Summary of Public forum

2024 Review of Cost Benefit Analysis (CBA) and Regulatory Investment Test (RIT) Guidelines – Valuing emissions reduction benefits

Meeting details

- Held on 14 May 2024, online, 3-5pm
- Approximately 70 people attended the session, including a mix from consumer advocacy groups, market bodies, consultancies, government departments and other interested individuals
- The forum was opened by Anthea Harris, CEO AER, followed by presentations from ACIL Allen consultants and a Q&A session facilitated by AER staff.
- Presentation slides are available on the project page of the AER's website.

Purpose

The Australian Energy Regulator (AER) scheduled consultative forums to discuss proposed changes to a set of guidelines used by proponents of new electricity transmission projects; the 2024 Review of the cost benefit analysis and regulatory investment test guidelines.

This forum was the first of four public forums, and focused on the positions set out in the consultation paper released on 24 April 2024 around valuing an emissions reduction benefit in the cost benefit analyses for the ISP, in a RIT-T, and in a RIT-D.

This document provides an overview of the main points discussed and questions raised during the forum.

Overview

The aim of the forum was to inform stakeholders and facilitate a discussion on VER to assist in the development of written submissions and to directly source questions and feedback on the content and positions of the consultation paper to be used in the drafting of amendments.

Questions were submitted to staff through a moderated chat. Stakeholders also provided questions through a separate channel that were considered following the forum.

The main points of feedback from this session were:

- Amendments should be tailored to target the specific scope of emissions we are planning to reduce in running the NEM.
- When addressing the scope of emissions guidelines review specific illustration on the scope of included emissions should be used.
- To be useful to proponents, the guideline should contain concise language and worked examples.

Summary of questions and answers

Many of the questions received during the forum were practical in nature, focusing heavily on how the VER would work when implemented. Some other comments focused generally on specific outcomes and scenarios.

Greater clarity

Some participants asked for clarification of parts of the consultation paper and **identified the need for greater explanation and more worked examples**.

There were questions and comments from stakeholders that raised the need to be **clear in how VER will be valued and the VER scope** (especially when compared to existing carbon budgets) when it is implemented in the guidelines.

Intended effect

Stakeholders asked if VER was intended to **accelerate emissions reduction beyond current targets, or designed to aid in achieving existing targets**, noting its interaction with carbon budgets. Further, the AER was asked to comment on emissions reduction follow-ons for network pricing and policies, e.g. where tariffs are used to support solar uptake and use via batteries.

Additionally, given the NEO applies to Australian emissions, stakeholders queried if materials and assets like solar panels sourced and built elsewhere may be accounted for, and what the unintended effects of this may be.

Stakeholders suggested that the language of the guidelines could be changed from **'market benefits'** to **'social and market benefits'** to better represent those impacted by these projects and decisions, as well as the approaches taken by different jurisdictions for VER activities. *Note: the classes of market benefits are defined in the National Electricity Rules.*

Process for implementation of the VER

Stakeholders asked for clarification of **AEMO's role and responsibilities in implementing an interim VER** in the final 2024 ISP before these guidelines are released and whether the AER has input.

Implementation in the guidelines

There were questions that implied a need to build **understanding in how the VER will operate** in the guidelines, which further highlights the need to be particularly clear when writing the draft amendments as they relate to the VER.

As noted above, stakeholders questioned the mechanics of generator cost and VER, highlighting the **need to include worked examples** in the draft amendments with adequate opportunity to re-engage.

The potential for **double counting of emissions reduction benefits** was a recurring query from attendees, where there is some question about how much benefit from other sectors or downstream benefits should be recognised in the CBA.

Questions on the double counting of emissions in different ‘scopes’ were specifically raised relating to an image presenting ‘scope 1’ as direct emissions, ‘scope 2’ as indirect emissions relating to the use of generated electricity and ‘scope 3’ encompassing additional emissions from sourcing the means to produce the electricity and dispose of any outputs, noting the image from the slides presents a private business, not the NEM. Participants noted that it would be clearer to use a specific descriptions or illustration of the scopes of emission in the context of the guidelines.

Additionally, it was questioned whether **VER would be used for emissions of gases other than carbon dioxide** given sulphur hexafluoride (SF_6) emissions could be relevant in some cases, e.g. repex RITs, and noting these reductions could justify changing to switchgear that doesn’t use SF_6 despite the cost being higher. *Note: the interim VER is stated as CO_2-e, so this question relates to preserving the flexibility for proponents to include emissions where material and relevant.*

Further it was questioned **if VER will have its own indexation rate** and how indexation would work over the life of the project. One stakeholder question was not clearly about indexation, but about whether one value of VER applied to the whole project rather than one value per calendar year. *Note: this has been clarified in the VER guidance note.*