

A few  
words.

23 July 2009

Committee Secretary  
Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia



### **Renewable Energy (Electricity) Amendment Bill 2009**

Dear Sir / Madam,

AGL Energy (AGL) welcomes the opportunity to provide comments on the Renewable Energy (Electricity) Amendment Bill 2009. AGL is a strong supporter of Australia's transition towards cleaner sources of energy and fully endorses the extension of the Renewable Energy Target (RET) in the current Amendment Bill. AGL strongly believes in the individuality of the respective RET and CPRS Bills. In addition, AGL suggests the following minor changes to the Amendment Bill for the purpose of clarity:

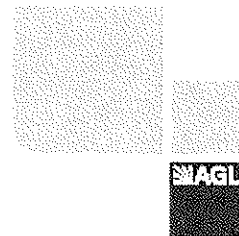
- 1) A formula to provide transparency and certainty regarding future REC calculations beyond 2017; and
- 2) The separation of the EITE activities exemption program, under the current the CPRS, from a REC partial exemption program.

Please find attached AGL's detailed submission regarding these suggested minor amendments. If you have any questions relating to this submission, please contact David Spree, Carbon Research Analyst, on (03) 9613 9621 or myself on (02) 9921 2516.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Nelson'.

Tim Nelson,  
**Head of Carbon & Sustainability**



## **AGL Submission - Renewable Energy (Electricity) Amendment Bill 2009**

### **Introduction**

AGL Energy (AGL) is Australia's leading energy company. AGL is well placed to comment on the draft provisions of the draft Renewable Energy (Electricity) Amendment Bill 2009 because of the diversity of its renewable energy operations. AGL is Australia's largest retailer of gas and electricity with 3.3 million customers in New South Wales, Victoria, South Australia, and Queensland and significant investments in upstream energy markets. AGL is Australia's largest private owner, operator & developer of renewable generation holding the largest, diversified generation portfolio in Australia. The diversity of this portfolio has allowed AGL to develop sophisticated systems in order to comply with its legal and regulatory requirements.

### **Issue 1: Significant increase in the number RECs Schedule 1 Amendments 4 – 7 (Section 23B)**

The legislation proposes a significant increase in the number of RECs required to be surrendered in future years. The proposed multiplier amendments to 23B will in effect create 'phantom RECs' (RECs that are created without a corresponding increase in renewable energy generation). AGL believes that a formula should be considered for the legislation to increase the quantity of RECs required in each year to ensure that 'phantom RECs' do not result in actual renewable generation being lower than that specified in the legislated target. A formula will provide transparency and certainty to industry which will be able to strategically plan for renewable energy development. AGL notes that the Clean Energy Council has provided specific amendments which would give effect to this suggested change.

### **Issue 2: REC Partial Exemption Program Schedule 2 Amendment 8 (Section 38A)**

AGL firmly believes that RET should be 'de-coupled' from the CPRS. At present assistance for emissions intensive trade exposed activities would be defined through the proposed Carbon Pollution Reduction Scheme legislation. This is unnecessary as specific REC related assistance can be defined specifically within the RET Amendment Bill. The following changes are necessary to give effect to AGL's proposal as outlined above. After Division 1 of Part 4 insert:

Division 1A – Partial exemption from liability to charge

#### 38A Partial exemption program

- (1) The regulations may formulate a program (to be known as the partial exemption program) to determine a liable entity's partial exemption for a year, that is used in working out the liable entity's renewable energy certificate shortfall for a year under section 38.
- (2) The regulations must specify the criteria for a liable entity's eligibility for the partial exemption for a year.