



NSW Energy Savings Scheme Exemptions

*Process Paper
December 2017*

How the Energy Savings Scheme works

The NSW Energy Savings Scheme (ESS) is the premier energy efficiency program in NSW. The Electricity Supply Act 1995 (NSW) (the Act) states that the primary objective of the ESS is to create a financial incentive to reduce the consumption of energy by encouraging energy saving activities.

The ESS works by requiring NSW energy retailers and other liable parties (which buy electricity directly from the National Electricity Market) to purchase energy savings in the form of energy savings certificates each year. The number of certificates they must buy is calculated as a percentage of the total electricity used by their electricity customers.

Accredited Certificate Providers create these certificates (1 Certificate = 1 MWh of energy savings) from energy savings activities in businesses and households in NSW and then sell them to the energy retailers and other liable parties. The cost of purchasing these energy saving certificates is generally passed from the energy retailers onto all their electricity customers in NSW as a line item on their bill.

Impact of exemptions from the Energy Savings

Under section 119 of the Act the Minister for Energy and Utilities may grant exemptions from the ESS in respect of any electricity load used by a specified person or used in connection with an industry or activity that is considered to be emissions-intensive and trade-exposed (EITE). The current list of activities and industries categorised as EITE is provided in Appendix A.

If a company receives an ESS exemption then their exempt electricity load is no longer part of their energy retailer's requirement to purchase certificates. As such, if a company receives an ESS exemption their electricity bill will correspondingly need to be reduced by their electricity retailer.

NSW Government's policy on awarding ESS exemptions

The Minister awards exemptions from the ESS for electricity used in NSW in conjunction with EITE activities to support the competitiveness of industries undertaking EITE activities. This position was confirmed by the NSW Government as part of the ESS Review completed in October 2015.

To determine whether a business is conducting an EITE activity or industry in NSW, the Department refers to the Clean Energy Regulator's (CER's) exemption list for the Renewable Energy Target (RET) scheme. The CER conducts a robust process to assess businesses' applications for exemption from the RET scheme on the basis that they are conducting an EITE activity or industry.

The level of the ESS exemptions is set as partial exemptions of 90 per cent. The reason it is not 100 per cent is to reflect the fact that businesses conducting EITE activities are still also eligible to take part in energy savings activities under the ESS to improve their energy productivity. As such it is appropriate that they provide a partial contribution to the ESS.

How does my business apply for an exemption?

To receive an exemption from the ESS, your business's activity or industry needs to be on the CER's RET exemption list. The CER finalises its list every year in approximately March, and this is the list which is used to prepare the ESS exemptions order for the following calendar year.

By 30 November the Department will write by email to your nominated CER RET exemption contact person. We will note your business' ESS exemption and confirm your business' details for the ESS exemptions order.

The Minister's ESS exemptions order, listing the exempt electricity loads for the coming calendar year, will be published in the NSW Gazette before or during December.

For any further information, please contact the Department at energysavings.scheme@planning.nsw.gov.au.

Appendix A Emissions-intensive trade-exposed activities

Emissions-intensive trade-exposed include the following, per the per the *Renewable Energy (Electricity) Regulations 2001*.

- production of glass containers
- production of bulk flat glass
- production of methanol
- production of carbon black
- production of white titanium dioxide (TiO₂) pigment
- production of silicon
- smelting zinc
- integrated production of lead and zinc
- aluminium smelting
- production of high purity ethanol
- production of magnesia
- manufacture of newsprint
- dry pulp manufacturing
- cartonboard manufacturing
- packaging and industrial paper manufacturing
- printing and writing paper manufacturing
- alumina refining
- tissue paper manufacturing
- integrated iron and steel manufacturing
- manufacture of carbon steel from cold ferrous feed
- petroleum refining
- production of sodium carbonate (soda ash) and sodium bicarbonate
- production of ethene (ethylene)
- production of polyethylene
- production of synthetic rutile
- production of manganese
- production of clinker
- production of lime
- production of fused alumina
- production of copper
- production of carbamide (urea)
- production of ammonia
- production of ammonium nitrate
- production of chlorine gas and sodium hydroxide (caustic soda) solution
- production of fused zirconia

- production of iron ore pellets
- production of liquefied natural gas
- production of magnetite concentrate
- production of glass beads
- production of rolled aluminium
- production of polymer grade propene (polymer grade propylene)
- production of sodium silicate glass
- manufacture of reconstituted wood-based panels
- production of coke oven coke
- production of hydrogen peroxide
- production of ceramic floor and wall tiles
- production of nickel
- production of helium
- production of dried distillers grains with solubles
- production of glass wool
- production of coal char
- production of ferrovandium
- rendering of animal by-products