

LBL Review
Regulatory Reform & Advice Branch
Environment Protection Authority
PO Box A290
SYDNEY NSW 1232

By email: LBL.Review@epa.nsw.gov.au

23 December 2016

Review of the Load-based Licensing Scheme

Sunset Power International t/a Delta Electricity (Delta) welcomes the opportunity to make a submission to the New South Wales (NSW) Environment Protection Authority (EPA) on the Review of the Load-based Licensing Scheme Issues Paper (the Issues Paper).

Delta owns and operates Vales Point power station on the NSW Central Coast under Environment Protection Licence (EPL) No. 761, which functions within the existing Load-based Licencing (LBL) Scheme, and Delta agrees with the need to review the LBL scheme's efficiency and effectiveness since its inception since 1999 with respect to its objectives in Clause 13 of the *Protection of the Environment Operations (General) Regulation 2009* (POEO Regulation).

Delta is a member of the Australian Energy Council (the Energy Council), which is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Delta has contributed to the preparation of the Energy Council's submission in response to the LBL Scheme Review, which has been made separately. Therefore, Delta does not propose to make its own detailed submission and instead wishes to advise that it endorses the Energy Council's submission. This letter instead reiterates the key points identified from the assessment in the Energy Council submission:

- The *Protection of the Environment (Clean Air) Regulation 2010* and related licence conditions, e.g. pollution reduction programs (PRPs), have been more effective mechanisms at driving real emissions reductions for the large NSW generators since the introduction of the LBL scheme;
- Further increases in LBL fees would provide no additional incentive to Delta for further abatement of emissions but instead potentially syphon limited funds away from existing environmental improvement programs and the adoption of cleaner technologies;
- There is the potential for unintended perverse consequences for increases in LBL fees for NSW generators, such as risk worsening environmental outcomes more broadly across the National Electricity Market (NEM);
- The Issues Paper has mischaracterised the 'optimal' fee settings required for efficiency;

- There are risks to efficiency if fees can't capture the wide variability in external costs;
- There are risks to equity in terms of treating emitters consistently, and from a broader societal perspective if the incidence of fee increases affects lower income households;
- Any further adjustment to fee levels should be based on robust evidence and the Issues Paper does not appear to have made a strong case for increasing fees on the electricity sector. Indeed, there may be a case to reduce fees on the NSW generators, or even 'decouple' the NSW generators from the LBL Scheme, and instead seek any potential further abatement from the NSW generators through targeted cost effective emission mitigation through regulation by way of (PRPs) and environmental improvement projects (EIPs), which have historically proven more effective tools in reducing emissions from the NSW generators;
- Any proposed changes to LBL fees targeting further reductions from NSW coal-fired generators, prior to the completion of the *Clean Air for NSW* Consultation paper proposed project to '*benchmark international best practice emission controls for coal-fired power stations*' would be premature and/or contrary to the intent of the *Clean Air for NSW* plan and the objectives of Clause 13 in the POEO Regulation.
- The NSW '*Climate Change Fund Draft Strategic Plan*', released by the Office of Environment and Heritage in November 2016, acknowledges that the transition from coal-fired generation in NSW is already underway and that "*leading energy companies are signalling closure dates for existing assets*" with plants scheduled for closing over the next 5 to 20 years. This suggests that any further increase in the NSW generators' LBL fees would simply impose a tax on the NSW generators, while being ineffective in providing additional incentives to reduce emissions; and
- Additional LBL fees of the order to incentivise real additional emission abatement could lead to the premature and disorderly closure of NSW generators, as costs are unlikely to be recovered over the remaining operating life of the power stations, which could have negative implications for NSW energy security and prices.

Delta welcomes the opportunity to engage closely with the EPA throughout the review. Any questions about our submission should be addressed to Bryan Beudeker, Manager Environment - Strategy & Compliance by email to Bryan.Beudeker@de.com.au or by telephone on (02) 4352 6476.

Yours faithfully



Justin Flood
Executive Manager Sustainability