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Department of Climate Change, Energy, the Environment and Water

Submission uploaded via GuaranteeofOrigin@industry.gov.au

To whom it may concern

RE: Renewable Electricity Certification

Introduction

The Australian Sugar Milling Council (ASMC) is the peak industry organisation for the raw sugar manufacturing sector. We represent five sugar manufacturing companies which collectively produce 90 percent of Australia's raw sugar at 16 sugar mills in Queensland.

The ASMC appreciates the opportunity to comment on the proposed design and implementation of an alternative and ongoing renewable electricity certification mechanism.

Our interest in LGCs and the proposed REGOs

Sugar mill co-generation plants utilise the by-product cane fibre (bagasse), and other feedstock, to generate high and low pressure steam from boilers that are used:

- (1) For electricity generation (i.e. high-pressure steam to drive generator turbines); and
- (2) To power internal processes (e.g. high pressure steam to drive turbines and shredders and the spent steam that is converted to low pressure steam for heating and evaporation).

The electricity (1) is supplied internally to the mill or sold into the NEM and wholesale markets. Operating 16 of Australia's 22 sugar mills, ASMC members currently generate around 950,000 MWh's of total electricity per annum from units ranging from 9 to 67.2 MW of nameplate capacity. This electricity is synchronous and provides valuable reliability and security to the grid.

The RET and the revenue from LGC's incentivised a significant increase in co-generation capacity in the Australian sugar industry – with the combined capacity increasing from around 200 MW pre RET (2001) to 438 MW today. Of note in this context, and relevant to this policy development, the sugar mills are many decades old and most, including the integrated co-generation plant have been significantly upgraded or replaced over time. Furthermore, and for a number of operational reasons, other feedstocks beyond bagasse are at times required to continue power supply during and after the crush.

The Australian sugar industry continues to assess revenue diversification opportunities to decrease the industry's 80 percent revenue reliance on raw sugar exports (and exposure to volatile global sugar prices). Various opportunities are currently being considered – such as more (bagasse) co-generation output. Positively, given the de-carbonisation transition currently occurring and faster than anticipated retirement of coal fired generation, the NEM will require significant additional low-emissions and dispatchable power supply of which the sugar industry is capable of supplying both. Preliminary analysis indicates that if Queensland sugar mills were to modernise and electrify their

factories, reduce bagasse consumption and 'make available' (liberalise) more bagasse, co-generation capacity could increase to in excess of 1,000 MWs.

Our views

Consistent with the consultation paper, ASMC supports an enduring renewable energy certificate mechanism to support and create value for existing and new low emissions industries to support Australia's renewable transition. ASMC believes that proposed REGO framework will have an important role to play in assisting the market attribute a value on the externality benefits (environmental, economic and social) of various low emissions technologies.

More specifically, we support:

- Ongoing Federal government (Clean Energy Regulator) involvement to ensure there is an ongoing, known and credible mechanism for generators to generate renewable energy certificates to sell to consumers to facilitate a variety of transactions going forward; and
- The proposed expansion of the energy attributes to include *location of the generation* and *time of generation*. Government continues to develop policies around essential systems services (capacity markets etc) to address intermittency issues and incentivise low-emission, dispatchable supply at required times of the day and night. Timestamping will provide essential information to government and market participants that will support this objective. It should be noted however that timestamping would need to be flexible and accommodate those mills that switch fuel supplies. The location of generation is important also as reliability and security solutions may become increasingly location specific.

Areas requiring further clarification and rule development:

- Our industry would be concerned if the proposed REGOs are introduced in a way that dilutes the value of LGCs. Generators have invested heavily in capacity and have factored in and rely on the LGCs to achieve a return on investment. We seek assurances from Government that REGOs will not create additional supply for certificates and/or reduce demand for LGCs that decrease their value compared to the status quo; and
- The proposal to have an additional attribute associating the REGO with the age of the co-generation facility could be problematic given the renewal of the mills and co-gen that has occurred over many decades. Depending on the rules that are applied, this approach could fail to identify improvements in facilities since original commissioning and could disadvantage the sector.

Please don't hesitate to contact David Rynne, Director Policy, Economics & Trade on david.rynn@asmc.com.au or 0431 729 509 for further clarification on the issues raised in this submission.

Yours sincerely

A handwritten signature in cursive script that reads "Rachele Sheard".

Rachele Sheard

Chief Executive Officer