

# NSW Energy Efficiency Trading Scheme Forum 4 July 2008

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# OVERVIEW

## NEET Scheme Parameters

- Liable parties and coverage
- Trade exposed emissions intensive industries
- Targets and allocation to liable parties
- Penalty
- Certificate creation
- Possible eligible activities
- Interaction with GGAS
- Administrative arrangements
- Next steps

# NEET Scheme Architecture

- Similar to GGAS?
- Legislation setting the high level scheme parameters – possibly through an amendment to the *Electricity Supply Act 1995*
- Regulation covering a further level of detail if needed
- A NEET Rule (similar to the current DSA Rule) approved by the Minister for Energy to provide details of the operation of NEET (including compliance)

# Liabile Parties under NEET

- NSW electricity retailers
- Electricity generators operating as retailers selling electricity directly to customers
- Market customers that take supply directly from the NEM

Unlike GGAS, there will be no elective participants

# Coverage under NEET

- All non-exempt grid-connected electricity used by customers in NSW
- Electricity sales to trade exposed emissions intensive industries will be exempt under NEET [These industries will need to meet their Energy Savings Action Plan obligations]

Unlike VEET/REES, natural gas will not be covered initially

# Trade exposed emissions intensive industries (TEEIs)

- Ideally the NEET would use the same criteria to define TEEIs as the national emissions trading scheme
- However, timing may mean that companies that are TEEI will need to be prescribed in Regulations as an interim measure

# Energy Efficiency Targets

- NSW Government will establish an economy-wide energy efficiency target
- NEET targets will contribute to meeting the economy-wide target along with other measures in the NSW Energy Efficiency Strategy
- Annual NEET targets will be apportioned to liable parties according to the proportion of the party's non-exempt sales to the total non-exempt sales

# NEET Target Setting

Total energy saving requirement under NEET for each year will be set taking into account:

- Opportunities for cost effective energy efficiency
- An assessment of the likely contribution from AETS
- the impact on retail electricity prices
- the capacity of industry to respond
- the energy savings likely to be available

This will be supported by detailed analysis

# NEET Penalty

- Retailers will be required to pay a penalty for failing to meet their NEET obligations
- The penalty will be set to encourage compliance, and will be above the marginal cost of meeting the target
- The penalty will be adjusted for CPI
- There will be no “make good” provision if a liable party pays the penalty

# Certificate Creation

- Each NSW Energy Efficiency Certificate (NEEC) will represent 1 tonne of CO<sub>2</sub>-e saved from an eligible activity
- The NEEC will be the instrument of compliance
- Abatement for many activities will be based on lifetime abatement at the time of installation
- Abatement will be determined from an average greenhouse intensity of delivered electricity (tonnes of CO<sub>2</sub>-e per MWh of savings)

# Who can create a NEEC

- Anyone who is accredited for an eligible activity
- Could include electricity retailers, appliance retailers, energy service providers, other third parties
- Fees will be levied on accreditation of parties to create certificates and creation of each certificate
- Fees will be set at a level sufficient to recover administrative costs of NEET

# Eligible Activities - Principles

Principles for determining eligible activities:

- It must represent an energy saving compared to a baseline
- It must be beyond any other mandatory requirements
- It must not have been claim under any other scheme (eg Greenhouse Friendly)
- The activity must have taken place on or after 1 January 2009

# Possible Eligible Activities (1)

Possible eligible energy saving activities include:

- Replacing single glazing with double glazing
- Replacing a water heater with a less greenhouse intensive unit (eg electric storage with gas)
- Replacing an appliance with a more efficient appliance of the same type
- Replacing existing lights with more efficient lights
- Replacing existing shower heads with more efficient shower heads or systems
- Insulation of existing housing fabric

# Possible Eligible Activities (2)

Possible eligible energy saving activities include:

- Removal and destruction of refrigerators that are at least 10 years old and in use
- Construction of houses that exceed BASIX requirements
- Power factor correction
- Improved overall building performance measured by recognised rating tools (NABERS Energy, AccuRate)
- Installation of energy efficient industrial or commercial equipment to replace less efficient equipment

# Interaction with GGAS

- Existing accreditation under the DSA Rule (except for on-site generation) will be transferred as accreditation under NEET
- Default Abatement Factors under DSA Rule will be reviewed and revised in the light of recent developments and learnings from GGAS
- Only activities that occurred after 1 January 2009 will be eligible to create NEECs based on the NEET Rule

# Administrative arrangements

- IPART will be the NEET Scheme Regulator and Scheme Administrator
- Existing GGAS DSA accreditations will be reviewed and revised to comply with NEET

# NEXT STEPS

- Submissions by 11 July 2008 to:  
[neetforum@dwe.nsw.gov.au](mailto:neetforum@dwe.nsw.gov.au)
- Submissions on DWE website if agreed.
- Following consultation, Government will introduce legislation in the Spring session of Parliament.
- Further consultation with stakeholders will be undertaken concurrently on the details of the NEET Regulation if required, the NEET Rule and consequential changes to GGAS.
- Scheme will commence on 1 January 2009.

Thank you

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