

23 October 2024

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

Supplementary submission

Dear Senate Committee,

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

Hydro Tasmania would like to thank the Committee for the opportunity to appear at the Committee Hearing on 15 October 2024. We have made this supplementary submission to provide some further information which we trust can be useful as you complete your report.

This supplementary submission covers:

1. The beneficiaries of REGOs and below-baseline restrictions.
2. Voluntary demand for certificates and the existing mandated RET.
3. The relative volumes of renewable certificates coming from below-baseline REGOs, the Capacity Investment Scheme (CIS) and the expiry of the current RET.

Hydro Tasmania believes there needs to be a pragmatic approach to this legislation that can balance the interests of consumers and states while also ensuring the continued success of Australia's renewable energy industry. We strongly support the Committee examining legislative drafting options that will stay true to the Act's core objectives, and avoid unintended outcomes.

During the Committee hearing, Hydro Tasmania was asked about the age of the business and, implicit in this, the potential new revenue from REGOs from existing assets:

- The policy objective for establishing the REGO framework is to accurately and transparently recognise the clean attributes of production and thereby verify the chain of production. To exclude an existing renewable resources would depart from the purpose of this legislation and would compromise the emissions accounting benefits of having all renewable energy sources included in the same framework. It would also create a significant inconsistency between generation types particularly if based on an arbitrary 1997 baseline when in fact

many wind and solar assets should also be considered as 'existing renewable energy'. REGOs provide a certificate for all existing renewables to derive revenue for the renewable attribute beyond the life of the RET.

- Costs: Australia's existing hydropower base makes a major contribution to Australia's total annual renewable energy output as hydropower does in many other countries. These assets require significant maintenance, upgrade and modernisation to extend their design lives and ensure that this valuable flexible capacity continues to operate. Flexible capacity such as from hydropower will play a critical role in the clean transition enabling expansion of renewable capacity generally. Beyond the REGO framework, hydropower policy support is required to ensure reinvestment, modernisation and the establishment of new pumped hydro assets. Hydro Tasmania spends over \$100million per annum on its capital program to ensure continued operation of Tasmania's hydropower assets and during Financial Year 2023/24 invested \$241 million on capital works to maintain and upgrade infrastructure.
- Revenue: Throughout the development of the Guarantee of Origin frameworks, Hydro Tasmania has promoted the role of voluntary customer choice. There are already frameworks in place such as RE100 and GreenPower that have explicit age requirements as part of their eligibility. As such the potential for below-baseline certificates to impact demand for 'new' renewable energy is likely overstated. Discretion in voluntary markets is important and the framework aims to ensure appropriate labelling of certificates – clearly differentiating below-baseline certificates. Hydro Tasmania continues to expect that, where customers are given appropriate information on assets, REGO certificates from older assets (hydropower, wind and solar) can be expected to trade at a discount to certificates from newer renewable resources. For consistency, and to further improve customer information, the REGO framework should consider differentiating all renewable generation sources over 15yrs of age. This simple labelling approach can support a premium for 'new' renewable generation sources without restricting customer choice (and is consistent with RE100 and GreenPower).

Further information on certificate supply/demand are examined in Attachment A.

Yours sincerely,

Colin Wain
Manager Policy Development

Attachment A

- 1. Creating a REGO framework which enables below-baseline generation to create certificates is an appropriate evolution of renewable energy policy and allows hydropower to be differentiated from fossil fuel derived electricity.** It will correct a peculiarity of Australian energy policy whereby below-baseline generators (primarily Hydro Tasmania and Snowy Hydro) were the only renewable energy generators in Australia unable to sell their own renewable energy. While this had a basis in the original RET scheme given it was targeting ‘additional’ renewables, it does not have a sound basis in a scheme in which the primary objectives are certification and attribution. The proposed restrictions would even prohibit Hydro Tasmania using below-baseline REGOs for its ‘own use’ – electricity consumption in its offices, power stations and for pumping loads. This needs to be addressed before REGO regulations are finalised.
- 2. The Committee has been briefed on the significance of the voluntary market for renewable certificates.** This has been a critical driver of renewable energy investment and will only grow in importance moving forward. However, the implications of voluntary demand on the legislated RET (and its costs) needs to be clearly understood.
 - Both the voluntary market and the mandated 33,000GWh RET target share the same currency, “the LGC”, due to the absence of another certificate framework to make verifiable claims. As a result, voluntary market demand for LGCs also increases the cost of the RET (that was met in 2020, and by design continues through to the end of 2030).
 - Australian (non-EITE) electricity customers have no ability to opt-out of this target and as a result, where voluntary demand pushes the price of certificates up, this also appears as an increased cost on consumer bills.
 - Hydro Tasmania highlights this to ensure that the Committee fully contemplates that measures which may protect, or increase the price of LGCs need to be carefully balanced against consumer interests.
 - Below-baseline restrictions are designed to stop additional supply coming into the voluntary market. Inherently, enacting these restrictions may result in higher costs for the mandatory 33 million portion of the RET than would otherwise have occurred. The primary beneficiaries of these restrictions are existing above-baseline wind, solar and hydro generators (which includes some of Hydro Tasmania’s generation).
- 3. Relative Volumes** - It will be perverse if all Tasmanian electricity users cannot utilise Tasmanian below-baseline generation. Hydro Tasmania proposed an amendment that we believe is workable in our public submission to the Committee.

Access to below-baseline REGOs can provide Tasmanian electricity users access to lower cost certificates - ensuring that Tasmania’s renewable energy advantage benefits Tasmanian customers. This can advantage Tasmanian businesses relative to purchasing more expensive renewable energy alternatives (e.g. GreenPower, LGCs...etc.) and can be supplied from the region they are consuming in.

Hydro Tasmania believes that the impact of below-baseline REGOs relative to other drivers in the renewable certificate markets has been overstated. Estimates of the relative volumes of certificates are presented as Table 1 below:

Table 1 - Summary of certificate volumes and drivers

<u>Supply</u>	<u>Volume of certificates</u>
Non-Tasmanian below-baseline REGOs (mainly Snowy)	~ up to 4 million in a typical year
Hydro Tasmania below-baseline REGOs	~ 8 million in a typical year (8.8m theoretical max)
= Total below baseline REGOs	= 10-12 million (CER estimate of annual creation)
Likely supply from the June/July CIS auction (6GW of new renewable capacity)	~ 20 million per annum by 2030 (if mostly wind)
Total potential supply if CIS target of 23GW is met	60 to 80 million per annum by 2030 (depending on the successful technology mix)
Certificates from existing RET generators when the RET ends	Extra 33 million per annum from 2031 onwards

*Hydro Tasmania encourages the Committee to check these numbers with the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW) and/or the Clean Energy Regulator. DCCEEW and the Regulator will be able to provide additional commentary and perspective on these relative volumes.

Opposition to below-baseline REGOs is built on the premise that it will be 10-12 million certificates a year. If, as Hydro Tasmania has suggested we could use our below-baseline REGOs for EITEs, Product GOs and any Tasmanian demand and they are largely purchased in Tasmania, then the ‘problem statement’ (i.e. impact on mainland certificate markets), is only 4 million certificates a year.

Hydro Tasmania acknowledges that Snowy Hydro (as the next largest source of below-baseline REGOs) would be able to freely use their certificates in Victoria and NSW under this policy proposal (as raised in the Committee hearing). While true, the volume of certificates from Snowy Hydro is likely less than 4 million in a typical year. Further, these would be branded as ‘below-baseline’ and so would have a lower level of consumer demand than REGOs from newer generation.