



Independent Market Operator

Consultation Paper

**Title: Emissions Intensity
Reporting**

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Contents

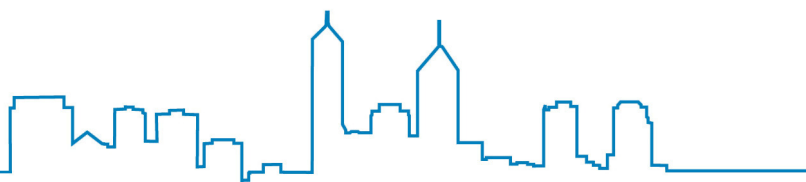
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Independent Market Operator

Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au



1. INTRODUCTION AND BACKGROUND

In February the IMO tabled an Issues Paper to the Market Advisory Committee (MAC) relating to the issues arising from the introduction of a carbon pricing mechanism with effect from 1 July 2012 and proposing that the IMO explore the concept of an Emissions Intensity Index (EII) for the WEM.

This paper is the next step in that process, and contains a series of options and recommendations from the IMO on which the IMO would appreciate feedback from WEM participants.

The IMO engaged ACIL Tasman to advise the IMO, specifically:

- To provide background information explaining the concept of Emission Intensity Indices and how they are developed, calculated and used in electricity markets generally
- To provide advice on what data WEM generators have readily available (e.g. from NGERs reporting obligations, or other sources?)
- To provide advice on the merits of using Facility-based emission factors, or including fuel production and transport emissions as well
- To provide advice on what input data the IMO would need to collect from WEM participants to enable the IMO to calculate and publish a WEM Emission Intensity Index (to be used with generation data on a half-hour basis)
- To provide advice on what conversions and/or formulas the IMO would need to use to deliver a credible Emission Intensity Index.

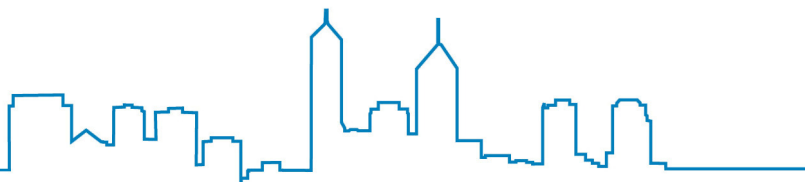
The detail of ACIL Tasman's advice on the above matters is attached to this consultation paper, and this consultation paper should be read in conjunction with that advice.

1.1 Proposal

In response to the interest shown by MAC in this issue, the IMO is seeking wider market feedback and endorsement of the IMO recommendations with a view to developing and publishing a credible emissions intensity index for the WEM, based on participant-sourced emissions intensity data and SCADA data, calculated and published at Trading Interval level.

The IMO proposes that the data provision, index calculation and publication be embedded in due course in the Market Rules and a Market Procedure.

The IMO's initial intention is that facility-level emission intensity values would not be required to be published unless that action was mandated by the Market Rules. However the IMO notes that AEMO publishes unit-level emission intensity values for NEM generators. The IMO believes that the interests of transparency would best be served by publishing these values at some point, however it is not essential to the delivery of an emissions intensity index in the short term, and this question can be left to the Market Rules process for resolution.



1.2 Consultation

Based on the ACIL Tasman report, in this Consultation Paper the IMO poses nine (9) questions with recommendations that it would appreciate WEM participants' feedback on.

The IMO would appreciate receiving feedback in an electronic format (via email to operations@imowa.com.au) by **Friday 27 April 2012**.

Should there be insufficient alignment or consensus among WEM participant responses that would enable the IMO to develop an EII based on voluntarily-provided input data, the IMO may have to consider deferring development of the Emissions Intensity Index pending the development of appropriate Market Rules and a related Market Procedure.

2. Options and Recommendations

1. What should the primary data source for emission intensity factors for individual power stations be:
 - a. Statutory NGER data as reported to DCCEE each year; or
 - b. IMO estimated intensities based on data provided by generators (i.e. average thermal efficiency and fuel use splits); or
 - c. IMO estimated intensities based on estimated inputs?

The IMO's recommended option is that WEM participants provide facility-level emission intensity factors for individual power stations based on or sourced from statutory NGER data as reported to DCCEE each year.

Please advise whether you agree with the IMO's recommendation or not, and why.

2. Should the index include Scope 3 emissions or be limited to direct emissions (Scope 1) from the power stations only?

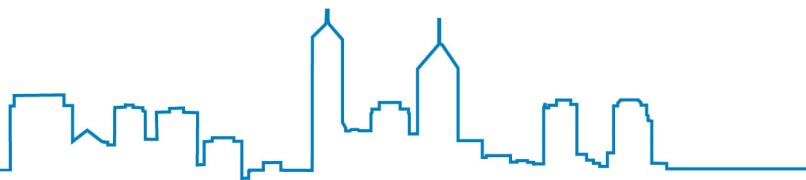
The IMO's recommended option is that the index be limited, at least initially, to direct emissions (Scope 1) from the power stations.

Please advise whether you agree with the IMO's recommendation or not, and why.

3. Should the IMO calculate and publish both measures?

The IMO's recommendation is to explore the publication of a secondary measure once more accurate data becomes available.

Please advise whether you agree with the IMO's recommendation or not, and why.



4. Should power stations that potentially come under the 25,000 tonne CO₂-e annual threshold be included or excluded in the index?

The IMO recommends that the index include all facilities in the WEM.
Please advise whether you agree with the IMO's recommendation or not, and why.

5. How frequently should the index be published? Quarterly, Monthly, Weekly, Daily, Trading Interval resolution?

The IMO recommends that the index be published at a Trading Interval level. Participants can then aggregate the index data up to suit their own needs.
Please advise whether you agree with the IMO's recommendation or not, and why.

6. Should the IMO publish peak and off-peak measures?

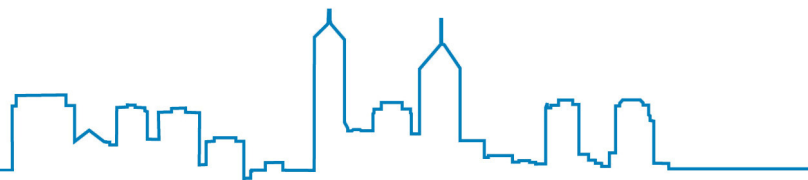
The IMO recommends that it be left to Participants to aggregate Trading Interval data to peak and off-peak levels to suit their own needs.
Please advise whether you agree with the IMO's recommendation or not, and why.

7. Should the index be an informal measure or be formalised within the market rules and IMO procedures?

The IMO recommends that initially data is provided voluntarily by all participants, but that the requirements and process be formalised within the rules and procedures in the medium term.
Please advise whether you agree with the IMO's recommendation or not, and why.

8. How regularly should input data (or estimates) be updated, and what would the process be?

The IMO recommends that input data is provided once initially and then updated annually following the NGERs reporting cycle. The process would need to be designed into a Market Procedure.
Please advise whether you agree with the IMO's recommendation or not, and why.



2.1 Final Question

9. Would your organisation be willing to provide facility-level emissions intensity input data to the IMO, on a voluntary and confidential basis, pending the development of Market Rules and a Market Procedure to that effect?

It is likely that Market Rules and a Market Procedure will take some time to develop and pass their various procedural stages. The IMO's recommendation is that the necessary input data is provided on a voluntary and confidential basis in time for an index to be published by July 2012 (data would be required by end of May 2012 at the latest).

Please advise whether your organisation is willing to provide facility-level emissions intensity input data to the IMO, on a voluntary and confidential basis, or not, and why.

3. Conclusion and Next Steps

The IMO is seeking broad WEM participant feedback on the questions and recommendations described above.

Please document your responses to each of the questions posed and your reasons for those responses (in Word .doc or .docx format) and return it via email by **Friday 27 April 2012** to Market Operations, attention Bruce Cossill, at operations@imowa.com.au

After that the IMO will collate and analyse the responses. Subject to that analysis the IMO will advise the market as soon as practicable on the next steps. It is likely that this advice will consist of notice that:

- The initiative and recommendations are broadly supported and the IMO will request facility-level emissions intensity factors as outlined in this document (and the attached consultant's report) before the end of May; or
- The initiative and recommendations are partially supported and a further round of consultation is required to achieve consensus; or
- The initiative and recommendations are not broadly supported and the proposal is being deferred pending development and consideration of related Market Rules and a Market Procedure.

