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Australian Government  
Department of Environment & Energy  
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### National Energy Guarantee – Draft Detailed Design for Consultation Commonwealth Elements Paper

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (Meridian) thank the Commonwealth Government (Government) for the opportunity to provide comments in relation to the National Energy Guarantee (Guarantee) draft detailed design consultation paper (Paper).

Meridian is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as Powershop Australia, an innovative retailer committed to providing lower prices for consumers which recognizes the benefits for consumers of a transition to a more renewable-based and distributed energy system. Meridian has also recently announced a significant investment in the future of the Australian energy market including the acquisition of three hydro plants in New South Wales and underwriting the development of wind farms in Victoria and New South Wales.

Meridian recognizes the importance of the Guarantee in ensuring that consumers across Australia benefit from a reliable, low emission and low cost energy system. We appreciate the effort taken by the Government to further progress this solution to a problem which has been vexing the Australian energy market for many years.

Meridian is strongly of the view that the Government needs to set challenging emissions reduction targets that meet or exceed our Paris commitments. Indeed many of our customers are demanding that Australia goes further and are backing up that demand by purchasing voluntary GreenPower and supporting our carbon neutral offsets.

The solution needs to be simple, building on existing market frameworks and consistent with the market approach which has supported significant investment in the market to date.

Meridian's responses to the Government's issues for consultation are set out below.

#### 1. Section 2: Setting and reviewing the electricity emissions target

Issue	Meridian view
The Government's proposed approach to setting the initial electricity emissions targets under the Guarantee.	The energy market will benefit from having clear direction as to the expected emissions reduction target. The Government's proposed use of AEMO forecasts of future demand levels to determine the target appears sound and is consistent with

Issue	Meridian view
	that proposed by the ESB in determining the retail load covered by the emissions requirement of the Guarantee.
The Government's proposed approach to amending targets and setting future targets under the Guarantee.	<p>The target should not be seen as supporting any limitation on the Government setting higher or more ambitious emissions targets provided sufficient notice is given to market participants.</p> <p>Reductions must not be permitted so as to ensure market certainty which is required to support significant investment in low emissions technology solutions.</p> <p>As noted in the paper there is an inherent risk in setting a target for ten years based on projected electricity demand over that period. Whilst providing certainty to the market, we would support a review of the target every five years. An additional review mechanism should be available to the Government if it has the need to increase the target for the electricity sector (for example- if achieving the target in other sectors was uneconomic). Prohibiting reductions in the trajectory will provide the necessary investment certainty while enabling the opportunity to increase the target with less notification.</p>

2. Section 3: Implementing the exemption for EITE activities

Issue	Meridian view
Whether the proposed approach to streamline the RET and the Guarantee exemption applications minimise any regulatory burden for EITE entities.	We have no view on this as we have no exposure to this.

3. Section 4: External offsets

Issue	Meridian view
Whether market customers should be able to use offsets to reduce part of their emissions under the Guarantee.	We consider offsets should be allowed but their use should be minimised. Their use will assist with ensuring the scheme has sufficient flexibility to meet emissions targets at an appropriate cost to consumers. However, we consider that the development of additional low emissions generation within Australia to be the core benefit of the scheme and accordingly there should be strict limits on the use of offsets so that they are only utilised to deal with issues in variability and availability of Australian based renewable generation.
The proposed approach to using offsets to be used for compliance under the Guarantee.	The proposal to allow use of Australian Carbon Credit Units provided they contribute to Australia's international commitments and that no double counting occurs is a sound

Issue	Meridian view
	<p>approach.</p> <p>We also support the adoption of an overall cap on the number of offsets each market customer can use in each compliance year. The process of allocation of offsetting allowances should be outlined in the NEL and overseen by the AER.</p>

#### 4. Section 4: Emissions requirement – Commonwealth Government design elements

Paper Ref	ESB Question	Meridian response
4.2.2	Stakeholder views are sought on options for setting the emissions targets under the Guarantee.	The energy market will benefit from having clear direction as to the expected emissions reduction target. There is an advantage and logical basis to the proposal to hit the target consistent with the Government’s international obligations over five years. This should not be seen as supporting any limitation on the Government setting higher or more ambitious emissions targets as any such increase could be rolled into the subsequent five year period so as to ensure the full benefit is received.
4.2.3	Whether, and in what circumstances, electricity emission targets already set should be adjusted. The process for making any such adjustments to electricity emissions targets.	Reductions must not be permitted so as to ensure market certainty which is required to support significant investment in low emissions technology solutions. A reset should only be contemplated where the target was failing to achieve its objective (or a new, more ambitious, target is adopted) and the issue could not be addressed by modifying future targets. Should appropriately ambitious targets be set, we consider it highly unlikely that such circumstances could arise.
4.2.4	Stakeholder views are sought on the proposed timing for updating the electricity emissions targets, including a five-year notice period.	As stated above, certainty is important and substantial notice of any proposed amendment to the trajectory should be provided whenever possible. The concept of a five year minimum notice makes sense, however, when combined with the five year period, this has the potential to lock in a target for up to ten years which may be problematic if the target proves to be inappropriate. Consideration could be given to setting the five year target but allowing for increases (but not decreases) in the emissions target in some circumstances. Such circumstances could include increases in the target.
4.2.5	Stakeholder views are sought on the	We consider it is important that the additionality of

Paper Ref	ESB Question	Meridian response
	proposed approach to setting the electricity emissions targets under the Guarantee and interaction with state renewable energy schemes.	such schemes is maintained. States should be permitted to set more ambitious targets (and accept the costs and benefits of such an increase on their constituents) without having that impact diluted by reducing the total commitment from other States.
4.3.2	Stakeholder views are sought on issues to be addressed in exempting EITE activities from the emissions requirement of the Guarantee.	We have no view on this as we have no exposure to this.
4.4	Whether there is a strong rationale for the use for offsets within the Guarantee The impact allowing offsets would have on investment under the Guarantee If offsets were to be used to help achieve compliance with the emissions requirement, what would be an appropriate limit for their use?	As discussed above, we consider offsets should be allowed but their use should be minimised. Their use will assist with ensuring the scheme has sufficient flexibility to meet emissions targets at an appropriate cost to consumers. However, we consider that the development of renewable generation within Australia to be the core benefit of the scheme and accordingly there should be strict limits on the use of offsets so that they are only utilised to deal with issues in variability and availability of Australian based renewable generation.

If you have any queries or would like to discuss please do not hesitate to contact me.

Yours sincerely,



Ed McManus  
Chief Executive Officer  
Meridian Energy Australia & Powershop Australia