

Rural and Regional Adjustment (Energy Savings Schemes) Amendment Regulation 2018

Explanatory notes for SL 2018 No. 145

made under the

Rural and Regional Adjustment Act 1994

General Outline

Short title

Rural and Regional Adjustment (Energy Savings Schemes) Amendment Regulation 2018

Authorising law

Sections 3, 10, 11 and 44 of the *Rural and Regional Adjustment Act 1994*.

Policy objectives and the reasons for them

The Queensland Government's Affordable Energy Plan and Regional Business Customer Support Package aim to make electricity more affordable for residential and business customers.

The purpose of the subordinate legislation is to enable the Queensland Rural and Industry Development Authority (the authority) to provide financial assistance under two schemes contained in the *Rural and Regional Adjustment Regulation 2011*. The schemes will implement components of the Affordable Energy Plan and Regional Business Customer Support Package, which specifically focus on helping large electricity businesses and agricultural businesses to fund eligible energy efficiency projects. The two schemes are:

1. the Large Electricity Customer Adjustment Payment Scheme (LECAPS), and
2. the Energy Savers Plus Extension Payment Scheme (ESPEPS).

The subordinate regulation will allow the authority to administer payments to electricity customers who are eligible for a grant for co-contribution payment through the LECAPS and ESPEPS. The authority will deliver services to customers on behalf of the Department of Natural Resources, Mines and Energy (DNRME), as the agency responsible for administering the *Electricity Act 1994*.

The LECAPS has two elements: the Large Customer Adjustment Program (LCAP), and the Large Customer Adjustment Trial (LCAT). The objectives of LECAPS are to assist

large electricity customers transition from transitional or obsolete tariffs to standard tariffs; to implement best practice electricity strategies identified in eligible energy efficiency audits; and to identify opportunities for energy productivity improvements through the implementation of commercially feasible energy management strategies.

The ESPEPS gives effect to the Energy Savers Plus Program Extension (ESPPE) and is targeted at agricultural businesses. ESPPEPS's objectives are to help agricultural businesses identify energy savings; to reduce energy consumption; and to identify opportunities for energy productivity improvements through the implementation of commercially feasible energy management strategies.

Achievement of policy objectives

The subordinate legislation will achieve its objective by inserting the LECAPS and ESPEPS into the *Rural and Regional Adjustment Regulation 2011* as a new Schedule 34 and a new Schedule 35, respectively. The regulation will enable the authority to provide financial assistance to eligible electricity customers in accordance with the objectives of the schemes and whole-of-Government financial guidelines.

The schemes will assist eligible electricity customers implement eligible energy efficiency projects (eligible projects) identified as recommendations in eligible energy efficiency audits (eligible audits). The schemes will do this by providing applicants with a grant as a co-contribution payment to fund eligible projects carried out for the applicant in Queensland.

To be eligible for assistance under the LECAPS, an applicant must:

- be a large electricity customer (i.e. using more than 100 megawatt hours of electricity per annum) on a transitional or obsolete tariff at the time they make the application; and
- have had an eligible audit carried out and had a report for the audit prepared; and
- be making an application relating to an eligible project located in Queensland; and
- have had its proposal to implement an eligible project approved by the chief executive of the department administering the *Electricity Act 1994*, or his or her delegate.

To be eligible for assistance under the ESPEPS, the applicant must:

- be an electricity customer operating a business primarily in an agricultural industry; and
- have had an eligible audit carried and had a report for the audit prepared; and
- be making an application relating to an eligible project located in Queensland; and
- have an agreement to implement an eligible project approved by the authority.

The maximum amount of assistance payable to an applicant under both schemes is 50 per cent of the costs of implementing the eligible project. For the ESPEPS, the amount of assistance is capped at \$20,000 per applicant. For LECAPS, if the eligible audit was carried out after 30 May 2018, the maximum amount of assistance payable to an applicant is capped at \$250,000.

For both schemes, an application for financial assistance must be made to the authority in the form approved by the authority and accompanied by the documents stated on the

form. For the LECAPS, the applicant must also enter into a funding agreement with the authority for the applicant to implement and the authority to fund the eligible project.

As a condition of assistance under both schemes, the applicant must provide the authority with evidence of the costs it incurred implementing the eligible project through tax invoices and official receipts. The applicant must also provide the authority with a certificate by the contractor who completed the project stating that the installation is electrically safe in accordance with the *Electrical Safety Act 2002*.

Consistency with policy objectives of authorising law

The subordinate legislation is consistent with the objectives of the Act.

Inconsistency with policy objectives of other legislation

The subordinate legislation is consistent with the policy objectives of other legislation.

Alternative ways of achieving policy objectives

An alternative way of achieving the policy objectives would be for the provision of assistance to be handled administratively by the DNRME. However, it is more efficient to administer financial assistance through the authority, whose primary function is to administer approved financial assistance schemes.

The *Rural and Regional Adjustment Act 1994* enables the authority to give financial assistance to primary producers, small businesses or other elements of the State's economy to benefit the State's economy. The authority has extensive experience in administering grant, loan and rebate schemes for government and is well placed to administer the LECAPS and ESPEPS.

Benefits and costs of implementation

The schemes will assist eligible electricity customers to identify energy savings, reduce energy consumption and ascertain methods for energy productivity improvements. The LECAPS will additionally assist large energy customers to transition from transitional and obsolete tariffs (being phased out by 2020) to standard business tariffs.

The Government's Affordable Energy Plan features a total of \$300 million worth of initiatives. \$10 million of this has been provided to fund the ESPPEPS and a further \$10 million to fund one initiative under LECAPS, namely LCAP. An additional \$6 million was provided under the Regional Business Customer Support Package to fund a further initiative under LECAPS, namely LCAT.

Consistency with fundamental legislative principles

The subordinate legislation has been drafted with regard to the fundamental legislative principles as defined in section 4 of the *Legislative Standards Act 1992*.

Consultation

Consultation with industry groups and energy stakeholders has not occurred in the development of the subordinate legislation.

However, consultation with industry groups and energy stakeholders was undertaken with several peak organisation and agencies in the development of LCAT, LCAP and ESPPE. These stakeholders include, but are not limited to, Energy Queensland, the Queensland Farmers Federation, AgForce, and Canegrowers.

Stakeholder feedback informed the program design of the targeted energy audits and government assistance to offset the costs of implementing the audit findings. For LCAT, consultation provided practical examples to update the process of selecting applicants, which was also incorporated into the expansion of the LCAP. For ESPPE, government incentives for applicants were emphasised and enabled energy audits to achieve maximum benefits for a diverse spread of participants. In limited circumstances, feedback that impacted on logistical implementation or did not align with Queensland Government policy could not be included. A number of stakeholders have raised the profile of initiatives with members in their marketing collateral.

The Department of Agriculture and Fisheries has sought advice from the Queensland Productivity Commission (the Commission). The Commission advised that the proposal is excluded from further analysis under the *Queensland Government Guide to Better Regulation* on the basis of category (c) - *regulatory proposals for the internal management of the public sector or statutory authority*.