrictions are unnecessary and detrimental. In a typical year, Tasmania produces approximately as much renewable electricity as there is demand (Tasmania is a net 100% renewable energy state). About 80% of Hydro Tasmania's average annual generation is 'below-baseline' (approximately 8 million MWh). This represents more than half of the total below-baseline generation in Australia. While we understand that the Rules and Regulations that are planned to define potential restrictions on below-baseline REGO surrender are not yet available, what has been indicated is that surrender of below-baseline REGOs will be limited to Emissions Intensive Trade Exposed entities (EITEs) and Product GOs (expected to be Hydrogen initially). The most perverse outcomes are that this could mean that:

- Hydro Tasmania could not surrender its own below-baseline REGOs (80% of our typical hydropower generation) against its own electricity use.
- The Tasmanian Government which owns 100% of Hydro Tasmania, could not surrender below-baseline REGOs against its electricity use.
- Tasmanian supermarkets, banks, hotels, tourism operators, farmers and small manufacturers (as examples) could not surrender below-baseline REGOs as a way to demonstrate their use of Tasmanian renewable electricity, even though they may have chosen to locate and operate in Tasmania, in part, because of its renewable status.

Hydro Tasmania understands that there could be constitutional restrictions that prohibit legislative clauses specific to any one particular state or territory. As such, if below-baseline restrictions are not removed entirely, it is our strong position that at an absolute minimum below-baseline REGOs should be eligible for surrender by any customer within the state in which they are created. This would mean that any Tasmanian electricity consumer can use and surrender Tasmanian below-baseline REGOs. This would be a simple amendment to section 108 of the legislation. One proposed approach would be to add a new sub-section 108(2)(d):

Rules made for the purpose of paragraph (1)(b) may prescribe:

(a)...

(b)...

(c)...

(d) a condition that a request to retire a below-baseline certificate created specific to:

(i) an eligible amount of electricity for a facility and time period; or

(ii) the residual amount for a facility and a calendar month,

be retired provided that retirement is specific to electricity consumption by any party in the jurisdiction that facility is located in.

Alternatively, an additional subsection could be added. Section 108, subsection 4 could read:

No rule shall be made in Subsections (1) or (2) that limits or restricts the ability for below-baseline REGO certificates to be surrendered against corresponding electricity use in the same state or territory as the REGO was created.

Either of these changes should be made to the enabling legislation and thereby inform subsequent accompanying rules or regulations.

Attachment C - Review of the drafting of the legislation itself and its appropriateness

With respect to the current drafting of the Future Made in Australia (Guarantee of Origin) Bill 2024:

- With respect to section 108 (below), Hydro Tasmania seeks clarification of how the legislation would apply if rules were prescribed before 1 January 2031 and then removed? In other words, does the drafting below still function effectively and allow the retirement of below-baseline certificates prior to 1 January 2031 if there were no rules in place?

Extract from Bill
<p>108 Retirement of below-baseline certificates</p> <p>(1) The Regulator must not retire a below-baseline certificate that has been created in respect of the eligible amount of electricity for a facility and a time period, or the residual amount for a facility and a calendar month, if:</p> <ul style="list-style-type: none">(a) the time period or the calendar month, as the case may be, ends before 1 January 2031; and(b) the rules prescribe conditions that apply to the retirement; and(c) those conditions are not satisfied. <p>(2) Rules made for the purposes of paragraph (1)(b) may prescribe:</p> <ul style="list-style-type: none">(a) a condition that the registered owner of a below-baseline certificate be undertaking a specified activity; or(b) a condition that a below-baseline certificate be retired for a specified purpose; or(c) a condition that a request to retire a below-baseline certificate be made before the end of a specified period beginning when the certificate is created. <p>(3) Subsection (2) does not limit the rules that may be made for the purposes of paragraph (1)(b).</p>

- The Bill distinguishes between creation and registration of a REGO. While this detail may be prescribed in rules, it is not clear at this stage whether the 'specified period' referred to in Subsection (2)(c) below would commence when the REGO is created or when it is registered.
 - o In our discussions with DCCEEW, Hydro Tasmania has proposed that all REGOs must be surrendered within 18 months of generation. Our continuing view is that this should apply to all REGOs, not just below-baseline REGOs as the current Bill drafting appears to imply (by including this clause in Section 108 not in Section 107).
 - o This is because the REGO scheme is about attribution and not about compliance with a mandatory GWh target (as the RET has been).
 - o Banking REGOs from any generation source or 'attributing' electricity from greater than 18 months prior to its use is inconsistent with the aims of the REGO and Guarantee of Origin frameworks. As further evidence, using REGOs in National Greenhouse and Energy Reporting (NGER) would be negatively impacted if REGOs can be banked as it would distort the calculation of the Residual Mix Factor used under the market-based method.

- Hydro Tasmania proposes that Section 107 of the legislation be amended to ensure that retirement of all certificates is subject to a 'specified period' and that this be removed from Section 108 as it would no longer be unique to below-baseline REGOs.

Surrender by a third party

- Retailers are often the party surrendering LGCs on behalf of customers – both for mandatory compliance and for voluntary surrender. This is likely to also be the case for voluntary surrender of REGOs. As drafted, Section 108 (2)(a) appears to specify that *“the registered owner of a below-baseline certificate be undertaking a specified activity”*. This would appear to prevent another entity (e.g. a retailer or generator) from surrendering the certificate on behalf of their customer. This could cause unnecessary administrative complexity. Section 108 would be improved if it clarified that the surrender can be made by a third party in relation to the specified activity.

Rules and Regulations

- Hydro Tasmania notes from the Explanatory Memorandum and industry briefings held by DCCEEW that there will be consultation on the Rules and Regulations that apply to any below-baseline surrender restrictions. The importance of ongoing consultation can be underestimated.