

Welcome

Liabile Entities Workshop

Andrew Livingston
Renewable Energy Regulator
Canberra, September 2010



Australian Government
Office of the Renewable Energy Regulator

Primary aim

- Prepare you for implementation of the amendments to the Act starting from 1 January 2011.
- Answer your questions and provide as much clarity as possible.



General advice

- This workshop provides general advice only
- ORER is currently establishing administrative processes
- Waiting on Regulations
- Please seek your own legal, tax and GST advice if necessary
- It is your responsibility to ensure compliance with the Act and Regulations



Agenda

Refresher – Prue Brooks

Primary scheme amendments – Amar Singh

Requirements – SRES – Prue Brooks

Requirements – LRET – Julie Steele

Other updates – Prue Brooks

Afternoon tea 2.30



Key contacts

- Andrew Livingston Renewable Energy Regulator
- Amar Singh Deputy Regulator, Market Operations
- Prue Brooks Manager, Liability Assessment
- Julie Steele Assistant Manager, Liability Assessment
- Kaylia Dunstan Communications Manager



Directing questions

- Department of Climate Change and Energy Efficiency responsible for policy – ret@climatechange.gov.au
- ORER responsible for administration and implementation.



Office of the Renewable Energy Regulator

The Regulator and ORER are primarily established by the:

- *Renewable Energy (Electricity) Act 2000* (the Act)
- *Renewable Energy (Electricity) Regulations 2001* (the Regulations)

Statutory authority established to oversee the implementation of the RET



Objectives of the Act

- Encourage additional generation of electricity from renewable energy sources
- Reduce emissions of greenhouse gases in the electricity sector
- Ensure renewable energy sources are ecologically sustainable



Office of the Renewable Energy Regulator

Responsibilities of ORER:

- Accrediting renewable energy power stations
- Registering registered persons and agents
- Overseeing creation, validation of Renewable Energy Certificates (RECs) for eligible parties
- Assessing and auditing surrender of RECs by liable entities
- Managing and maintaining the online REC Registry



Office of the Renewable Energy Regulator

Responsibilities of ORER:

- Managing compliance under the Act (for example improper creation of RECs)
- Ensuring the integrity of the measure by undertaking audits under Part 11 of the Act. Audits include:
 - Appointment, power and obligation of authorised officers
 - Occupier's rights and responsibilities
 - (may) involve monitoring warrants



Thank you for supporting renewables....

- Since the beginning of the RET liable entities have achieved a compliance rate of more than 99% in recent years
- ORER acknowledges the industry in achieving such a high rate of compliance
- ORER would like to continue this trend by working with industry
- There are media releases that demonstrate the rate of compliance and those that did not comply through RECs. For more information you can visit

<http://www.orer.gov.au/publications/index.html#media>



Relevant acquisitions refresher 2010 compliance year requirements

Prue Brooks
Liability Assessment Manager



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Relevant Acquisitions

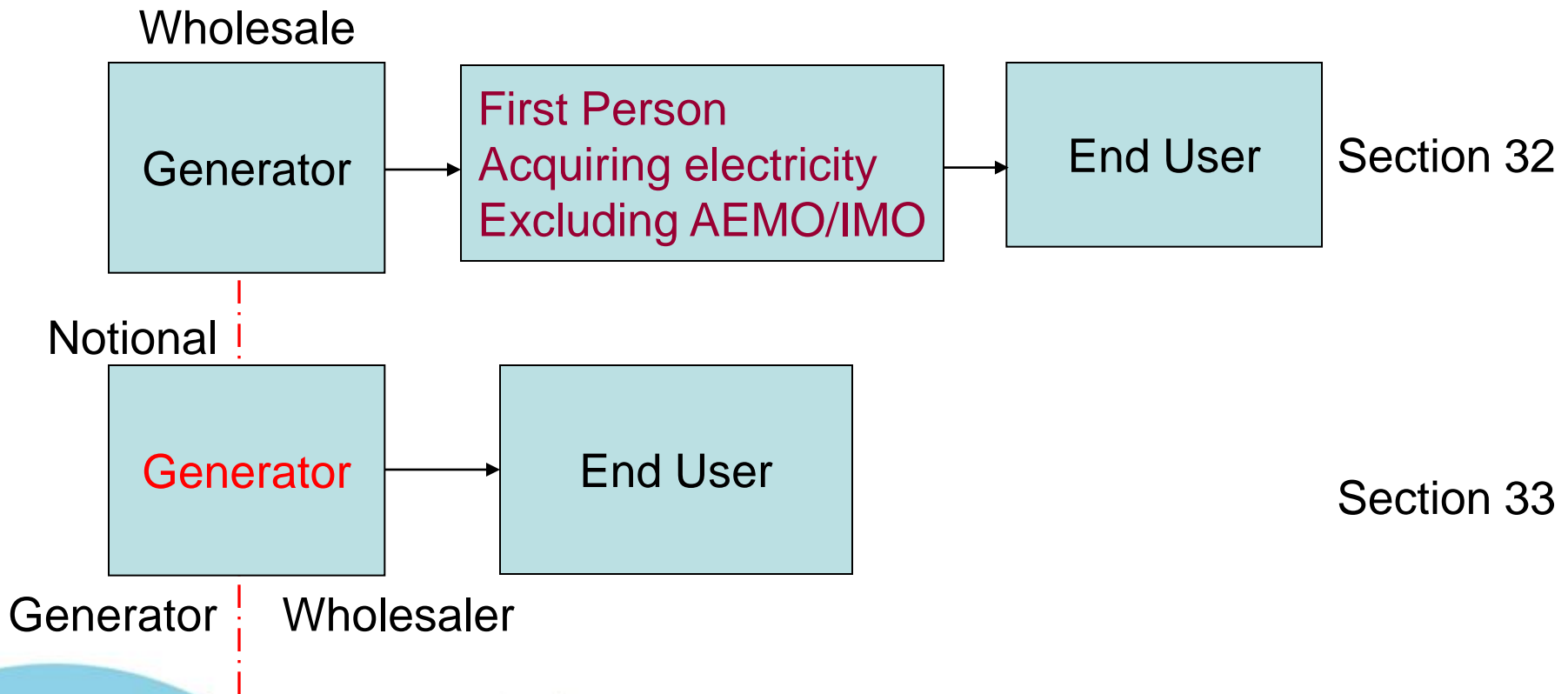
Liable entities who make *'relevant acquisition'* of electricity have a liability under the Act

The Act defines two kinds of relevant acquisitions:

- Wholesale acquisitions (ie purchases of electricity from AEMO); and
- Notional wholesale acquisitions (ie the liable entity is the generator selling to the end user)



Example of liable acquisitions



Exemptions under the Act

An acquisition is not a relevant acquisition if:

- Electricity was delivered on a grid of less than 100MW
- The end user of the electricity generated the electricity and either of the following conditions are satisfied:
 - The point of electricity generation is less than 1km from the point at which the electricity is used; or
 - The electricity is transmitted or distributed between point of generation and point of use and the transmission/distribution line is used solely for the transmission/distribution of electricity between those two points.



What's due on 14 February 2011?

If you make relevant acquisitions under the Act you will need to

- Lodge the 2010 AEAS
- Provide data (MWh) for the 2010 compliance year
- If relevant, provide revisions for the 2009 and/or relevant compliance years



What's due on 14 February 2011?

If applicable provide copies of partial exemption certificates (PECs)

- Liable entities may receive copies of PECs from EITEs before 14 February 2011. No requirement for PECs to be certified.
- Liable parties can submit PECs to ORER with the AEAS to reduce the total relevant acquisition for the applicable year which reduces total certificate liability.
 - If your EITE customer(s) do not provide a copy of the PEC to you by the AEAS lodgement date NO exemption will apply
 - However, you may report PEC revisions in the 2011 AEAS



What are PECs?

- PECs were included in the 2009 amendment bill
- Companies conducting emissions-intensive trade-exposed (EITE) activities can apply for PECs.
- The Regulations provide a formula which determines the amount of PECs a EITE company is eligible for
- Applications for 2010 PECs are due 31 October 2010 and 1 January 2011. Different dates apply for the 2011, future years and revisions. Regulations may change these dates.
- More information EITEs page on ORER website.



What's due on 14 February 2011?

- Surrender certificates between 1 January – 14 February 2011 (note you will be offering LGCs rather than RECs for the 2010 compliance year compliance requirements)

OR

- Pay Renewable Energy Shortfall Charge (RESC). \$65 per REC not surrendered for the 2010 compliance year



Primary scheme amendments

Split scheme and the STC Clearing House

Amar Singh

Deputy Regulator, Market Operations



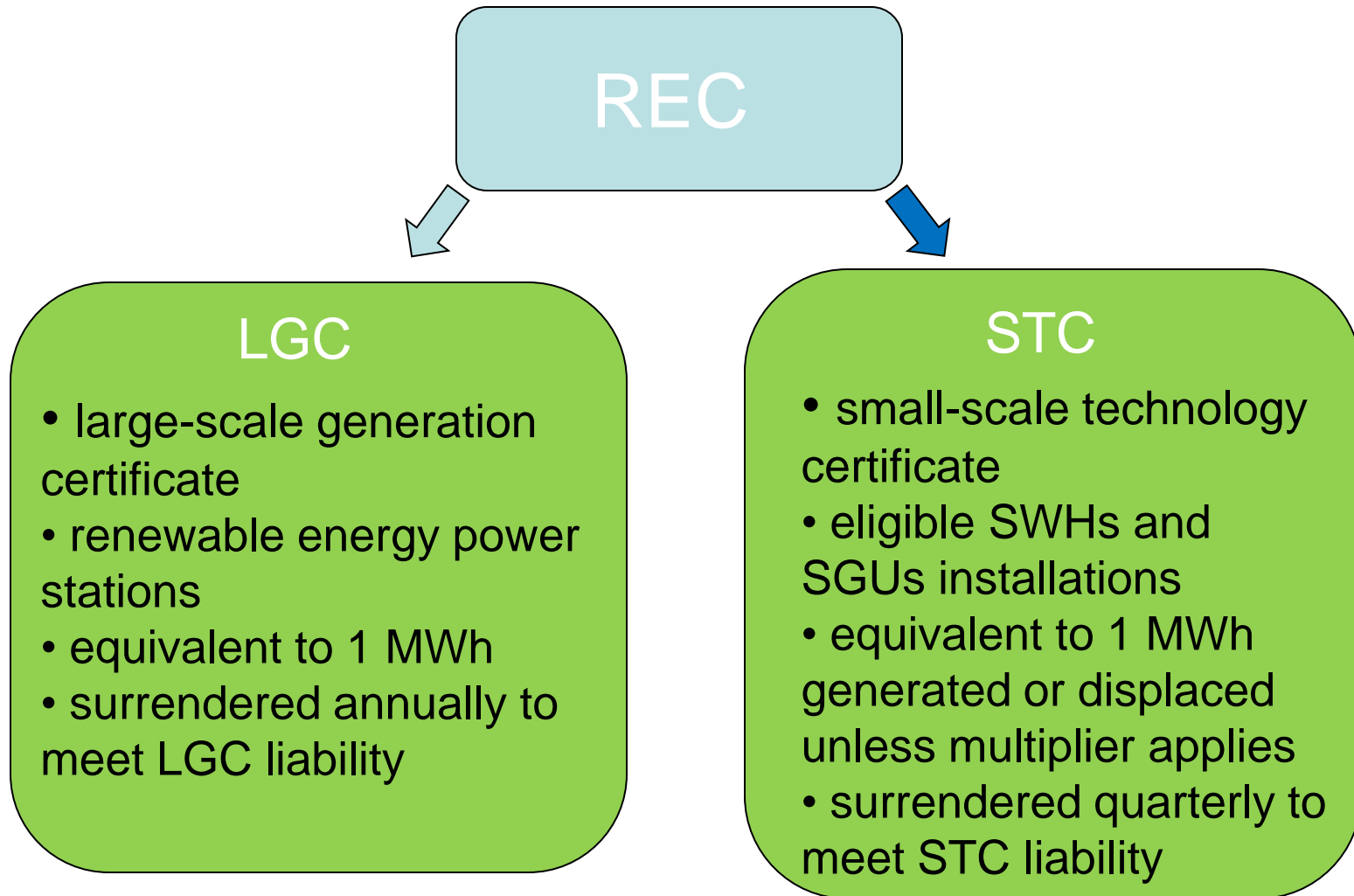
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Splitting of the RET

- Large-scale renewable energy target (LRET)
- Small-scale renewable energy scheme (SRES)



Classification of RECs



REC Transitionals

Power station RECs

Power station LGCs

SWH/SGUs installed

LGCs – creation within 12 months

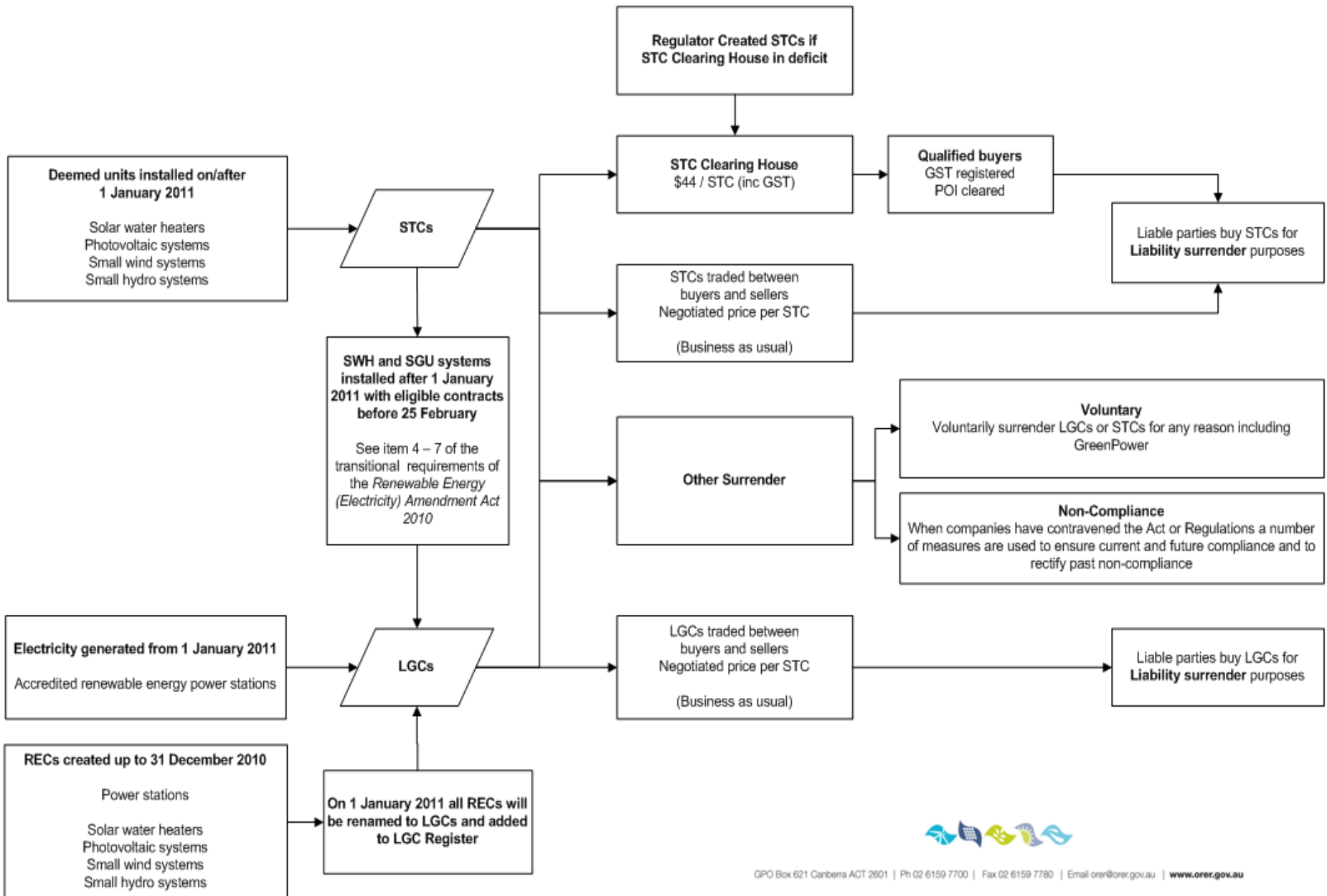
SWH/SGUs installed - STCs

SWH/SGUs installed with eligible contract on or before 25 February 2010 - LGCs

1 January 2011



Arrangements for certificates



Register split

Register of Renewable Energy Certificates (RECs)

Register of Large-scale Generation Certificates (LGCs)

- Including Register of RECs

Register of Small-scale Technology Certificates (STCs)

1 January 2011

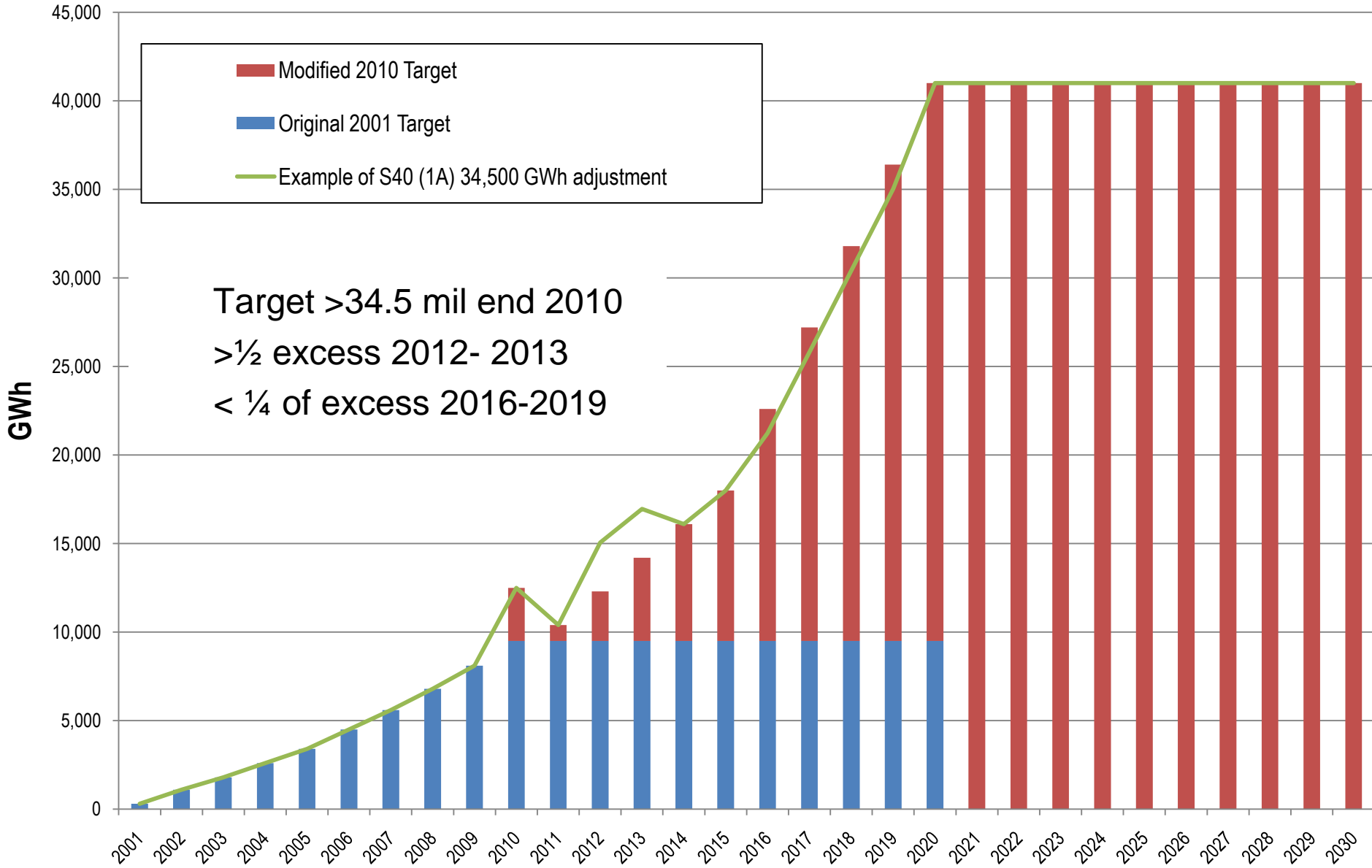


RET in two parts

Large-scale generation certificate (LGC) Market



Legislated Annual Renewable Energy Targets



Large-scale 41,000 GWh + small-scale 4,000 GWh

Implications for target

2011

- If end 2010 there are > 34.5 mil no effect on 2011 target
- No effect to 2011 RPP

2012 onwards

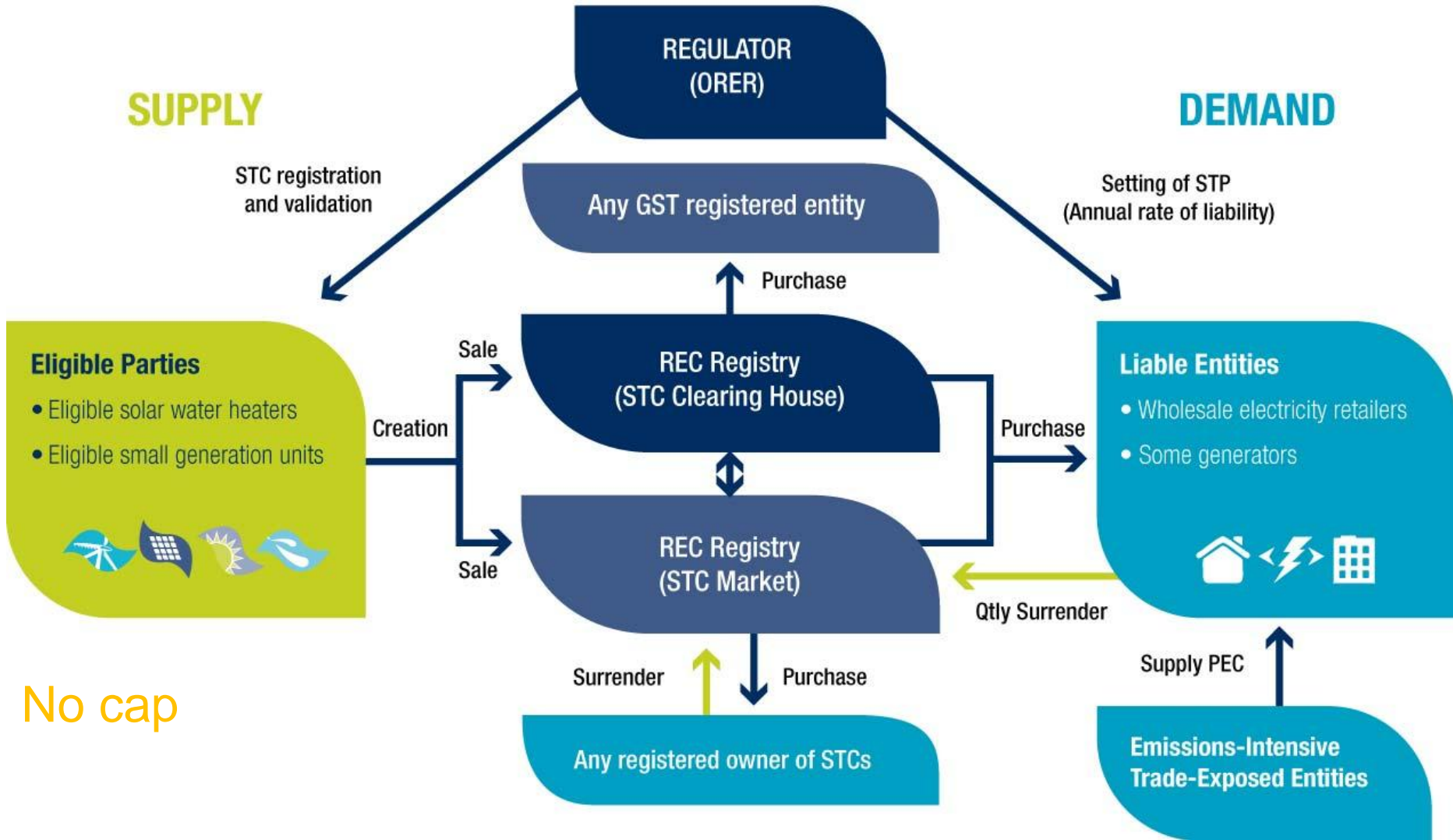
- as Increased target and RPP for 2012 year that may be greater than current target
- Example 40 mil RECs at end 2010 = approximate 15,000 GWh target in 2012
- Further information on changes to the 2012/13 targets will be provided on the ORER website early Jan 2011



Small-scale technology certificate (STC) Market

SUPPLY

DEMAND

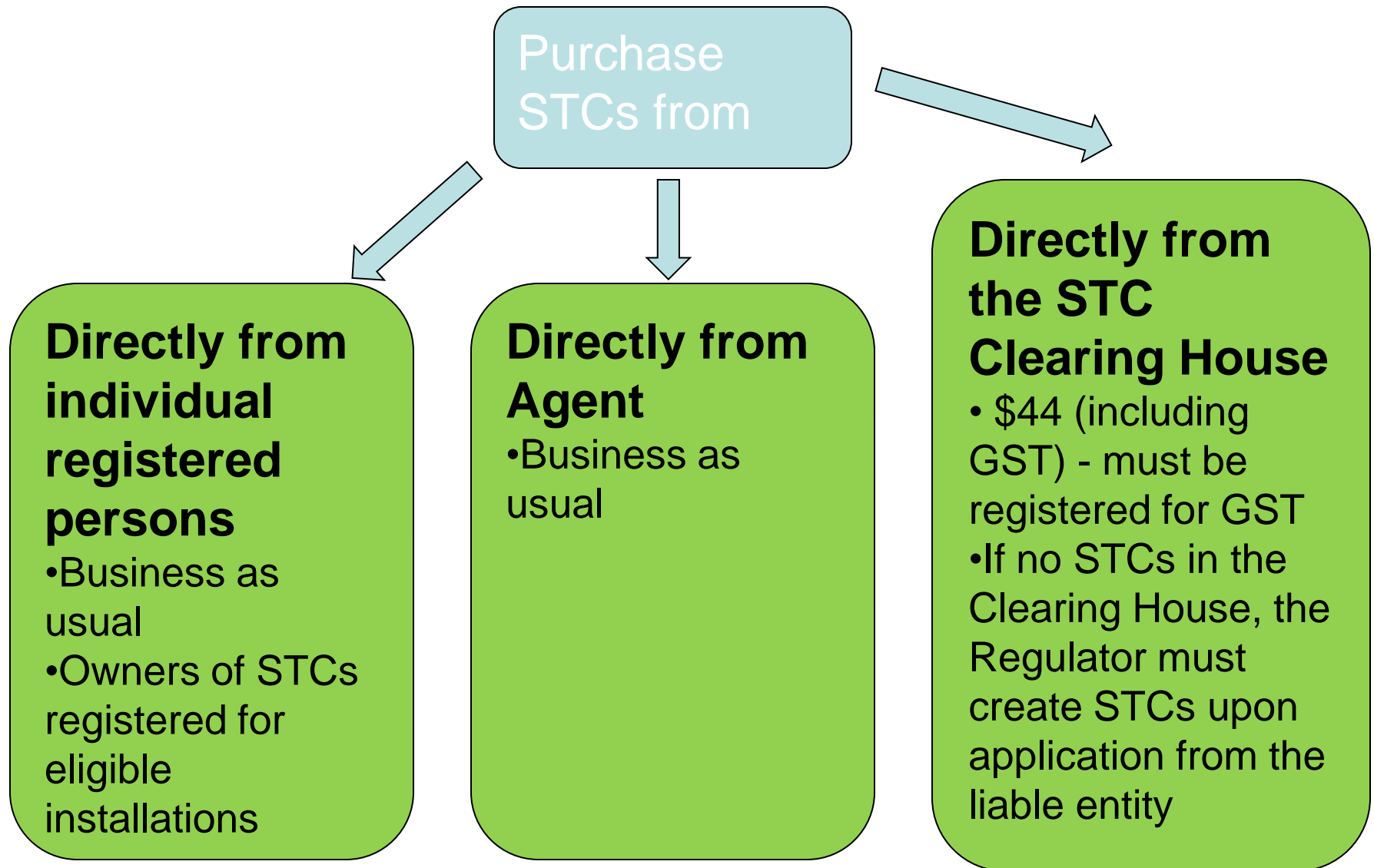


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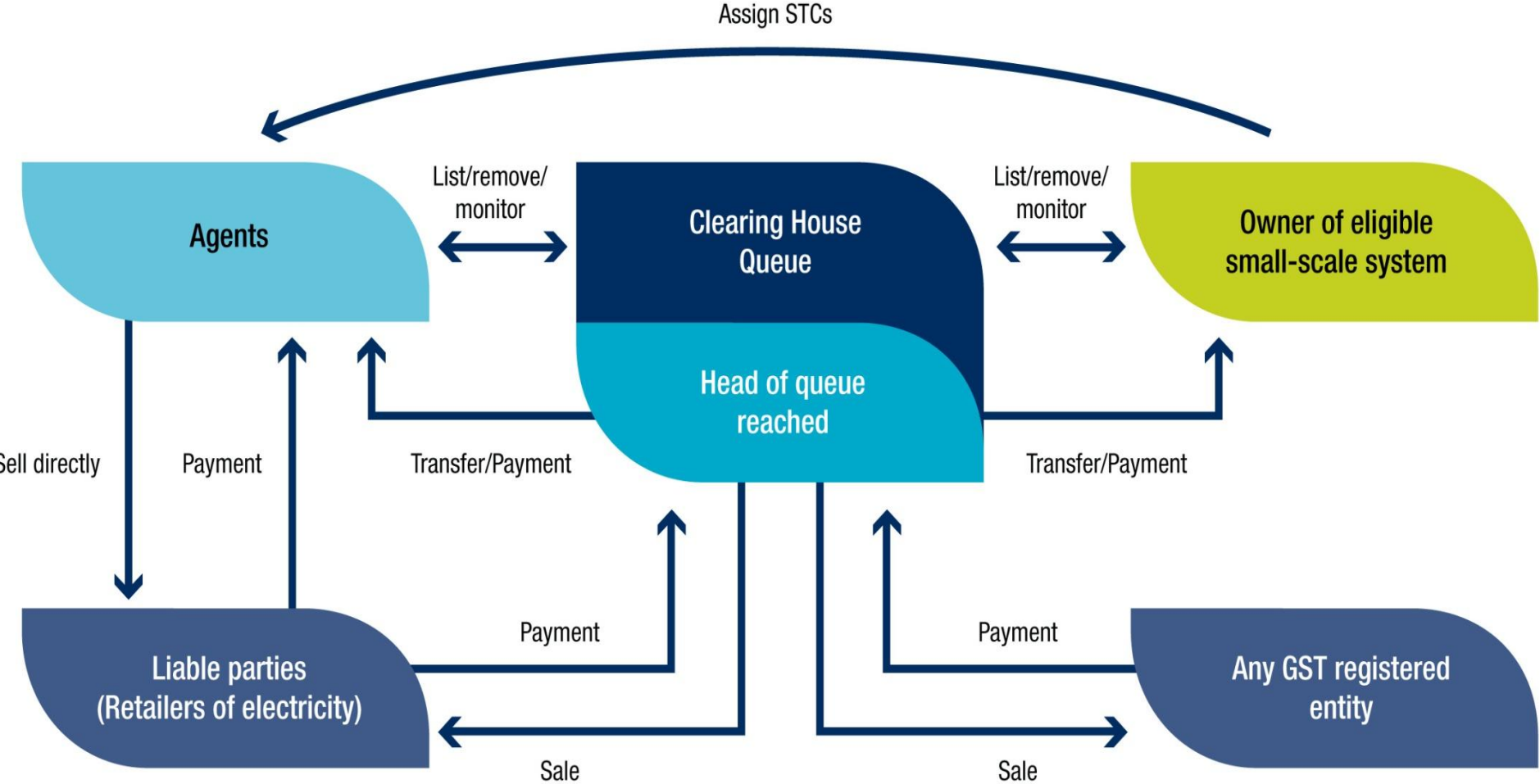
Scheme - 1 January 2011

Clearing House – 4 January 2011

Options for purchasing STCs



STC Clearing House process



Sellers of STCs

STC Clearing House

1. Register through the REC Registry to sell STCs through the STC Clearing House for a set price
 - Currently the set STC price is \$44 per STC (incl GST). This is subject to section 30LA of the Act
2. Apply under section 30K of the Act to sell STCs
 - STCs can then be entered into the transfer list (section 30L)



Sellers of STCs

STC Clearing House

3. Can view their place in the STC Clearing House transfer list
4. Can request the Regulator to remove their offer from the transfer list at any time
5. Once payment has been received from the purchaser the transfer cannot be stopped or reversed



Liabile Parties

Purchasing from the STC Clearing House

Step 1: Registration as a qualified purchaser

1. Complete Proof of Identity (POI) process and input details on the ORER website
 - Company and CEO equivalent details.
2. Enter additional details.
 - Bank account details
 - GST status – must register.

Liabile Parties

Purchasing from the STC Clearing House

Step 2: Purchasing STCs listed

1. Apply to purchase STCs at a cost of \$44 (incl GST) per STC
2. Immediately receive invoice advice - notice that you will need to pay on
3. Money paid. Once payment is made for STCs the transaction cannot be stopped or reversed
4. Money is received in ORER Clearing House bank account
5. Receive a tax invoice/receipt. Include details of STC numbers purchased and moneys refunded
6. If sellers not registered for GST liable entities will be refunded \$4 per STC

Regulator Created STCs

Step 2: Purchasing STCs if none in the STC Clearing House

1. If there are no STCs available on the transfer list when the liable entity applies to purchase STCs, the Regulator must create STCs for the liable entity (section 30P)
2. Immediately receive invoice advice - notice that you will need to pay on
3. Money paid. Once payment is made for STCs the transaction cannot be stopped or reversed
4. Money is received in ORER Clearing House bank account
5. When issued with Regulator created STCs a tax invoice/receipt will be issued, including Regulator created STC numbers purchased

STC Clearing House – Legislation requirements

- Relevant sections of the Act are 30H – T
- The Regulations may prescribe information relating to the STC Clearing House under section 30U
 - Regulations are currently being drafted, including a number of deadlines that must be adhered to if purchasing STCs from the STC Clearing House
 - Details will be provided on the ORER website when available



STC Clearing House price review – Section 30LA of the Act

- Minister able to seek independent advice on matters relating to STCs under the SRES including whether a \$44 (incl GST) STC Clearing House price remains appropriate over time



Questions



Small-scale Renewable Energy Scheme (SRES)

2011 AEAS and shortfalls

Prue Brooks

Liability Assessment Manager



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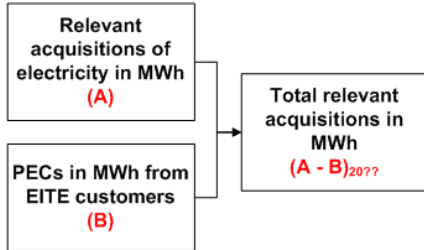
What will be discussed

- Shortfalls and penalties – overall
- Deadlines for STC surrender, AEAS lodgement and subsequent forms
- Explanation of the STP and what it does
- **Determining and calculating STC surrender requirements**
- **What ORER does each Quarter**
- **What Liable entities do each Quarter**
- Small-scale Technology Shortfall Charge (STSC)

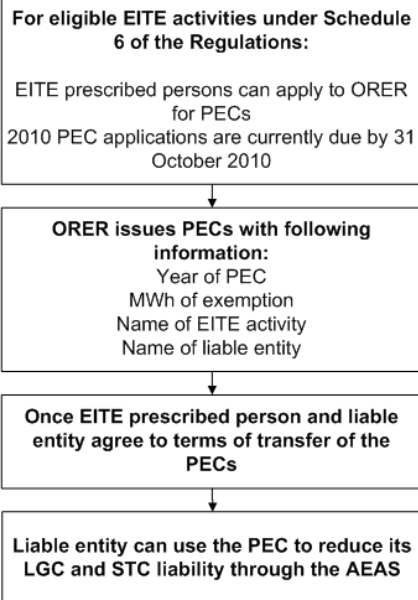


Your compliance requirements for the next 2 years

Relevant acquisitions – PECs in MWh = Total relevant acquisitions



How liable entities obtain PECs for AEAS lodgement processes



2010 AEAS

2010 LGC liability 2010 AEAS	$(A - B)_{2010} \times RPP_{2010}$ Surrender LGCs between 1 January – 14 February 2011 Pay LGC shortfall charge of \$65 / LGC Shortfall charge is redeemable within 3 years
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2011 liability year

Required surrender amounts for 2011 Quarters 1 – 3 surrender Determined once the 2010 AEAS is lodged

Quarter 1 2011 STC liability 1 January – 31 March 2011 reporting period	$35\% \text{ of } (A - B)_{2010} \times STP_{2011}$ This equals your required surrender amount STCs must be surrendered to meet the required surrender amount . If STCs not surrendered to meet the required surrender amount you will have a STC shortfall payable with the 2011 AEAS Surrender STCs between 15 February – 28 April 2011
Quarter 2 2011 STC liability 1 April – 30 June 2011 reporting period	$25\% \text{ of } (A - B)_{2010} \times STP_{2011}$ This equals your required surrender amount Surrender STCs between 29 April – 28 July 2011
Quarter 3 2011 STC liability 1 July – 31 September 2011 reporting period	$25\% \text{ of } (A - B)_{2010} \times STP_{2011}$ This equals your required surrender amount Surrender STCs between 29 July – 28 October 2011

2011 AEAS for LRET and SRES

Quarter 4 2011 STC liability 2011 AEAS	$(A - B)_{2011}$ (<i>assessment year's reduced acquisitions</i>) $\times STP_{2011}$ minus Surrendered STCs from Quarters 1 – 3 (regardless of the number of STCs you have surrendered against your Quarter 1 – 3 required surrender amounts) Surrender STCs between 29 October 2011 – 14 February 2012 Pay STC shortfall charge of \$65 / STC STC shortfall charge cannot be redeemed
2011 LGC liability 2011 AEAS	$(A - B)_{2011} \times RPP_{2011}$ Surrender LGCs between 1 January – 14 February 2012 Pay LGC shortfall charge of \$65 / LGC Shortfall charge is redeemable within 3 years

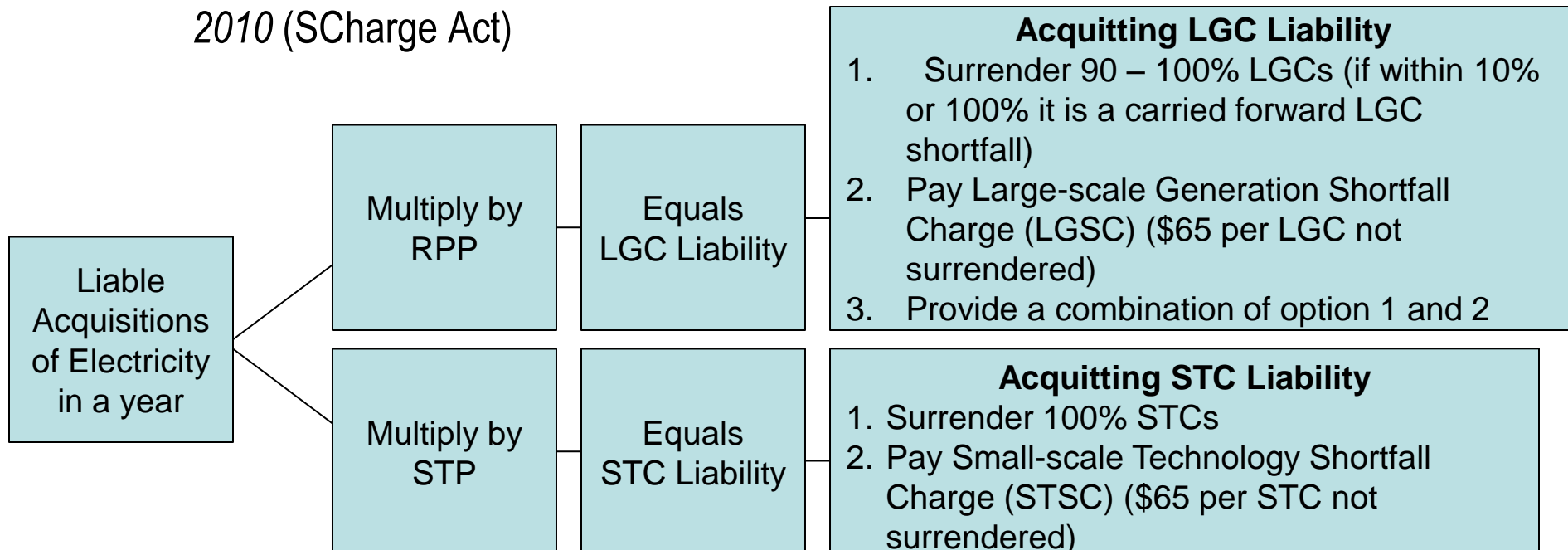


Imposing Penalties under the Act

Shortfall charges are determined by the *Renewable Energy (Electricity) (Charge) Act 2000 (Charge Act)*

On 1 January 2011 the Charge Act will be split into:

- *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000 (LCharge Act)*
- *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010 (SCharge Act)*



Imposing Penalties under the Act

Shortfall charges in \$. *On 1 January 2011 the Charge Act will be split into:*

- LCharge Act = Large-scale Generation Shortfall Charge (LGSC)
 - \$40 per LGC not surrendered for the 2001 – 2009 compliance years
 - \$65 per LGC not surrendered for the 2010 and future compliance years
 - LGSC is redeemable
- SCharge Act = Small-scale Technology Shortfall Charge (STSC)
 - \$65 per STC not surrendered for the 2011 and future compliance years
 - STSC is NOT redeemable
 - STC price through STC Clearing House is \$44 (incl GST)



Imposing Penalties under the Act

- Interest charge applied to shortfall charges for both LRET and SRES. (section 70)
 - This refers to the general daily interest rate on unpaid shortfall charges.
- If AEAS is not lodged. Default assessment applies for LRET and SRES.
- Penalty charge for failure to provide AEAS applies for both LRET and SRES (Part 9)
 - This is 2x the charge rate



Questions



Two types of surrender

LRET

- Business as usual
- Surrender of LGCs
- Annual

SRES

- New requirements
- Surrender of STCs
- Quarterly



Setting the 2011 STP

The Regulator anticipates to calculate and set the STP (section 40A) in the same manner as the RPP as a large proportion of the information needed to determine the STP is also used to determine the RPP



What does the STP do?

In general terms the STP:

- establishes the rate of liability for SRES
- removes STCs created in the given year from the market
- must be published in the Regulations prior to **31 March** of the year in which it applies
- Section 40A (2) provides a default formula to calculate the STP if the Regulator does not set the STP. Applies from 2012.



Setting 2012 and 2013 estimate STP

1. The Regulator to publish an estimate of the STP for the next 2 years before **31 March** of the current year (section 40B)
2. The estimate does not bind the Regulator and can be adjusted when the current year STP is calculated



Lodge 2010 AEAS

Liable entities

1. Need to lodge the 2010 AEAS on or before 14 February 2011
2. Surrender LGCs (previously RECs)
3. Or pay the Large-scale Generation Shortfall Charge (previously the Renewable Energy Shortfall Charge (RESC))



Determining the *required surrender amount*

ORER advises that liable entities:

Wait for the Regulator to estimate ***required surrender amount*** of STCs for Quarter 1 – 3 (section 40C)

Regulator has determined the *required surrender amount* – variable scenarios

OPTIONS for requesting *required surrender amount*

1. Apply to have amount apply instead of *previous year's reduced acquisitions* (section 38AF);
OR
2. Apply to have amount apply as if it were *previous year's reduced acquisitions* (section 38AG)
OR
3. If AEAS not lodged then the *default rule* will apply (section 38AH)

Regulator to estimate *required surrender amounts* for Quarters 1 – 3

1. Between 15 March – 14 April the Regulator will provide estimate ***required surrender amounts*** of STCs Quarters 1 – 3 (section 40C(1)) using section 38AE
 - This is assuming that the liable entity provided an AEAS (due date 14 February) before 1 April
2. An estimate given to a liable entity under section 40C does not in any way
 - Bind the Regulator, the Commonwealth or any other person
 - ***Affect the determination of the liable entity's small-scale technology shortfall charge (STSC) for a year***

What is the *required surrender amount*?

How to Calculate the *required surrender amount* of STCs for Quarter 1 – 3 (*General Example*)

1. To calculate the ***required surrender amount*** of STCs for Quarter 1 – 3 the following formulas apply using section 38AE:
 - For Quarter 1, STP X 35% of the ***previous year's reduced acquisitions***
 - For Quarter 2 and 3, STP X 25% of the ***previous year's reduced acquisitions***
2. To determine the ***previous year's reduced acquisitions*** (as reported in the AEAS or applied for under section 38AF or 38AG) the following formula applies:
 - sum of 2010 relevant acquisition in MWh **minus** the sum of PECs in MWh
3. STCs must be surrendered to meet the ***required surrender amounts*** for Quarters 1 – 3
 - If you do not surrender the ***required surrender amounts*** each quarter you will incur a small-scale technology shortfall charge (STSC)

Example 1 – Calculating 2011 STC required surrender amount for Quarters 1 – 3 (assuming you are not short)

2010 sum of relevant acquisitions in MWh (2010 AEAS)	= 250,000 MWh
2010 sum of PECs in MWh (2010 AEAS)	= - 20,000 MWh
<i>Previous year's reduced acquisitions</i>	= 230,000 MWh
STC required surrender amount for 2011 [230,000 x 0.085 (example 2011 STP)]	= 19,550

Quarter	STC <i>required surrender amount</i>
1	6,842.5 = 6,843 STCs (19,550 x 0.35 <i>previous year's reduced acquisitions</i>)
2	4,887.5 = 4,888 STCs (19,550 x 0.25 <i>previous year's reduced acquisitions</i>)
3	4,887.5 = 4,888 STCs (19,550 x 0.25 <i>previous year's reduced acquisitions</i>)
Total	16,619

In this scenario the liable entity has surrendered sufficient STCs to meet liabilities for Quarters 1 – 3 and no STSC will apply for these quarters

Example 2 – Calculating 2011 STC required

surrender amount for Quarters 1 – 3 (assuming you are short)

2010 sum of relevant acquisitions in MWh (2010 AEAS)	= 100,000 MWh
2010 sum of PECs in MWh (2010 AEAS)	= -10,000 MWh
<i>Previous year's reduced acquisitions</i>	= 90,000 MWh
STC required surrender amount for 2011	[90,000 x 0.085 (example 2011 STP)] = 7,650

Quarter	STC <i>required surrender amount</i>	STCs Surrendered	STC Shortfall
1	2,677.5 = 2,678 STCs (7,650 x 0.35 <i>previous year's reduced acquisitions</i>)	2,678	0
2	1,912.5 = 1,913 STCs (7,650 x 0.25 <i>previous year's reduced acquisitions</i>)	1,000	913
3	1,912.5 = 1,913 STCs (7,650 x 0.25 <i>previous year's reduced acquisitions</i>)	1,000	913
Total	6,504	4,678	1,826

In this scenario the liable entity has surrendered insufficient STCs to meet liabilities for Quarters 2 – 3. A STSC will apply for each of these Quarters

- 1,826 STCs x \$65 STSC = \$118,690 payment due with lodgement of 2011 AEAS

STSC is not redeemable

Option 1: *required surrender amount* instead of
previous year's reduced acquisitions

If your relevant acquisitions are going to be higher or lower than the *previous year's reduced acquisitions*.



Option 1 : Apply to have *required surrender amount* instead of
previous year's reduced acquisitions for Quarter 1 – 3

(Section 38AF)

To apply for 2011 under this option the liable entity:

- Must have lodged a 2010 AEAS (due 14 February 2011) before 1 April 2011
- Must lodge the application before 30 September 2011

Application approved

- the liable entity will receive an amount (the *proposed amount* (*i.e. the required surrender amount*)) that must be used for Quarters 1 – 3 surrender purposes instead of the *previous year's reduced acquisitions* (2010 compliance year) for Quarter 1 – 3
- Additional information will be available from the ORER website

Option 2: *required surrender amount* as if it were
previous year's reduced acquisitions

You did not lodge an AEAS for previous year or were
liable for part of the year.



Option 2 : Apply to have *required surrender amount* as if it were the *previous year's reduced acquisitions* for Quarter 1 – 3

(Section 38AG)

To apply for 2011 under this option the liable entity:

- did not lodge a 2010 AEAS (due 14 February 2011) before 1 April 2011.
- did not have a liability in 2010
- were only liable for part of 2010
- amounts maybe proposed (and determined) for different Quarters
- The application must be lodged before 31 December 2011

Application approved

- The liable entity will receive an amount (the *proposed amount (i.e. the required surrender amount)*) that must be used for Quarters 1 – 3 STC surrender purposes as if it were the *previous year's reduced acquisitions* (2010 compliance year) for Quarter 1 – 3
- Additional information will be available from the ORER website

Option 3 : Default rule



Option 3 : If no AEAS lodged for previous year **Default rule for Quarter 1 – 3 (Section 38AH)**

- This section applies if the liable entity
 - did not lodge a 2010 AEAS (due 14 February) before 1 April 2011
 - did not make an application under section 38AG; or
 - the Regulator refused to make a determination under section 38AG
- For Quarters 1 – 3 the Regulator would determine the *previous year's reduced acquisitions* and *required surrender amount*

Option 3 : If no AEAS lodged for previous year Default rule for Quarter 1 – 3 (Section 38AH)

For example:

1. If the liable entity ***made*** relevant acquisitions of electricity in the relevant quarter the Regulator would determine the amount based on your ***assessment year's reduced acquisitions*** (2011 compliance year)
2. If the liable entity ***did not make any*** relevant acquisitions of electricity in the relevant quarter the Regulator would determine a amount of ***zero***

REC Registry surrender function

1. For every Quarter liable entities must surrender STCs for their **required surrender amount** or pay the Small-scale Technology Shortfall Charge.
 - Details of the Quarterly surrender functionality will be provided closer to the time via the websites or emails

Quarter	Liability Reporting Period	STC Surrender Period
1	1 January - 31 March	15 February - 28 April
2	1 April - 30 June	29 April - 28 July
3	1 July - 31 September	29 July - 28 October
4	1 October - 31 December	29 October - 14 February



REC Registry surrender function

For every Quarter:

2. Liable entities must advise ORER of the surrender (section 45 (1)(a)).
 - Details will be provided closer to the time as to how liable entities meet this requirement.
3. ORER accepts STCs offered for surrender and provides notice to the liable entity (section 45 (3) and (4))
4. Liable entities to pay 8 cent STC surrender fee as STCs are accepted for each Quarter (section 45E)



Questions



Key points

- STC liability is calculated on 2011 actual relevant acquisitions and PECs just like the 2010 AEAS process
- If STC surplus, the surplus is carried to 2012



surrender in Quarter 4 – for example 2011 STC liability

To determine the number of STCs to acquit your **actual 2011 STC liability** you will need to use the following steps.

- a. In early 2012 determine your 2011 **assessment year's reduced acquisitions**. This is sum of 2011 relevant acquisitions **minus** sum of 2011 PECs in MWh
- b. **Determine your 2011 STC liability**. **Multiply** the 2011 **assessment year's reduced acquisitions** by the 2011 STP
- c. **Subtract** the **required surrender amounts** for Quarters 1 – 3 (regardless of what was surrendered in each quarter) from the 2011 STC liability
- d. **Answer = your Quarter 4 required surrender amount** to acquit your 2011 STC liability

Revisited – Example 1 – Calculating 2011 STC *required* surrender amount for Quarters 1 – 3 (assuming you are not short)

2010 sum of relevant acquisitions in MWh (2010 AEAS) = 250,000 MWh
 2010 sum of PECs in MWh (2010 AEAS) = - 20,000 MWh
Previous year's reduced acquisitions = 230,000 MWh
STC *required surrender amount* for 2011 [230,000 x 0.085 (example 2011 STP)] = **19,550**

Quarter	STC <i>required surrender amount</i>
1	6,842.5 = 6,843 STCs (19,550 x 0.35 <i>previous year's reduced acquisitions</i>)
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Total	16,619

In this scenario the liable entity has surrendered sufficient STCs to meet liabilities for Quarters 1 – 3 and no STSC will apply for these quarters

Example 1 Continued – Calculating 2011 STC

required surrender amount for Quarter 4 (assuming you are not short)

1. Summary

- The 2011 compliance year ends on 31 December 2011
- Liable entities now have the **sum** of initial 2011 relevant acquisitions in MWh and may have access to initial 2011 PECs in MWh
- The remainder of STCs required to be surrendered is based on the **sum** of the 2011 *assessment year's reduced acquisitions* in MWh

2. Calculate your 2011 STC liability

- 2011 relevant acquisition = 300,000 MWh
 - 2011 PECs = 30,000 MWh
 - 2011 *assessment year's reduced acquisitions* $[300,000 - 30,000] = 270,000$ MWh
- 2011 STC liability $[270,000 \times 0.085 \text{ (2011 STP)}] = 22,950$**



Example 1 Continued – Calculating 2011 STC

required surrender amount for Quarter 4 (assuming you are not short)

3. Calculate your Quarter 4 **required surrender amount** to acquit your 2011 STC liability

- STCs surrendered in Quarters 1 – 3 for 2011 = **16,619**
(this = estimated Quarters 1 – 3 **required surrender amount** 16,619)

STCs required for Quarter 4 required surrender amount $(22,950 - 16,619) = 6,331$

4. End result

1. **6,331** STCs are required to be surrendered for Quarter 4 **OR**
2. Provided STSC payment of **\$411,515** $((6,331) \times \$65)$
(Payment is due with lodgement of the 2011 AEAS) **OR**
3. Provide a combination of STCs and STSC for Quarter 4

STSC is not redeemable



Revisited – Example 2 – Calculating 2011 STC required

surrender amount for Quarters 1 – 3 (assuming you are short)

2010 sum of relevant acquisitions in MWh (2010 AEAS) = 100,000 MWh

2010 sum of PECs in MWh (2010 AEAS) = -10,000 MWh

Previous year's reduced acquisitions = 90,000 MWh

STC required surrender amount for 2011 [90,000 x 0.085 (example 2011 STP)] = **7,650**

Quarter	STC <i>required surrender amount</i>	STCs Surrendered	STC Shortfall
1	2,677.5 = 2,678 STCs (7,650 x 0.35 <i>previous year's reduced acquisitions</i>)	2,678	0
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- 1,826 STCs x \$65 STSC = \$118,690 payment due with lodgement of 2011 AEAS

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Example 2 Continued – Calculating 2011 STC

required surrender amount for Quarter 4 (assuming you are short)

1. Summary

- The 2011 compliance year ends on 31 December 2011
- Liable entities now have the **sum** of initial 2011 relevant acquisitions in MWh and may have access to initial 2011 PECs in MWh
- The remainder of STCs required to be surrendered is based on the **sum** of the 2011 *assessment year's reduced acquisitions* in MWh

2. Calculate your 2011 STC liability

- a. 2011 relevant acquisition = 120,000 MWh
- b. 2011 PECs = 20,000 MWh
- c. 2011 *assessment year's reduced acquisitions* $[120,000 - 20,000] = 100,000$ MWh
2011 STC liability $[100,000 \times 0.085 \text{ (2011 STP)}] = 8,500$



Example 2 Continued – Calculating 2011 STC

required surrender amount for Quarter 4 (assuming you are short)

3. Calculate your Quarter 4 **required surrender amount** to acquit your 2011 STC liability

- a. STCs surrendered in Quarters 1 – 3 for 2011 = **4,678**
(this **does not** = estimated Quarters 1 – 3 **required surrender amount** 6,504)
- b. STSC payment required for Quarters 2 and 3 to acquit STC shortfall
(Payment is due with lodgement of the 2011 AEAS) = **1,826**

STCs required for Quarter 4 required surrender amount $(8,500 - 4,678 - 1,826) = 1,996$

4. End result

1. **1,996** STCs are required to be surrendered for Quarter 4 **plus** provide STSC payment of **\$118,690** (**1,826 X \$65**) **OR**
2. Provided STSC payment of **\$248,430** (**(1,996 + 1,826) X \$65**)
(Payment is due with lodgement of the 2011 AEAS) **OR**
3. Provide a combination of STCs and STSC for Quarter 4 **plus** provide STSC of **\$118,690** (**1,826 X \$65**)

STSC is not redeemable

Timeframes for SRES

For example: What is due on 14 February 2012 for the 2011 compliance year?

2011 Quarter 1 reporting period 1 January to 31 March 2011

From ORER

Notification of 2011 STP and non binding STP estimates for next 2 years will be advised by 31 March 2011

From ORER

ORER is required to notify Liable Entities that lodge a 2011 AEAS of their estimated surrender amounts for Quarters 1 to 3. You will be notified before 15 April 2011

2011 Quarter 1 surrender period 15 February to 28 April 2011

2011 Quarter 2 reporting period 1 April to 30 June 2011

2011 Quarter 2 surrender period 29 April to 28 July 2011

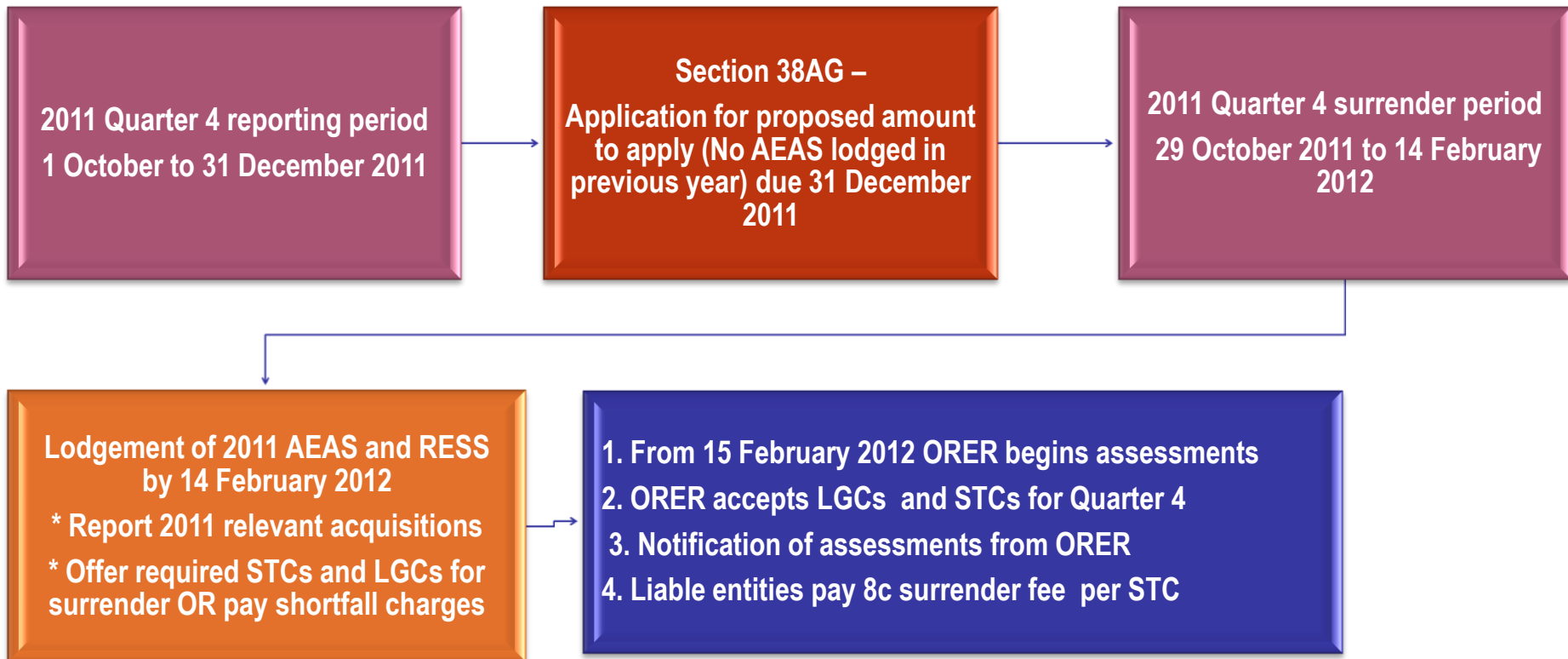
2011 Quarter 3 reporting period 1 July to 30 September 2011

Section 38AF – Application to have another amount apply instead of previous years reduced acquisitions due before 1 October 2011

2011 Quarter 3 surrender period 29 July to 28 October 2011

Timeframes for SRES Continued

For example: What is due on 14 February 2012 for the 2011 compliance year?



What's due on 14 February 2012?

- Lodge the 2011 AEAS
- Provide data for the 2011 compliance year like you do for RET purposes
- Copies of 2011 PECs
 - If your EITE customer(s) do not provide a copy of the PEC to you by the AEAS lodgement date NO exemption will apply
 - However, you may report PEC revisions in the 2012 AEAS
- Surrender STCs between 29 October 2011 – 14 February 2012 for Quarter 4
 - If a liable entity surrenders STCs in addition to the **required surrender amounts** for the relevant quarter.
 - The liable entity will have a carried forward STC surplus for the next quarter, even if it is carried to Quarter 1 in the next year

What STCs can be surrendered to meet relevant quarters under SRES - Section 45D

Liable entities can surrender:

Clearing House STCs

- If purchased from the **STC Clearing House** and no trade has occurred. Creation date does not apply to STC Clearing House STCs. If traded considered REC Market STCs.

STC Market STCs

- Where you purchase STCs from **sellers** the STCs must be created by 31 December 2011 to acquit 2011 STC liabilities



What's due on 14 February 2012?

If you do not surrender STCs or have a STC shortfall for Quarters 1 – 4 you will need to pay Small-scale Technology Shortfall Charge (STSC)

- The STSC is \$65 per STC not surrendered for the 2011 and future compliance years
- If one STC short you will be required to pay the STSC
- The STSC can not be redeemed
- Liable entities that have a shortfall, and the amount of the shortfall, can be made public via section 134 of the Act (this is the media release)



The cycle starts again for the 2012 compliance year

- When the 2011 AEAS is lodged it provides the ***required surrender amount*** for 2012 Quarters 1 – 3
- What's due on 14 February 2013?
 - Everything that has been mentioned;
 - Plus revisions for the 2011 and/or relevant compliance years, if applicable



Summary – Calculating Liability under SRES for 2011

- 2011 Quarter 1 – 3 **required surrender amounts** are calculated on the **previous year's reduced acquisitions** (2010 AEAS)
 - Wait for Regulator (section 40C using 38AE); **OR**
 - Apply under section 38AF or 38AG
- 2011 STC liability for Quarter 4 **required surrender amount** is calculated on 2011 **assessment year's reduced acquisitions** in MWh



Questions



Large-scale Renewable Energy Target (LRET)

2011 AEAS

Julie Steele

Assistant Liability Assessment Manager



Australian Government
Office of the Renewable Energy Regulator

Business as usual



Revisited - What's due on 14 February 2011?

2010 lodgement
14 Feb 2011

If you make relevant acquisitions under the Act you will need to

- Lodge the 2010 AEAS
- Provide data (MWh) for the 2010 compliance year
- If relevant, provide revisions for the 2009 and/or relevant compliance years
- Provide copies of PECs if applicable



Revisited - What's due on 14 February 2011?

2010 lodgement
14 Feb 2011

- Surrender certificates between 1 January – 14 February 2011 (note you will be offering LGCs rather than RECs for the 2010 compliance year compliance requirements)

OR

- Pay Renewable Energy Shortfall Charge (RESC). \$65 per REC not surrendered for the 2010 compliance year



Renewable Power Percentage (RPP)

- The Regulator will continue to determine the RPP in the same manner that has been implemented since the beginning of MRET/RET for LRET
- The Regulator will apply section 39 and 40 of the Act together with the Regulations and the support of the Minister to publish the RPP under regulation 23 of the Regulations



RPP

In general terms the RPP:

- establishes the rate of liability for LRET
- is set to achieve the interim targets specified in the legislation
- must be published in the Regulations prior to 31 March of the year in which it applies. If this does not happen then Section 39 (2) provides a default formula to calculate the RPP



RPP

- 2010 RPP is set at 5.98%
- 2011 RPP is yet to be set, however, the default is **4.98%**



Calculating Liability under LRET

To determine your *LGC liability* you:

- Sum of *relevant acquisitions* in MWh, **minus**, sum of *PECs* in MWh (if applicable)
- This gives your *total relevant acquisition*
- Multiply your *total relevant acquisition* by the *Renewable Power Percentage (RPP)*
- You now know your *LGC Liability*

Only difference – introduction of PECs

Surrendering LGCs under LRET

- Only LGCs created before 31 December can be used to acquit the LGC liability (section 45D)
- LGCs must be surrendered between 1 January and 14 February (section 44)



Discharging your LGC Liability

1. LGC liabilities can be acquitted by Surrendering LGCs; OR
2. Paying the LGSC (\$65 per LGC not surrendered)
 - If a liable entity has a LGC shortfall:
 - Within 10% (carried forward LGC shortfall); OR
 - More than 10% (LGSC applies to amount of LGCs not surrendered)
3. Liable entities that have a shortfall, and the amount of the shortfall as a proportion of the liable entities shortfall, can be made public via section 134 of the Act (this is the media release)



Redeeming LGSC under LRET

If a liable entity has paid a LGSC, the liable entity may redeem the LGSC within 3 years after the liable entity paid the LGSC by surrendering additional LGCs (Section 95 (2) of the Act)

For example, if a liable entity paid a LGSC in 2012 for a 2011 LGC liability, the liable entity could surrender LGCs in the 2013, 2014, or 2015 surrender period to redeem the LGSC. Once the REC Registry surrender function closes on 14 February 2015 the liable entity will not be able to surrender LGCs and redeem the 2011 LGSC paid in 2012.



What's due on 14 February 2012?

- Lodge the 2011 AEAS
- Provide data for the 2011 compliance year like you do for RET purposes
- If relevant provided revisions for the 2010 and/or relevant compliance years
- Copies of 2010 PEC revisions, if applicable
- Copies of 2011 PECs
- Surrender LGCs between 1 January 2012 – 14 February 2012

OR

Pay Large-scale Generation Shortfall Charge (LGSC)

Questions



Other updates

Prue Brooks

Liability Assessment Manager



Australian Government
Office of the Renewable Energy Regulator

Biennial review every two (2) years

Section 162 allows the Act to be reviewed every two years from 30 June 2012

- A report detailing the outcomes of the review must be provided to the Minister by 31 December in that year, ie 31 December 2012
- After receiving the report the Minister has 15 parliamentary sitting days to table the report in parliament



Publishing information as required by the legislation on the ORER website

- The Act and Regulations now make the ORER publish information on the ORER website
- This information contains generic liable entity information similar to naming liable entities who did not comply through LGC/STC surrender through the REC Registry



Publishing information – Act

A list of publications prescribed by the Act include:

1. Section 40 – Publish amendments to the LRET targets by increasing 2012 – 13, and reducing 2016 – 19 if RECs registered are in excess of 34.5 million for 2010
2. Section 40B – Publish STP estimate for next 2 years
3. Section 134 – Liable entities who did not comply through LGC/STC surrender through the REC Registry



Publishing information – Act

4. Section 38C – Listing liable entities that receive PECs for a compliance year, before 1 October in the following year, including:
- The value in dollars, estimated by the Regulator, of the amount of the entity's PECs for the year
 - The name of each of the EITE activities set out in the partial exemption certificates to which the partial exemption relates is required
 - If a liable entity's partial exemption is later assessed with an amendment the list will also be amended



Other Surrender

- Prior to the 2010 legislative change anyone could voluntarily surrender RECs for any reason throughout the calendar year under section 28A of the Act
- This is still the case, however, “voluntary surrender” will be a subcategory “Other Surrender” in the REC Registry
- The REC Registry will be updated to reflect changes to voluntary surrender terminology in line with the Act. This includes making offers in the LGC Registry and STC Registry for any documented reason



Other Surrender

‘Other Surrender’ now refers to

- “Voluntary”

- Voluntary surrender is accessible under the relevant REC Register and can include voluntary surrender for any purposes including GreenPower purposes

- “Non-Compliance”

- Registered persons who create or register certificates that are found to contravene relevant sections of the Act may be required to surrender certificates under the relevant civil penalty provisions, orders or enforceable undertaking sections of the Act (section 154Q – part 15 A) throughout the year.

Volunteers required for testing

- As documented through this presentation
 - The REC Registry is currently undergoing major changes to its functionality
 - Not to mention a STC Clearing House is being developed
- As a result, ORER is seeking interested liable entities or individuals who have time and resources to test these changes



Volunteers required for testing

- Testing will provide a great opportunity to
 - have a sneak peak at the changes
 - start to develop your business processes around the changes
 - suggest changes
 - help identify problems



Volunteers required for testing

- Time frames
 - You can test as little or as much as you like after you are notified that the test site is available
 - Test cases and system documentation will be provided
 - Testing will be done in 2 week blocks over a period of a few months.



Volunteers required for testing

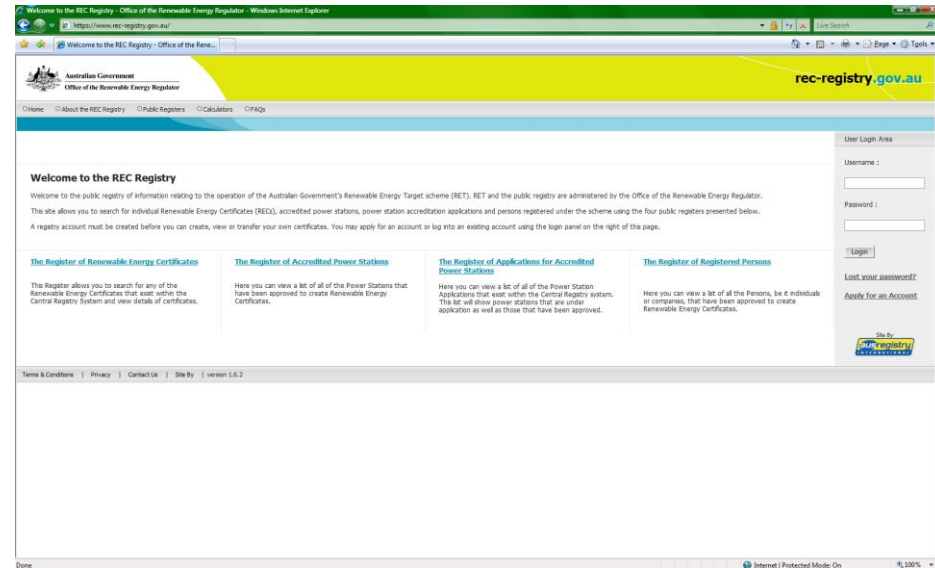
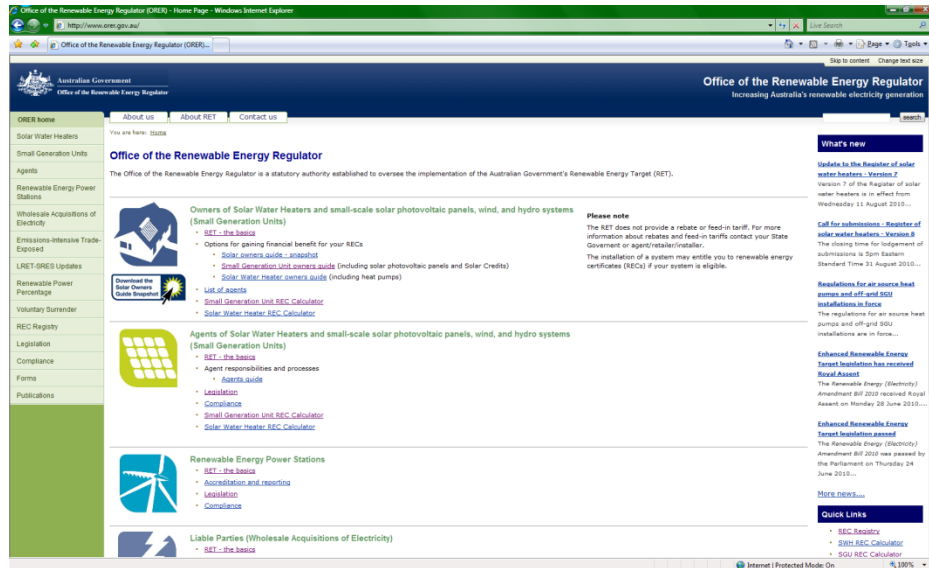
- How do you nominate yourself for testing
 - By providing your interest in the feedback forms
 - Reply to an email from the REC Registry requesting volunteers (soon)
- Not everyone who volunteers will necessarily test new functionality.



Further Information

www.orer.gov.au

www.rec-registry.gov.au



- Provides information on
- Act and participation
 - Forms and fact sheets
 - Media releases
 - Annual reports
 - Certificate reports

Is your portal to LGCs and STCs and the STC Clearing House

Implementation

1. Please ensure you are aware of relevant:
 - REC Surrender periods
 - Application lodgement dates
 - Statement lodgement dates
2. Please seek your own legal advice



Implementation

- ORER website will contain further updates
- LRET/SRES updates page. Will be updated with regulatory changes
- REC Registry users will be notified via their REC Registry email. Make sure all details are up-to-date
- Will provide notice when supporting regulations are available
- Start your business planning



Questions Feedback form

