

10 September 2018

Submissions
Climate Change Authority
GPO Box 787
Canberra ACT 2600

Dear Sir/Madam,

Review of the National Greenhouse and Energy Reporting Legislation

Hydro Tasmania welcomes the opportunity to provide a response to the Review of the National Greenhouse and Energy Reporting (NGER) Legislation.

Hydro Tasmania is Australia's largest producer of renewable energy and is internationally recognised for its expertise in renewable energy operation and development. Hydro Tasmania provides annual reports to the Clean Energy Regulator (CER) of data related to greenhouse gas emissions, energy production, and energy consumption. Momentum Energy also reports under a Reporting Transfer Certificate for five Victorian hospital co-generation facilities.

Hydro Tasmania has been able to work constructively with the Clean Energy Regulator (CER) for a number of years in the context of both NGERs auditing and the Renewable Energy Target (RET). This strong relationship has assisted our business under both programs and has allowed easy resolution and clarification of issues. Particular benefit has been achieved following the recent CER site visits to Tamar Valley Power Station and the CER verification audit of King Island Power Station and two Victorian hospitals. This has resulted in a positive and collaborative working relationship with Pangolin Associates and the Assistant Manager for Regulatory Obligation Management and Auctions Branch. Hydro Tasmania has since engaged Pangolin Associates to conduct our Limited Assurance Audits for FY2017/18 for consistency and to assist with interpretation of the verification audit findings.

Please see responses to the Review of the National Greenhouse and Energy Reporting Legislation in Attachment 1, Hydro Tasmania has chosen to focus on selected questions, as not all necessarily apply to our operations. If you would like further information on any aspect of this submission, please contact Colin Wain (03) 8612 6443 or Colin.Wain@hydro.com.au.

Yours sincerely,



Evangelista Albertini
Chief Operating Officer

ATTACHMENT 1 – Responses to Review of the National Greenhouse and Energy Reporting Legislation

1. Do the National Greenhouse and Energy Reporting scheme reporting thresholds balance coverage with administrative costs? Should thresholds be increased, decreased or kept as is?

It should be acknowledged that the collection of NGERs data requires significant administrative effort by a large number of Australian companies. Nonetheless, there are no equivalent, high-quality sources of this data. The NGER scheme remains an important tool to track Australia's progress towards our international emissions reduction commitments as well as the challenges and trends in sectors of the economy. The NGER scheme forms the basis for the safeguard mechanism and is likely to be required to underpin any future climate policy.

3. Do you have any feedback on the annual policy and consultation process to update the measurement determination?

The process of review and consultation regarding the measurement determination assists businesses in better understanding the methods, criteria and measurement standards required for calculating greenhouse gas emissions and energy data. During the review and consultation process it would be beneficial if the CER could simultaneously provide an update on other federal legislative changes that may impact the determination and methodologies utilised by businesses, such as those that impacted the now repealed carbon pricing mechanism.

6. Is the Emissions and Energy Reporting System tool easy to use and fit for purpose?

Hydro Tasmania's experience with the Emissions and Energy Reporting System (EERS) tool is that it provides real benefits in terms of having a clear overview of the emissions and energy data at an activity and facility level. The tool also clarifies changes to measurement determinations that may have been missed during preparation of the initial reporting templates.

Hydro Tasmania believes that improvements could be made to the tool in terms of its ease of use and reliability. Users of the tool have from time to time found that the tool suffers from IT issues such as previous year's activity and facility data not loading for the new reporting period. This has been an ongoing issue with regards to Reporting Transfer Certificate (RTC) holders. There is also an issue with regards to lack of access for RTC holders, this is associated with the updating of location addresses and coordinates. Other constraints include reported immaterial data not saving on the system.

The constraints that exist on the online EERS tool have impacted audit findings where auditors aren't familiar with the constraints of the EERS. Hydro Tasmania recommends auditors and the regulatory branch maintain correspondence to ensure EERS constraints are well documented and communicated.

7. Are there emissions and energy data that companies would like to report through the Emissions and Energy Reporting System but are currently unable to? Would the development of a voluntary tool be useful for this information?

Hydro Tasmania is of the belief that the development of a voluntary tool would be useful, particularly for reporting indirect emissions such as business travel, employee commuting, waste disposal and investments. This would provide benefits in terms of enabling deeper knowledge of the contribution

businesses make to overall emissions, but also encourage greater accountability for emissions reporting. It could also promote and strengthen business's corporate social responsibility.

Hydro Tasmania believes that incorporating a voluntary tool for reporting Scope 3 emissions would be beneficial in streamlining the reporting of Scope 1 and Scope 2 emissions. It could also be beneficial in achieving consensus on which Scope 3 sources are material to the industry and more broadly, Australia. This could subsequently assist in meeting state emissions reduction targets.

8. Are there opportunities to streamline emissions and energy reporting obligations under the National Greenhouse and Energy Reporting scheme and other programs?

Hydro Tasmania is supportive of any opportunities that promote improved productivity. Hydro Tasmania suggests that collaboration between state and federal initiatives would assist in streamlining processes, for example the National Pollution Inventory and NGERs.

Hydro Tasmania would like to suggest that the CER consider the relationship between data reported under certified Environmental Management Systems and NGERs. Where some businesses already have a certified Environmental Management System instated, it should be recognised that some of this information also fulfils components of the NGERs Act. There is an opportunity to streamline some of this reporting to minimise, or prevent duplication of reporting for such businesses. At present duplicated information includes, but is not limited to, record management, scope, context and reporting boundaries.

12. Is the safeguard mechanism delivering on its objectives and fit for purpose?

The safeguard mechanism plays an important role in managing Australia's emissions levels while also accommodating business growth and business as normal operations. There has been a long-held expectation that if the safeguard mechanism is to contribute to reducing emissions then safeguard baselines will need to tighten over time.

Hydro Tasmania notes the recent draft amendments made to the Safe Guard mechanism, and supports the intention to simplify and bring up-to-date baselines, some of which were set based on the emissions high points between 2009-10 and 2013-14.

The Electricity Sector is covered by a sectoral baseline of 198 million tonnes per annum. Current emissions are well below this level. Hydro Tasmania supports the development of a national energy policy that ensures the electricity sector can make a strong contribution to Australia's emissions reduction commitments.

13. Are the emissions thresholds under the safeguard mechanism efficient and effective or should they be changed so more or fewer emissions are covered?

If the safeguard mechanism is to be used to reduce emissions across the economy, then it is likely that thresholds would need to reduce in order to incentivise a greater number of sites.

17. Should facilities be able to use the same emission reductions to meet safeguard mechanism and Emissions Reduction Fund contract obligations?

No, this would equate to double counting. The Emissions Reduction Fund should only purchase abatement that is additional to that required by other policies. Without this requirement the

taxpayer would be exposed to the cost of all national emissions reductions and there would be little incentive on businesses to reduce emissions.

25. Is the audit framework in the National Greenhouse and Energy Reporting legislation effective and efficient at ensuring compliance?

Hydro Tasmania is of the view that, for the most part, the audit framework under NGERs is effective. The reasonable assurance and limited assurance audits are useful in providing detailed information and determinations. However, Hydro Tasmania believes that verification audits can be quite inhibiting, as they provide limited benefit to the CER or Auditee, as no determination is made.

Hydro Tasmania completes limited assurance audits annually, and believes while these remain an effective way of ensuring the most material data and processes meet the intent of the Act, consideration could be given to limiting the number of CER enforced audits where limited assurance audits are already undertaken. Recently, verification audits undertaken by the CER required an increase in clarifications from the CER, as no determination was made by the auditors. Clarifications sought included limitations of the EERS, such as having to report under a different state code than the location of the facility due to the most similar emissions factor for that type of generation, this was resource intensive and could have been avoided if a limited assurance was undertaken.

A component of the NGERs Act requires businesses to ensure adequate record management processes and understanding of their reporting boundaries. Hydro Tasmania recommends the CER consider that some businesses are already certified to an Environmental Management System, meaning that the requirements under such systems have already been audited and adequately met. By giving consideration to these elements, audits under NGER legislation could be more efficient by streamlining the audit and reducing the repetition of information.

In further improving efficiency and effectiveness, it would be beneficial to ensure all CER Auditors are across the current constraints of the EERS reporting tool, such as the restraints on RTC holders having no access to update facility address and coordinates.

26. Are there opportunities for improving the audit framework such as reducing the cost of audits or making the audits more effective?

Hydro Tasmania recommends the CER considers, regular (every three to four years) Regulator audits (limited or above) to assist in reducing the cost to businesses associated with undertaking their own audits. This would reduce the cost to business and assist in streamlining the audit process for the most effective outcome.

30. Is the guidance provided by the Clean Energy Regulator on its website, and through other channels such as by phone or email helpful in complying with National Greenhouse and Energy Reporting legislation obligations? How (if at all) could it be improved?

Hydro Tasmania has been impressed with the increased level of interactions and efficiency in responses from the CER this year and would like to thank the CER for their recent response and guidance regarding RTC holders and limitations in EERS. Over the past year the CER have worked to modify the requirements set on Hydro Tasmania to update coordinates in EERS for facilities, this was also identified during the recent CER allocated verification audits.

Hydro Tasmania would like to specifically make mention of the immediate and direct response from the Assistant Manager, Regulatory Branch. The Assistant Manager was able to clarify and

communicate further throughout the CER the rectification of an issue relating to incorrect address and coordinate details reported in the EERS for Momentum Energy RTC facilities. Prior to this resolution, the CER were communicating to Hydro Tasmania urging compliance in relation to the address and coordinate details, or action would be taken.

31. Does the timing of obligations for National Greenhouse and Energy Reporting and the safeguard mechanism allow sufficient time to meet the obligations?

The timing for NGER reporting obligations is sufficient for Hydro Tasmania as it corresponds with internal reporting obligations.

32. Does the Clean Energy Regulator have sufficient powers to encourage compliance with the National Greenhouse and Energy Reporting legislation?

Hydro Tasmania believes that regular (three to four year) Regulator (CER) audits or mandatory limited assurance audits assist the CER in encouraging compliance with the NGER legislation.

33. What has been your experience of any compliance or enforcement activities by the Clean Energy Regulator?

Hydro Tasmania has had an overall positive and collaborative relationship in terms of compliance related activities with the CER. As previously mentioned the recent CER site visits and subsequent CER initiated verification audits, have resulted in a more interactive and positive working relationship. This has also resulted in Hydro Tasmania retaining the same auditor that was used during the FY2016/17 verification audits for the FY2017/18 limited assurance audits and has assisted with consistency and better meeting the intent of the NGERs Act.