



Centre for Energy and Environmental Markets Seminar

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Queensland Department of Energy



Experiences in Developing the Queensland 13% Gas Scheme

What is the Queensland 13% Gas Scheme?

- **An initiative of the Queensland Energy Policy, May 2000;**
- **Requires electricity retailers and some other liable parties to source 13% of electricity they sell or use in Queensland from gas-fired generation from 1 January 2005 to 31 December 2019;**
- **Designed to –**
 - establish demand for gas-fired electricity and support diversification of Queensland's energy mix;
 - encourage new gas sources and gas infrastructure to meet Queensland's future energy requirements, while reducing the growth in greenhouse gas emissions.

What is the Queensland 13% Gas Scheme?

- **A certificate-based scheme, similar to MRET**
 - accredited gas-fired power stations can create tradeable Gas Electricity Certificates or ‘GECs’; and
 - liable parties have an annual obligation to surrender GECs equal to their 13% liability.
- **Implemented through amendments to the Electricity Act 1994 in December 2004.**

Development Process

Approximately a 4 year process:

- May 2000 - Scheme Announced
- Sept 2001 - Consultation Paper (broad framework)
- Dec 2001 - Penalty Paper (non-compliance penalty)
- Sept 2002 - Final Position Paper (detailed design)
- 2003 - Drafting legislation and IT (Registry) Specification
- Feb 2004 - IT Expression of Interest issued
- Mid 2004 - IT Invitation to Offer and Consultation on draft Bill
- Dec 2004 - Royal Assent to Electricity Act Amendments (new Chapter 5), Registry 'go-live'

Key Learning's

1. Don't skimp on the Policy Development Phase

- Take time to consider all possible issues and the detailed design of the implementation mechanism – not just what the Scheme is to achieve, but the detail of how it will operate;
- Consider potential legal hurdles early on and throughout – e.g. there can be constitutional hurdles for State's imposing such measures; and
- Take time to release discussion papers and consultation drafts and meet with interested parties - stakeholder input can add much value.

Key Learning's

The result will be:

- Problems identified early and solutions found;
- A well developed and well thought out implementation model;
- A smoother path through internal approvals; and
- A smoother legislative drafting process – the drafter complimented 13% staff on a well developed policy and implementation model.

Key Learning's

2. A consultative approach can add value

- If possible, adopt an open-door policy – 13% process was very consultative;
- Stakeholder input and industry knowledge can add value;
- Don't be afraid to learn from the wins and the mistakes of the trail-blazers;
- Don't be afraid to ask – we learnt a lot from the MRET and NGAC schemes and staff of those Schemes were only too willing to help; and
- Don't re-invent the wheel for the sake of it.

Key Learning's

The result will be:

- A greater stakeholder acceptance of the policy and implementation model;
- Early identification and resolution of problems, particularly those of practical application;
- Opportunities to build in consistency with pre-existing measures/frameworks –
 - which stakeholders are already familiar with;
 - where problems have already been found and resolved; and
- A smoother path through approval and drafting processes.

Key Learning's

3. **Stakeholders will want to ‘push their own barrow’ and its impossible to satisfy everyone - maintain your focus on –**
 - the objectives of the policy;
 - the impacts of proposed changes on those objectives and/or various stakeholder groups;
 - equal treatment where possible.

Key Learning's

4. Design the scheme to minimise complexity and costs

- We took on board industry concerns about complexity and the related administrative and cost burden – e.g. scheduled compliance dates away from existing compliance dates;
- We often favoured ‘fair and reasonable’ approach, as opposed to pursuing absolute technical accuracy – welcomed by industry;
- Consciously structured scheme with substantial similarity to scheme’s already familiar to industry; and
- Linked the Scheme wherever possible to some pre-existing electricity industry structures such as the NEM loss factors.

Key Learning's

The result will be:

- A greater level of stakeholder acceptance;
- A scheme that is more easily understood and administered, for both participants and regulators; and
- Lower administrative and cost burden for participants.

Key Learning's

5. For the IT Component

- Employ a dedicated IT Project Manager - if you get the right person it will be money well-spent. Don't rely on Departmental IT expertise – these staff will have other priorities.
- Seek out a PM with both Technical and Business Analyst skills.
 - Remember staff with good knowledge of scheme/legislation must be involved in IT development – so factor this into timing.
- Factor in time constraints and flexibility –
 - Is there enough time to build from scratch or should you seek existing products that can be adapted?
 - Consider a staged roll-out – what is essential on day one and what can wait?

Key Learning's

6. Operational Issues

- Recognise work does not stop when the Act is passed - underlying policies and guidelines are a significant work-load;
- If possible, engage ongoing operational/regulatory staff well before the legislation is passed and remember for an initial period, regulatory staff will need regular advice/input from the policy developers;
- Engage technical/engineering staff with significant industry experience to assist in the accreditation process – their knowledge and experience is invaluable;
- Plan for delays and teething problems - build into the regulatory framework the ability to backdate accreditations etc.

What we did well

- **Implemented the Scheme with minimum impact on participants;**
- **Resourced external expertise well - good technical consultants, where appropriate and at the right time;**
- **Consulted – used a very consultative process; and**
- **Overall delivered the Queensland 13% Gas Scheme on time and under budget.**

What we could have done better?

- **Internal resources – better planning to take account of staff movements over the 4 year development period;**
- **Departmental movements – better planning to take account of movements between departments over the 4 year development period – 4 departments and 4 different Ministers; and**
- **Parallel approach – recognise very early that different streams of activity must take place in parallel, not in series.**

Conclusion – our best advice....

- **Take the time early in the process to properly flesh out the policy and implementation models;**
- **Engage stakeholders early and regularly;**
- **Design elements to minimise complexity and cost burden - for participants and ongoing regulation;**
- **Engage expert advice – IT, technical/engineering, legal – good advice at the right time saves time and money in the long run; and**
- **Don't ever think you have enough time!**