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Greenhouse and Energy Reporting Taskforce
Department of Climate Change
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Dear Sir/Madam

NATIONAL GREENHOUSE AND ENERGY REPORTING SYSTEM – REGULATIONS POLICY PAPER

Verve Energy welcomes the opportunity to comment on the draft Regulations Policy Paper on the National Greenhouse and Energy Reporting (NGER) System.

Verve Energy is a state government owned electricity generating company supplying electricity to the South West Integrated System in Western Australia. We were created in April 2006 when Western Power separated into four businesses. Our installed capacity is over 3200 MW, and consists of coal and gas fired conventional generation as well as some renewable generation, mainly wind.

Verve Energy and its predecessor, Western Power have been members of Greenhouse Challenge Plus since 1997. Since then we have submitted annual reports of our greenhouse gas emissions and energy use as part of Generator Efficiency Standards (GES), National Greenhouse Gas Inventory (NGGI) and Greenhouse Challenge. These reports have been submitted based on our ownership of facilities and our purchasing of fuel supplied to these facilities. We believe that this approach should continue under the NGER Act as it gives figures for greenhouse gas emissions and energy use that are consistent with our liabilities under any future Australian Emissions Trading Scheme (AETS).

Verve Energy welcomes the development of Regulations that firmly support the National Greenhouse and Energy Reporting Act 2007 as a single reporting system for greenhouse gas emissions in Australia. It is important that such a system should be streamlined and provide data on a corporation's

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greenhouse gas emissions in a form that easily identifies that corporation's liabilities under any future AETS. That is, emissions reported under the NGER Act should, as far as possible, be the same as those companies are liable for under a future AETS. The Regulations Policy Paper generally satisfies these requirements, with the following exceptions.

Section 1.5 Operational Control

Verve Energy considers it important that the corporation that will be liable under any future AETS has full control of and preferably full responsibility for reporting under the NGER Act. However, the Act requires the corporation with operational control, not necessarily the corporation that will be liable under any future AETS, to report greenhouse gas emissions and energy use.

Under Section 11 of the Act, a corporation is considered to have operational control over a facility if it has the authority to introduce and implement operating, health and safety and environmental policies. In circumstances where the corporation that owns a facility operates and manages that facility, and so has sole authority to introduce and implement policies at that facility, this corporation would have operational control. Therefore, data on its greenhouse gas emissions would be in a form that easily identifies that corporation's liabilities under any future AETS. However, where a second party is contracted to operate or manage a facility on behalf of the corporation that owns the facility, because this second party has operational control, it will be required to report greenhouse gas emissions, although it may have no liabilities under a future AETS.

Verve Energy notes that the NGER Act appears equipped to manage such a situation. However, we are concerned that the final decision on who has operational control of a facility under Section 55 of the Act is up to the Greenhouse and Energy Data Officer. There is no obligation on the Greenhouse and Energy Data Officer to declare that a controlling corporation or another member of the corporation's group with liabilities under a future AETS has operational control of a facility.

In order to ensure that that the corporation that will be liable under any future AETS has full control of reporting, if it wishes, Verve Energy suggests that the Regulations incorporate a clause that obliges the Greenhouse and Energy Data Officer to apply S55(1)(a) if the controlling corporation has liabilities under a future AETS and certainly if this application is supported by others who may have operational control under Section 11.

Similar problems could be encountered under Section 1.2.1, *Joint Ventures and Partnership*. However, Verve Energy believes these could be overcome by joint ventures nominating a responsible entity under the NGER Act and defining all entities in the joint venture's responsibilities under a future AETS in their joint venture agreement.

Table D.1: Consumption of fuels and estimation of greenhouse emissions – checklist of items to be reported

Table D1 asks for natural gas usage to be reported in cubic metres. Due to the way that gas is contracted in Western Australia, we are invoiced for natural gas by our suppliers and pipeline transporters on a Higher Heating Value basis in gigajoules. This presents a problem for Verve Energy.

Verve Energy's contracts with its suppliers do not require them to give us the volume of natural gas in cubic metres. Our supplier has certified meters and calculates the energy total by multiplying the volumetric flow by the average gross calorific value calculated from gas composition. The gas composition is measured by gas chromatography. We understand that the methodology used is according to recognised standards and is appropriately audited.

Invoices Verve Energy receives from its gas supplier are audited according to good business practice and are not subject to material changes in stocks. Therefore, we have a high level of confidence in the expression of our gas consumption in gigajoules.

Verve Energy suggests that, where a corporation can demonstrate confidence in the expression of gas consumption in gigajoules to the satisfaction of the Greenhouse and Energy Data Officer, the Regulations should allow the expression of gas consumption in gigajoules.

Other than these points, we believe that Regulations Policy Paper indicates that the Regulations and Guidelines under the NGER Act should be consistent with the philosophy of NGER System being both a single reporting system for greenhouse gas emissions in Australia and one that is sufficiently robust to underpin a future AETS.

In conclusion, Verve Energy welcomes further opportunities to comment on the continuing development of both Regulations and Guidelines to support the NGER Act.

If you wish to discuss any of the above, please contact the undersigned on (08) 9424 1812 or by email at peter.christian@verveenergy.com.au.

Yours sincerely

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