



Annual Review of Regulatory Burdens on Business
Productivity Commission
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**Department of Climate Change comments on the Productivity Commission
Draft Research Report - *Annual Review of Regulatory Burdens on Business: Social
and Economic Infrastructure Services***

The Department of Climate Change welcomes the opportunity to respond to the Productivity Commission's Draft Research Report - *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, released on 26 June 2009. The Department's comments address the draft report's recommendations on energy retail price control and reporting obligations and provide some additional information regarding the Renewable Energy Target and solar feed-in tariffs. The comments bring together suggestions from several areas within the Department.

The Department of Climate Change hopes the comments will assist in the production of a high quality final report. This represents the first submission by the Department to the *Annual Review of Regulatory Burdens on Business* and we look forward to working with the Commission on subsequent reviews in future years.

Yours sincerely

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Department of Climate Change (DCC) comments on: the Draft Research Report - *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*

[Note: All responses pertain to recommendations in Chapter 5 of the Review: electricity, gas, water and waste services]

COMMENTS ON RECOMMENDATIONS - ENERGY RETAIL PRICE REGULATION

Draft Recommendation 5.1:

“The Australian Energy Market Agreement should be amended to:...

- include a clear and specific commitment to ensuring energy cost increases associated with the CPRS and other climate change mitigation measures will be passed through to end-use consumers.” [p.164]

Draft Recommendation 5.2:

“The Ministerial Council on Energy should commission ongoing work involving the states and the Australian Energy Market Commission to consider how the cost identification process used by existing regulators in each state will need to be modified to be responsive to changes in costs as a result of the Carbon Pollution Reduction Scheme. This work would be contingent on decisions taken by government to ensure pass through of energy cost increases, as outlined in Draft Recommendation 5.1, during a transition period until retail price regulation is abolished.” [p.165]

DCC comment:

The Department of Climate Change recognises retail prices and carbon cost pass through as an issue, and that it is subject to an ongoing review by the Australian Energy Market Commission (AEMC). The Department notes that in April 2009, the Council of Australian Governments (COAG) agreed the Australian Energy Market Agreement be amended to specify that, where retail prices are regulated, energy cost increases associated with the Carbon Pollution Reduction Scheme (CPRS) will be passed through to end-use consumers. The Department also notes that in July 2009, COAG signed a revised Australian Energy Market Agreement to specify that, where retail prices are regulated, energy costs associated with both the CPRS and the Renewable Energy Target (RET) would be passed through to end use consumers.

COMMENTS ON RECOMMENDATION - REPORTING OBLIGATIONS

Draft Recommendation 5.3

“All levels of government need to work cooperatively to reduce the burden associated with reporting obligations by:

- eliminating unnecessary requests for information, including where possible reducing the frequency of requests
- where appropriate, and agreed with business, sharing information between regulators
- standardising the language and forms used, and the type of data requested and wherever possible aligning reporting obligations with existing company data gathering and reporting
- facilitating on-line submission of information.

Reforms to reporting obligations impacting on energy, water and waste services should, as far as possible, be consistent with the systems being developed as part of Standard Business Reporting (SBR) so as to facilitate an extension of the SBR taxonomy and the use of SBR services for report creation and delivery in those sectors in the future.” [p.168]

DCC comment:

The Department of Climate Change agrees with Draft Recommendation 5.3 and is currently taking a number of steps to reduce the burden associated with reporting obligations for climate change measures. Details of these activities are outlined below. The Department also notes that some of the information included in Chapter 5 of the Draft Research Report is misleading or out of date. Comments on these elements are provided as additional comments in the next section.

The Department is currently in the process of establishing a single regulatory body for three areas of climate change regulation to allow for more effective and efficient reporting by participating entities. The new regulator, the Australian Climate Change Regulatory Authority (ACCRA), will be established upon passage of the Carbon Pollution Reduction Scheme Bill 2009. ACCRA will administer the National Greenhouse and Energy Reporting System (NGER System), the Carbon Pollution Reduction Scheme and the Renewable Energy Target. This rationalisation will allow for standardisation of all aspects of reporting for these measures.

In addition, Commonwealth, state and territory governments are working together through the Council of Australian Governments (COAG) to streamline reporting of greenhouse gas emissions and energy data through a single national reporting point, the NGER System. The NGER System is underpinned by the *National Greenhouse and Energy Reporting Act 2007*.

In February 2009, as part of the ongoing streamlining agenda for the NGER System, Commonwealth, state and territory governments agreed to a nationally consistent approach for existing and future greenhouse and energy programs, outlined in the *National Greenhouse and Energy Reporting Streamlining Protocol* (attached).

State and territory governments are also in the process of amending mandatory and voluntary reporting requirements to streamline data collection for their programs with the NGER System. The Department is currently undertaking substantial developments to the online reporting tool for greenhouse and energy reporting (OSCAR) to ensure it is ready for the significant increase

in the number of entities reporting through the tool. Further development on OSCAR to support the approach outlined in the *National Greenhouse and Energy Reporting Streamlining Protocol* will commence in the second half of 2009.

The COAG objective to streamline greenhouse and energy reporting requirements to reduce the red tape created by multiple and varying program reporting requirements is closely aligned with that of the Standard Business Reporting (SBR) initiative led by Treasury. At this stage, however, the SBR initiative is only focused on financial reporting.

ADDITIONAL COMMENTS ON CHAPTER 5 – ELECTRICITY, GAS, WATER AND WASTE SERVICES

Draft Recommendation 5.3 - additional comments on OSCAR

“While OSCAR is operational, it would appear that further development is required in order to address business concerns:

Packaging Council of Australia: ‘This has long been presented as the key reporting tool through which energy and water tracking will be streamlined and made more efficient and effective. In reality the system has been under development and consultation for a number of years, it is still limited in its use, is not compatible with State-based requirements and requires the allocation of significant resources and training.’” [p.168]

DCC comment:

The OSCAR application has been developed to meet the objectives of calculating and generating energy and emissions reports to various government programs, many of these with differing reporting requirements. The Department is leading a project to streamline the reporting requirements of various state-based programs through COAG over the next few years, in line with the recently released *National Greenhouse and Energy Reporting Streamlining Protocol*.

To assist corporations meet their greenhouse and energy reporting obligations under the NGER Act, the Department’s Greenhouse and Energy Data Office conducted OSCAR training sessions around the country in June and July 2009. In addition, a new suite of user guides and e-learning material have been developed and released in the last year to better facilitate and support users with the application. These are updated and maintained at minimal cost.

Draft Recommendation 5.3 – additional comments on multiplicity of climate change policies and programs

“At its November 2008 meeting, COAG endorsed a set of principles and a process for jurisdictions to review and streamline their existing climate change mitigation measures, with the aim of achieving a coherent and streamlined set of climate change measures in 2009.”

“Notwithstanding COAG commitments and support for these principles, new measures are being introduced or existing measures expanded that do not appear to be consistent with the agreed framework, for example, the expanded Renewable Energy Target Scheme and solar feed-in tariff schemes.” [p.172]

DCC comment:

The Strategic Review of Australian Climate Change Programs ('the Wilkins Review') completed in July 2008 assessed all Australian Government climate change programs against a set of principles to determine whether they would be complementary to an emissions trading scheme. The principles aligned with those endorsed by COAG in November 2008 for jurisdictions to review and streamline their existing climate change mitigation measures, with the aim of achieving a coherent and streamlined set of climate change measures. The Wilkins Review made recommendations on existing Commonwealth programs as to whether they were complementary, transitional or non-complementary to the Carbon Pollution Reduction Scheme (CPRS).

Of the 62 programs reviewed during the Wilkins Review, four had ceased by the conclusion of the Review in July 2008 and an additional 13 programs were scheduled to cease by June 2010. The Government has rationalised the delivery of the remaining climate change programs to more effectively combat climate change and better support the CPRS.

The Wilkins Review recommended that the Renewable Energy Target (RET) should be regarded as a transitional program and that superseded subsidy and rebate measures that support the renewable industry should be phased out. The Government has since, in June 2009, concluded the Solar Homes and Community Program, which previously provided support for installation of solar panels. It also announced, in June 2009, the phased conclusion of the Remote Renewable Power Generation Program.

Electricity generation accounts for more than one-third of Australia's current greenhouse gas emissions, and Australia's transition to a low pollution future will require a significant transformation in this sector. While the Carbon Pollution Reduction Scheme (CPRS) will help bring renewable energy technologies into the market over time, the RET will accelerate their uptake. This will help to transition the energy sector to lower carbon production earlier than would otherwise occur. The RET scheme has been designed to operate in tandem with the CPRS and as a transitional measure, the RET will conclude in 2030, at which time the CPRS is expected to be the primary driver of renewable energy.

Draft Recommendation 5.3 – additional comments on solar feed-in tariffs

"As is the case with renewable energy schemes more generally, feed-in tariff schemes need to be re-examined in the context of a broader consideration of climate change and energy efficiency/greenhouse reduction strategies and specifically the introduction of a CPRS.

The Commission has previously expressed some doubt about the efficiency, in the context of an emissions trading scheme, of mandatory renewable energy targets and interventions that distort markets by favouring particular technologies. However, should such measures be retained, at a minimum, government should commit to a timetable for achieving a harmonised national solar feed-in tariff scheme." [p.175]

DCC comment:

The Commonwealth has driven a process through COAG to consider harmonisation of feed-in tariff schemes. As a result, COAG agreed on 29 November 2008 to a set of national principles to apply to new feed-in tariff schemes and to inform reviews of existing schemes with the aim of promoting scheme consistency across Australia. COAG tasked the Ministerial Council on Energy (MCE) with the development of a work program to promote the set of national principles; MCE agreed a work program on 10 July 2009.