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Dear Bruce

CONSULTATION PAPER: EMISSIONS INTENSITY REPORTING

Thank you for the opportunity to comment on the Independent Market Operator's (IMO) Emissions Intensity Reporting consultation paper.

The development of the Clean Energy Future policy has placed greater significance and reliance on information about the carbon intensity of generation. As such, Verve Energy supports the development and publication of an Emissions Intensity Index for the Wholesale Electricity Market (WEM). However, the value of such an index depends on the quality, accuracy, consistency and timeliness of the data.

It should be noted that Verve Energy does not agree with ACIL Tasman's contention that the index be used "to enable a simple structured pass-through of relevant cost impacts on price under electricity contracts¹". Rather, Verve Energy considers that an index would simply provide a reference point that may be of use to participants.

In relation to the specific questions in the consultation paper, Verve Energy has the following comments:

Question 1: What should the primary data source for emission intensity factors for individual power stations be?

Verve Energy considers that data inputs to calculate the index should be sufficiently reliable and accurate, but should not impose considerable additional regulatory burden (or cost) on Market Participants. Additionally, the emission factors should maintain an appropriate level of consistency with existing national greenhouse and energy measurement and reporting processes.

¹ See section 3.1 of the ACIL Tasman report "Development of an emission intensity index for the WEM".

Verve Energy considers that the primary data source for emission intensity factors should be derived from the statutory NGER data, as reported to DCCEE each year. However, Verve Energy considers that the data provided to the IMO should only be a *subset* of the data required for NGER reporting and not the entire dataset.

Verve Energy considers that facility level emission intensity factors (and if required, fuel mix data) is appropriate.

Although it is likely that most Market Participants involved in generation activities in the WEM would be captured by the NGER thresholds (and therefore would compile this data annually), there may be some participants that do not reach the thresholds. While the inclusion (or not) of these participants is unlikely to materially affect the index values it is imperative that these participants provide the required data to the IMO in the same format to enable the development of the most robust and reliable index possible.

Likewise, data from new participants entering the market should be provided as soon as practicable (even if this requires data provision to the IMO earlier than any statutory NGER reporting requirements).

Should data be incomplete or missing from some Market Participants or facilities, it may be necessary for the IMO to estimate facility level emission intensity factors. Verve Energy considers that if this is necessary, then the means of estimation should be transparent and applied consistently. Additionally, if the index does include IMO estimated facility level emission intensity factors, Verve Energy suggests that the IMO considers adding a flag indicating that this is the case.

Questions 2 and 3:

- **Should the index include Scope 3 emissions or be limited to direct emissions (Scope 1) from the power stations only?**
- **Should the IMO calculate and publish both measures?**

Verve Energy considers that the value of an emissions intensity index depends on the quality, accuracy, consistency and timeliness of the data. Therefore, while we see merit in developing an index that also includes Scope 3 emissions, we agree with the IMO's recommendations to:

- initially limit the index to Scope 1 emissions; and
- explore the publication of a secondary measure (including Scope 3 emissions) as and when more accurate data becomes available.

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

In order to allow for an accurate aggregate emissions estimate Verve Energy considers that all facilities be included in the index, including any facilities which come under the individual facility liability threshold. Please see our comments regarding this under question 1.

Questions 5: How frequently should the index be published? Quarterly, Monthly, Weekly, Daily, trading Interval resolution?

Verve Energy considers that the index should be published as soon as practicable after the SCADA data is available to the IMO.

As a minimum, the IMO should publish the index at the Trading Interval resolution. However we consider that the IMO should also calculate daily, monthly, quarterly and annual indices. Verve Energy considers it more appropriate that a central body calculate and publish these aggregated indices as it is more efficient and robust

Question 6: Should the IMO publish peak and off-peak measures?

Similar to our response to question 5 above, Verve Energy considers that the IMO should publish both peak and off-peak measures.

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

Verve Energy agrees that the initial data should be procured from all Market Participants on a voluntary basis to allow for the initial index to be published in a timely manner. However, Verve Energy considers that the IMO should look to formalise the process within the Market Rules and Procedures as soon as practicable. A formal arrangement will:

- ensure the accuracy and reliability of the data inputs over time;
- enhance transparency with respect to how the index is calculated, which will provide confidence to Market Participants and other parties regarding the form of the index in the future; and
- provide certainty and predictability for Market Participants regarding the availability of the index in the future.

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

Verve Energy agrees that input data be updated annually following the NGER reporting cycle.

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?

Verve Energy is willing to provide facility-level emissions intensity input data to the IMO on a confidential basis.

Thank you again for the opportunity to comment, should you require additional information on any of the above issues, I can be contacted on (08) 9424 1917.

Yours sincerely



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