EnergyAustralia Retail

Positive Pass Through Event Application

January 2011

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1 Overview

On 28 June 2010 the Renewable Energy (Electricity) Amendment Act 2010 received Royal Assent with the changes to take effect from 1 January 2011. This legislation split the Renewable Energy Target (RET) into two different schemes, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). While the design of the LRET is based on the RET, the obligations under SRES are new obligations for EnergyAustralia.

The amended legislation not only changed the obligations of retailers it also resulted in increased costs. The event created new costs associated with the SRES, while the costs of complying with the LRET have also increased over the RET allowance included in the 2010 Determination, despite an initially lower Renewable Power Percentage (RPP) due to the changes in how the obligations under the target are met.

It is EnergyAustralia's strong view that as a guiding principle for LRET, the Long Run Marginal Cost (LRMC) is the appropriate benchmark to be applied for cost recovery. This reflects that Standard Retailers will be required to underwrite projects in order to meet their obligations.

While the Government announced changes to the RET in early 2010, at the time the 2010 Determination was made there were no details available in relation to retailers' obligations and therefore IPART was unable to estimate the cost of complying with the changed scheme.

The changes to the RET legislation meet the definition of a Positive Pass Through Event as defined in Clause 2(a) of Schedule 4 of the 2010 Determination. This definition is met as the amended legislation can be considered a Regulatory Change Event and the increased costs due to the amendments meet the materiality threshold set in the 2010 Determination.

As a result of the increased costs due to the changes in the RET legislation EnergyAustralia is seeking to pass through increases of:

Financial Year	Amount to be pass through ($ '000)
2010/11	$ 34,091
2011/12	$ 55,406
2012/13	$ 47,563
Total	$ 137,060
$2010/11.	

These pass through figures are inclusive of losses and a margin allowance while the 2010/11 amount includes an allowance for the time value of money.

EnergyAustralia notes that the increased costs for 2011/12 and 2012/13 should be addressed as part of the Annual Reviews to be conducted by IPART.

EnergyAustralia is lodging this application in accordance with Clause 3 of Schedule 4 of the 2010 Determination.

This application consists of the following sections and accompanying attachments.

Section 2 discusses the event that has occurred, namely, changes to the RET scheme and demonstrates how this event meets the definition of a Positive Pass Through Event. While Section 3 covers the financial impact of the event and specifies the pass through amounts that EnergyAustralia is seeking to recover and demonstrates that the cost increase is efficient, incremental and justified.

EnergyAustralia's application is accompanied by a confidential report.

Unless stated otherwise all dollar amounts are in $2010/11.

2 Positive Pass Through Event

This section contains the information required under Clauses 3.1(b)(1) and 3.1(b)(2) of Schedule 4 of the 2010 Determination.

The 2010 Determination requires that if a Standard Retail Supplier reasonably considers that a Positive Pass Through Event has occurred, the Standard Retail Supplier may, by giving notice to IPART within 90 Business Days of that Positive Pass Through Event occurring or by any other date notified by IPART, seek IPART's approval to pass through to Customers an amount in respect of that Positive Pass Through Event.

The Standard Retail Supplier's notice to IPART of the Pass Through Event must be in writing and must specify (amongst others):

(1) the details of the Positive Pass Through Event;

(2) the date the Positive Pass Through Event occurred;

Relevant for this application are the following definitions:

Green Energy Scheme means any mandatory scheme that imposes financial obligations on a Standard Retail Supplier in order to produce a Green Energy Outcome, excluding the Carbon Pollution Reduction Scheme, but including the Commonwealth mandatory renewable energy target scheme under the Renewable Energy (Electricity) Act 2000 (Cth) and the New South Wales Government's energy savings scheme under the ESA.

Positive Pass Through Event, for a Standard Retail Supplier, means a Pass Through Event which results in that Standard Retail Supplier incurring Materially higher costs in providing Pass Through Services than it would have incurred but for that event.

An event results in a Standard Retail Supplier incurring **Materially** higher or lower costs in providing Pass Through Services than it would have incurred but for that event if, in the case of a Positive Pass Through Event, that event results in the Standard Retail Supplier's efficient, incremental and justified average annual costs incurred (or likely to be incurred) during the Term exceeding 0.25% of its total revenue arising out of Regulated Retail Tariffs (including Network Use Of System Charge components of Regulated Retail Tariffs) for the Year in which the event occurs, consistent with the Annual Pricing Proposal for the relevant Year.

Pass Through Event means a Regulatory Change Event or a Tax Change Event.

Pass Through Services means services of or in relation to Supplying electricity to Small Retail Customers under a Standard Form Customer Supply Contract.

Regulatory Change Event means:

(a) a decision made by any Authority;

(b) the coming into operation of an Applicable Law; or

(c) the coming into operation of an amendment to or revocation of an Applicable Law,

on or after 18 March 2010 that has the effect of substantially varying:

(d) the nature, scope, standard or risk of the Pass Through Services; or

(e) the manner in which a Standard Retail Supplier is required to undertake any activity in order to provide the Pass Through Services, including obligations:

(1) under any Customer Hardship Program (subject to paragraph (j));

(2) arising as a consequence of any Last Resort Supply Event; or

(3) under any Green Energy Scheme,

but does not include:

(f) the making of the determination;

(g) a Tax Change Event;

(h) any decision, determination or ruling in relation to Energy Loss Factors;

(i) the phasing out of the Electricity Tariff Equalisation Fund (as defined in the ESA); or

(j) the coming into operation or amendment of any Customer Hardship Program to the extent the Standard Retail Supplier's costs of compliance with obligations imposed under that program are funded by a government or third party.

2.1 Changes to the Renewable Energy Target[1]

On 24 June 2010 the Commonwealth Government passed the *Renewable Energy (Electricity) Amendment Bill 2010*. The bill received Royal Assent on 28 June 2010. The legislation effectively split the previous Renewable Energy Target (RET) into two parts, namely the Large-Scale Renewable Energy Target (LRET) and the Small-Scale Renewable Energy Scheme (SRES). The changes came into effect on 1 January 2011.

While EnergyAustralia was previously liable under the RET, from 1 January 2011 EnergyAustralia is now liable under two schemes, the LRET and the SRES, with the SRES being an entirely new liability for EnergyAustralia. The split of the scheme also means the costs of meeting the LRET will differ from those of meeting the RET due to changes in the target and the expected cost of the applicable certificates.

The SRES is an uncapped scheme whereby certificates are produced through the installation of eligible solar hot water heaters, air source heat pump water heaters and small scale photovoltaic, wind and hydro systems. The volume of certificates to be surrendered by retailers is based on the number of certificates produced, meaning there is the potential for there to be significant costs if there is a large uptake of these technologies, which to date has proven to be the case.

The Office of the Renewable Energy Regulator (ORER) has set the SRES obligations for 2011 at 28 million (an STP of 14.8%). At this stage the requirements for 2012 and 2013 are yet to be set. The ORER has published forecasts from 3 consultants which put the certificate obligations in the range 22.5 – 31M for 2012 and 16 - 22.5M for 3013. These forecasts were published prior to the changes in the STC multiplier.

LRET remains the scheme for large scale generation, such as wind farms, hydro generation etc. The scheme is designed to encourage investment in the targeted level of renewable generation by requiring retailers to buy a specified quantity of certificates from large scale projects, thereby providing a mechanism to subsidise those projects. The targets under LRET differ from the previous targets under RET due to the removal of 4,000GWh from the 2020 target offset by the surplus in RECs (if any) above 34.5million at the end of 2010.

It is important to note that the reason the Government amended the RET scheme to separate the small and large scale components was because the strong demand for eligible small-scale technologies was creating uncertainty for larger projects. This strong demand was predominately caused by a range of complementary favourable incentives for small scale technologies (such as feed-in tariffs). The demand for small scale projects acted to depress the price of Renewable Energy Certificates (RECs). As a consequence, the REC price did not support large-scale projects entering the market. Given that the Government's stated intention, it would be expected that the price of Large Generation Certificates (LGCs) under LRET is higher than the price for RECs.

2.2 How does the event qualify as a Positive Pass Through event?

A Positive Pass Through Event is defined as a Tax or Regulatory Change Event that passes the materiality threshold. The change in the RET legislation meets IPART's definition of a Regulatory Change Event for the following reasons:

- The Commonwealth Government, meeting the definition of an Authority, amended legislation that goes to the obligations of EnergyAustralia as a Standard Retailer. The original legislation was the *Renewable Energy (Electricity) Act 2000* with changes enacted via the *Renewable Energy (Electricity) Amendment Act 2010*.

- The event has the effect of substantially varying the manner in which EnergyAustralia is required to undertake any activity in order to provide Pass Through Services including the obligations under a Green Energy Scheme.

[1] Required under Clause 3.1(b)(1) of Schedule 4 of the 2010 Determination.

- The definition of Green Energy Scheme includes the Commonwealth mandatory renewable energy target scheme under the *Renewable Energy (Electricity) Act 2000* (Cth). It is this Act that has been amended through the passing of *Renewable Energy (Electricity) Amendment Act 2010.*

- EnergyAustralia's obligations under the *Renewable Energy (Electricity) Act 2000* have been varied such that EnergyAustralia is now required to meet a new obligation that was not included when the 2010 Determination was made. The new obligation being the obligation to surrender sufficient Small-Scale Technology Certificates (STC) based on the small-scale technology percentage (which has been determined for 2011 but not for later years). Further the obligations under the RET have altered due to the removal of small-scale technology from the RET and changes to the RET target.

The change in the RET legislation therefore meets the definition of a Positive Pass Through Event as not only does it meet the definition of Regulatory Change Event, but it also passes the Materiality threshold of 0.25% as defined in the Determination.

The event results in an increase in EnergyAustralia's efficient, incremental and justified costs (incurred or likely to be incurred) totalling $[redacted] million. The projected total revenue arising out of Regulated Retail Tariffs for EnergyAustralia in 2010/11 (as set out in EnergyAustralia's Annual Pricing Proposal) is $[redacted] million. The increase in average annual costs represents 2.8% of the total revenue of the Regulated Retail Tariffs and therefore the Materiality threshold has been met. More detailed information on the costs is provided in Section 3.

2.2.1 Date of the Positive Pass Through Event

The Positive Pass Though Event occurred on 1 January 2011[2] as this is the date the amended legislation took effect.

EnergyAustralia is submitting its application for a Positive Pass Through Event due to the changes to the RET in accordance with the notification date set out by IPART in the letter to EnergyAustralia dated 22 December 2010.

[2] Required under Clause 3.1(b)(2) of Schedule 4 of the 2010 Determination.

3 Amounts to be passed through

This section contains the information required under Clauses 3.1(b)(3), 3.1(b)(4) and 3.1(b)(5) of Schedule 4 of the 2010 Determination.

The 2010 Determination requires EnergyAustralia to specify the following amounts in its written application:

(1) the increase in costs in the provision of Pass Through Services that the Standard Retail Supplier has incurred since 1 July 2010 and is likely to incur during the Term as a result of the Positive Pass Through Event, including supporting documentation demonstrating that the cost increase is efficient, incremental and justified;

(2) the total amount that the Standard Retail Supplier proposes to pass through to Customers as a result of the Positive Pass Through Event; and

(3) the amount that the Standard Retail Supplier proposes to pass through to Customers in each Year as a result of the Positive Pass Through Event.

Clause 3.1(b)(3) of the 2010 Determination requires EnergyAustralia to notify IPART of the increased costs in the provision of Pass Through Services that the Standard Retail Supplier has incurred since 1 July 2010 and is likely to incur during the term as a result of the Positive Pass Through Event.

EnergyAustralia observes that the pass through clauses in the 2010 Determination appear to assume that the retail price controls include an allowance for the efficient costs the Standard Retailers bear when providing the Pass Through Services, and as a consequence draw attention to the incremental cost that the Standard Retailers would be expected to bear as a result of the Pass Through Event. Consistent with this, EnergyAustralia has presented the incremental costs as being the difference between actual costs incurred or estimated to be likely to be incurred relative to the 2010 Determination allowances.

The allowances included in the 2010 Determination for RET costs were based on the long run marginal cost (LRMC) of meeting this obligation. EnergyAustralia is of the view that as a general guiding principle the higher of the LRMC and market rates should be used, however, recognises that the approach has been fixed for the 2010 Determination. EnergyAustralia's interpretation of the requirements of the pass through clauses of the 2010 Determination means the methodology used by EnergyAustralia to determine the costs for the purposes of this application are based on a combination of historical and future market costs only.

As the allowances for the RET costs were based upon Frontier Economics' estimates of the long run marginal cost (LRMC) of meeting this obligation, which Frontier also described as equivalent to the cost to society (rather than the individual Retailers) of this obligation which IPART has indicated that it intends to apply the same method to derive the pass through amounts, EnergyAustralia has included a theoretical discussion of the likely impact of the change in the RET scheme on the estimated LRMC of meeting this obligation.

3.1 Increase in incremental costs[3]

In order to determine the anticipated impact on costs resulting from changes to the RET EnergyAustralia commissioned an independent consultant, Green Energy Markets, to forecast the level of EnergyAustralia's obligation under both the LRET and SRES. Green Energy Markets was one of three consultants engaged by the ORER to provide a forward estimate of STCs for 2011, 2012 and 2013.

The calculated cost impacts below are based on the forecasts provided by Green Energy Markets, adjusted to take into account subsequent announcements by the ORER on January 2011 regarding RPP obligations.

To determine the impact on costs resulting from amendments to the RET legislation, EnergyAustralia has split the calculation into two. The first part looks at the cost impacts of the introduction of SRES, while the second part looks at the cost changes due to the transition from RET to LRET.

3.1.1 Small-scale Renewable Energy Scheme (SRES)

Being a new obligation, all the costs associated with the SRES are new for EnergyAustralia and therefore the total costs of complying with the SRES represent the incremental costs resulting from the event.

The absence of having a volume cap means that the SRES essentially provides an unlimited obligation for EnergyAustralia to purchase STCs. Obligations under the SRES are set to be determined by the Office of the Renewable Energy Regulator (ORER) annually at the start of the year in question based on the forecast production of STCs. Any additional supply of STCs over and above the forecast will be carried over into obligations for future years.

The cost of STCs has been set under the legislation at $40 per certificate. Therefore the incremental cost to EnergyAustralia of meeting this new obligation is $40 per STC (excluding GST) as the cost for EnergyAustralia of meeting the new obligation is regulated to be $40 per STC. The

[3] Required under Clause 3.1(b)(3) of Schedule 4 of the 2010 Determination.

use of $40 per STC is consistent with the recent decision by ESCOSA regarding regulated prices in South Australia[4].

The anticipated cost of the SRES obligations by calendar year is set out below. This calculation is based on the STP amount for 2011 as published by the ORER on 8 December 2010 and STP forecasts for 2012 and 2013 calculated by Green Energy Markets.

TABLE CONTAINING INFORMATION FROM CONFIDENTIAL REPORT

EnergyAustralia's anticipated total cost of meeting the SRES obligations in the financial years is then:

TABLE CONTAINING CONFIDENTIAL LOAD FORECASTS

The costs for the financial year shown in the table above have been calculated from the calendar year information assuming that 60% of the obligation for each calendar year will be surrendered in respect of the first six months of each calendar year and 40% is surrendered in respect of the second six months. This is in line with ORER's compliance profile. Accordingly, the SRES cost for the last six months of financial year 2010/11 to reflect the surrender of 60% of the total annual STP over 50% of the annual load.

The SRES costs includes an allowance for losses calculated based on the loss factor of 7.06% included in the 2010 Determination. This is required as SRES obligations are based on purchases not sales.

[4] 2010 Review Of Retail Electricity Standing Contract Price Path Final Inquiry Report & Final Price Determination, The Essential Services Commission of South Australia, December 2010.

DISCUSSION OF CONFIDENTIAL LOAD FORECASTS REMOVED

3.1.2 Large Renewable Energy Target (LRET)

When the RET scheme was split, the LRET GWh target was reduced by 4000 GWh from the RET GWh target for each obligation year. As indicated in Section 2.1, the targets were then further adjusted to take account of the number of certificates in excess of 34.5M RECs at the end of 2010. These changes will change the Renewable Power Percentage (RPP) that applies for calculating the size of EnergyAustralia's obligation from that assumed in the 2010 Determination.

It is EnergyAustralia's strong view that as a guiding principle for LRET, LRMC is the appropriate benchmark to be applied for cost recovery. This reflects that Standard Retailers will be required to underwrite projects in order to meet their obligations.

While the volume of RECs (now Large Generation Certificates or LGCs) that EnergyAustralia is required to purchase in 2011 will reduce, the forecast targets for calendar years 2012 and 2013 are higher than those originally estimated by Frontier Economics (on behalf of IPART) in their report.

Since small scale technologies are not eligible to create LGCs the price of LGCs would be expected to be higher than the previous price of RECs because, once the subsidised small scale projects can no longer be used to meet the target, the next marginal generator will be a higher cost generator than the previously low cost small-scale technology. Therefore, the level of subsidy provided through LGCs will need to be higher. Indeed, as noted in section 2, the intention behind separating the small and large scale schemes was to improve the incentives for investment in large scale projects and thus an LGC price higher than the historical REC price would be expected. It is also noted that the historical (and current) low prices for RECs also reflects an overhang of 'banked' RECs (including from small scale projects) that retailers will be permitted to carry forward and use against their future LRET liability. However, prices will inevitably rise as the overhang of RECs is depleted and as EnergyAustralia and other retailers buy up LGCs to meet their obligations that, as noted above, must come from large-scale technologies that do not benefit from the same incentives as small-scale technologies.

The table below sets out on a financial year basis the combined impact of:

1) the volume change, and

2) the prices forecast to be incurred by EnergyAustralia

as a result of the removal of small-scale technologies as eligible technology in the transition from the RET to the LRET on 1 January 2011.

TABLE CONTAINING CONFIDENTIAL LOAD AND COST INFORMATION

Note - this table shows the impact of changes since 1 January 2011 and is not the full 2010/11 financial year cost.

EnergyAustralia has estimated the costs of LGCs to the end of 2012/13 based on a combination of its current REC inventories, firm forward LGC contracts and a quantity of LGCs to be sourced from the market based on the current forward curve price estimates.

As with the SRES costs, the incremental LRET costs includes an allowance for losses, calculated based on the loss factor of 7.06% included in the 2010 Determination.

For the purposes of this pass through application Energy Australia are utilising internally generating costs that are reflective of actual costs incurred and likely to incur. It is important to note that the numbers in the table above for 2010/11 are below the LRMC of LGCs and current market prices due to the contracting that EnergyAustralia undertook of RECs from small scale sources that were eligible for the LRET requirements prior to the 1 January 2011. EnergyAustralia considers this to be an efficient and justifiable forecast of costs incurred and expected to be incurred during 2010/11. With the change to the RET scheme these cheaper sources of certificates are no longer available and it is expected that incremental contracting requirements for the volumes required to meet Energy Australia's obligations will be at prices that support the LRMC of large scale sources. This was the policy intent of the changes to the schemes and the market is rapidly moving in that direction with the price of LGCs moving upwards ~30% in the first three weeks of this calendar year. As the 2011/12 and 2012/13 prices included in the table above are subject to future changes in the forward curve, Energy Australia would expect these costs to revert to a more sustainable price level consistent with the expected LRMC of meeting the scheme.

EnergyAustralia notes for completeness that the deferral of the Carbon Pollution Reduction Scheme (CPRS) will also have had an impact on the price of LGCs. This is because the deferral of the CPRS would have caused forecast prices for black energy to fall compared to the previous forecast, thus requiring a lower subsidy to make renewable energy economic. EnergyAustralia acknowledges that when looking at actual costs, the impact of the deferral of the CPRS on the cost of LGCs cannot be disentangled from the changes to the renewable energy schemes and as such the influence of the deferral of the CPRS is included in the cost estimates in the table above.

The LGC liability can be met in two ways, either through the purchase and surrender of LGCs or through the payment of the Large-Scale Generation Shortfall Charge (LGSC) of $65 per LGC ($93/MWh post-tax) not surrendered. This payment serves as a cap on the efficient costs of LGCs. EnergyAustralia's forecast cost LGCs represents a substantial discount on the LGSC.

Frontier Economics' calculation of the LRMC of a REC previously took account of the quantity of RECs that were expected from subsidised small scale technologies. A stated policy objective of the Commonwealth in amending the Act to remove these small-scale technologies from the RET/LRET scheme was so that a greater quantity of large-scale technologies will be required / developed to meet the obligation than the previous RET obligation. The cost impact of such a change is thus increased due to the increase in the targets in the 2012 and 2013 (designed specifically to reduce the level of banked RECs in the market) which pushes the LRET obligations above the old RET obligations with the requirement that these increased obligations be met from large scale technologies.

It is reasonable to anticipate that the new generators required to fulfil LRET will be higher cost technologies than under RET, otherwise they would have displaced the small-scale technologies in the previous design of the scheme. As a consequence of higher cost generators being required to meet the target, the level of subsidy that needs to be provided through LGCs will also be higher.

DISCUSSION OF LRMC CONTAINING CONFIDENTIAL INFORMATION REMOVED

Therefore EnergyAustralia expects the modelled LRMC of LGCs to show a significant increase over the LRMC of RECs, due to the removal of the cheaper small scale technologies from the plant mix and the increase in the target in the shorter term and on this basis the forecast LGC price included in the costs is justified.

3.1.3 Total impact on costs

The incremental change in costs resulting from changes to RET is the combined impact of:

- The cost of the new SRES; and
- The incremental costs resulting from the transition from the RET to the LRET.

The table below summarises the cost impact that EnergyAustralia anticipates as a result of changes to the RET (the Positive Pass Through Event)[5]:

TABLE CONTAINING CONFIDENTIAL COST INFORMATION

The final column shows the total amount that EnergyAustralia proposes to pass through to Customers as a result of the Positive Pass Through Event. This includes a margin of 5.4% on the anticipated costs as allowed for in the 2010 Determination but excludes any allowance for the time value of money.

In other circumstances EnergyAustralia would propose to pass this amount through to customers in the following manner[6]:

Financial Year	Amount to be pass through ($ '000)
2011/12	$ 89,497
2012/13	$ 47,563
$2010/11.	

The amount to be passed through in 2011/12 is the sum of the amounts for 2010/11 and 2011/12 plus the addition of a further $[redacted] million to account for the time cost of money. This amount has

[5] Required under Clauses 3.1(b)(3) and 3.1(b)(4) of Schedule 4 of the 2010 Determination.
[6] Required under Clause 3.1(b)(5) of Schedule 4 of the 2010 Determination.

been calculated using a WACC of 9.1%[7] based on an average nine month delay between the liability being incurred (ie from 1 January 2011) and the costs being recovered over the 2011/12 financial year.

However, the Annual Reviews to be conducted in accordance with Clause 3 of Schedule 2 of the 2010 Determination will review the Total Energy Cost Allowance for 2011/12 and 2012/13. This should result in the 2011/12 and 2012 /13 RET allowance reflecting costs of LRET and SRES for those years.

As a result of the presence of the Annual Reviews, the outcome of this cost pass through application should be a recovery of $34 million[8] in 2011/12, this amount being the incremental costs in 2010/11 of the amendments to the RET legislation with the amount to be recovered in a 12 month period from 1 July 2011.

[7] 9.1% being the real pre-tax Retail WACC in the 2010 Determination.
[8] In $2010/11

4 Conclusion

EnergyAustralia is applying for a Positive Pass Through Event resulting from the changes to the RET legislation which took effect on 1 January 2011. The changes to the RET legislation meet the definition of a Regulatory Change Event and the cost impact of the changes meets the Materiality threshold set in the 2010 Determination. As both the definition of a Regulatory Change Event and the Materiality threshold is met, the event meets the definition of a Positive Pass Through Event.

The amendments to the RET legislation resulted in the introduction of a new scheme, the SRES, for small scale renewal generation. As this is a new scheme, all costs associated with this scheme are incremental costs. Further, the cost of certificates under this scheme is regulated. Therefore, the inclusion in this application of all costs associated with SRES is efficient, incremental and justified. Green Energy Markets has provided an expert opinion as to the forecast STP requirements for SRES which has formed the basis of EnergyAustralia's calculations.

The amendments to the legislation also altered the RET targets (now LRET targets). However, the cost of LGCs under LRET is greater than the cost of RECs due to the removal of the cheaper, small scale projects. The change targets and the increased cost of LGC versus RECs results in an increase of costs as a result of the changes to the RET legislation. EnergyAustralia has relied on expert opinion to forecast future RPP obligations with the forecast LGC prices based on a combination of current REC inventories, firm forward LGC contracts and a quantity of LGCs to be sourced from the market based on the current forward curve price estimates.

As a result of the changes to the RET EnergyAustralia is likely to incur increased costs of approximately $[redacted] million over the period of the Determination. The Annual Review to be undertaken by IPART for 2011/12 and 2012/13 should result in the RET allowances for these years reflecting the cost of obligations under SRES and LRET. Therefore, a recovery of $34 million[9] in 2011/12 being the increased costs incurred by EnergyAustralia in 2010/11 as a result of the changes to the RET scheme is required.

[9] In $2010/11

Appendix A CONFIDENTIAL ATTACHMENT