

CARBON DIOXIDE EQUIVALENT INTENSITY INDEX PROCEDURES

DRAFT REPORT AND DETERMINATION

Published: 8 May 2019





NOTICE OF SECOND STAGE CONSULTATION – CARBON DIOXIDE EQUIVALENT INTENSITY INDEX PROCEDURES

National Electricity Rules – Rule 8.9

Date of Notice: 8 May 2019

This notice informs all Registered Participants and interested parties (Consulted Persons) that AEMO is commencing the second stage of its consultation on the Carbon Dioxide Equivalent Intensity Index (CDEII) Procedures.

This consultation is being conducted in accordance with the Rules consultation procedure detailed in rule 8.9 of the NER.

Invitation to make Submissions

AEMO invites written submissions on this Draft Report and Determination (Draft Report).

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so.

Consulted Persons should note that material identified as confidential may be given less weight in the decision-making process than material that is published.

Closing Date and Time

Submissions in response to this Notice of Second Stage of Rules Consultation should be sent by email to markets.settlements@aemo.com.au, to reach AEMO by 5.00pm (Melbourne time) on 24 May 2019.

All submissions must be forwarded in electronic format (both pdf and Word). Please send any queries about this consultation to the same email address.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

Publication

All submissions will be published on AEMO's website, other than confidential content.

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EXECUTIVE SUMMARY

The publication of this Draft Report and Determination (Draft Report) commences the second stage of the consultation process conducted by AEMO to review the Carbon Dioxide Equivalent Intensity Index (CDEII) Procedures (Procedures) under the National Electricity Rules (NER).

On 1 March 2019, AEMO published the Notice of First Stage Consultation and the Issues Paper for the Procedures. AEMO did not receive any submissions to the First Stage consultation. As such, AEMO's draft determination is to:

- Make no changes to the Procedures with respect to the current calculation methodologies for the CDEII or supplementary indices.
- Amend the Procedures to allow emissions factor data to be sourced from the National Transmission Network Development Plan (NTNDP) database, or any database maintained and published by AEMO that supersedes the NTNDP database and includes emission factor assumptions.
- Amend the Procedures to reflect the current AEMO procedures template, correct minor errors and remove or replace obsolete references and website links.

AEMO invites stakeholders to suggest alternative options where they do not agree that AEMO's proposals would achieve the relevant objectives.



CONTENTS

EXECUTIVE SUMMARY	3
1. STAKEHOLDER CONSULTATION PROCESS	5
2. BACKGROUND	5
2.1. NER requirements	5
2.2. CDEII Procedures	5
2.3. Context for this consultation	5
2.4. First stage consultation	6
3. SUMMARY OF MATERIAL ISSUES	6
4. DISCUSSION OF MATERIAL ISSUES	7
4.1. Calculation methodologies for the CDEII	7
4.2. Value of the CDEII data to market participants	7
4.3. Emission Factor data source	8
5. OTHER MATTERS	8
6. DRAFT DETERMINATION	8
APPENDIX A. GLOSSARY	9



1. STAKEHOLDER CONSULTATION PROCESS

As required by clause 3.13.14(a) of the NER, AEMO is consulting on the Carbon Dioxide Equivalent Intensity Index Procedures (Procedures) in accordance with the Rules consultation procedures in rule 8.9.

AEMO's indicative timeline for this consultation is outlined below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions.

Deliverable	Indicative date
Notice of first stage consultation and Issues Paper published	1 March 2019
First stage submissions closed	12 April 2019
Draft Report & Notice of second stage consultation published	8 May 2019
Submissions due on Draft Report	24 May 2019
Final Report published	10 June 2019

The publication of this Draft Report marks the commencement of the second stage of consultation. Note that there is a glossary of terms used in this Draft Report at **Appendix A**.

2. BACKGROUND

2.1. NER requirements

Under NER clause 3.13.14 (a), AEMO is responsible for developing and publishing the Procedures. The Procedures may be amended in accordance with the 'rules consultation procedures' set out in NER rule 8.9.

2.2. CDEII Procedures

The Carbon Dioxide Equivalent Intensity Index (CDEII) is calculated under a formal framework contained within the National Electricity Rules. It replaced the informal Greenhouse Intensity Index published by AEMO's predecessor NEMMCO.

The CDEII calculation combines sent out metering data with publicly-available generator emission and efficiency data to provide a National Electricity Market (NEM)-wide CDEII. This is calculated on a daily basis and published weekly to the AEMO website, in accordance with the timing of the issue of preliminary statements.

The Procedures, background information, and current and historical CDEII results are published on AEMO's website at: <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Settlements/Carbon-Dioxide-Equivalent-Intensity-Index>.

2.3. Context for this consultation

2.3.1. Mandatory review of the CDEII Procedures

Under clause 3.13.14(e) of the NER, AEMO must conduct a review of the Procedures at least once every 3 years. The NER do not specify any particular scope for this review, but AEMO considers that a broad review is appropriate, including the extent to which the Procedures and the underlying index continue to provide value to stakeholders.

2.3.2. Emission Factor data source

The Procedures provide for emission factor data to be sourced from the current final National Transmission Network Development Plan (NTNDP). The NTNDP is referenced and linked in eight separate sections of



the Procedures. Currently, under the NER, AEMO is required to publish the NTNDP by 31 December each year. However, based on the 2017 recommendations of the Independent Review into the Future Security of the National Electricity Market (Finkel Review), in 2018 most of the relevant content of the NTNDP was published in a broader Integrated System Plan (ISP).

On 20 December 2018, the Energy Security Board (ESB) recommended that the NTNDP currently provided for in the NER should be replaced by the ISP, to be published every two years with updates between plans as required. Although the NER have not yet been amended to implement this recommendation, AEMO anticipates that the NTNDP will be formally transitioned to the ISP in the near future.

2.3.3. Format change and other minor corrections

The Procedures require several minor updates, including a move to the current AEMO procedures template, grammatical corrections, removal of obsolete references and website link updates.

2.4. First stage consultation

On 1 March 2019, AEMO issued a Notice of First Stage Consultation¹, inviting Consulted Persons to consider the following questions:

- i. Are the calculation methodologies for the CDEII and supplementary intensity indices still appropriate, or can they reasonably be improved? How?
- ii. Does the CDEII data, as published by AEMO annually, remain of value to participants in the NEM or related financial markets, relevant and fit for the purpose intended under the NER?
- iii. Do you have any comments on how the required emission factor data in the CDEII Procedures should be referenced, given the timing uncertainty of the proposal to transition the NTNDP to the ISP?

AEMO did not receive any submissions in response to the First Stage Consultation.

3. SUMMARY OF MATERIAL ISSUES

This section details the material issues AEMO identified during the review process. It also provides AEMO's assessment of the issues and how AEMO proposes to address them.

The key material issues arising from the proposal are summarised in the following table:

¹ Available at: <https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Carbon-Dioxide-Equivalent-Intensity-Index-Procedure?Convenor=AEMO%20NEM>



No.	Issue	Raised by
1.	Whether the calculation methodologies for the CDEII and supplementary intensity indices still appropriate.	AEMO
2.	Whether the CDEII data, as published by AEMO annually, remain of value to participants in the NEM or related financial markets, relevant and fit for the purpose intended under the NER.	AEMO
3.	How the required emission factor data in the Procedures should be referenced, given the timing uncertainty of the proposal to transition the NTNDP to the ISP.	AEMO

4. DISCUSSION OF MATERIAL ISSUES

4.1. Calculation methodologies for the CDEII

4.1.1. Issue summary

The CDEII calculation combines sent out metering data with publicly-available generator emission and efficiency data to provide a NEM-wide CDEII. This is calculated on a daily basis and published weekly to the AEMO website, in accordance with the timing of the issue of preliminary statements. The CDEII calculation methodology was last reviewed in 2014.

4.1.2. AEMO's assessment

AEMO believes that the current calculation methodologies for the Procedures and supplementary indices remain appropriate.

4.1.3. AEMO's conclusion

AEMO has not identified the need for any changes to the current calculation methodologies for the CDEII or the supplementary indices. As such, AEMO will make no changes to the Procedures with respect to calculation methodologies.

4.2. Value of the CDEII data to market participants

4.2.1. Issue summary

CDEII data for the current year contains the daily summarised regional and NEM-wide CDEII results and is published weekly on the AEMO website². An annual summary of the CDEII data is also published, containing the daily summarised regional and NEM-wide CDEII results³. The annual CDEII data summaries are available for every year to 2011.

AEMO understands that the CDEII data is incorporated into the AFMA Carbon Benchmark Addendum and is used in with respect to some retailer–customer contracts.

4.2.2. AEMO's assessment

AEMO believes that the CDEII data published remains of use to market participants and others related to or interested in the electricity sector. Additionally, the CDEII data could have further uses depending on the future of emissions related policies.

² Available at: http://www.nemweb.com.au/Reports/CURRENT/CDEII/CO2EII_SUMMARY_RESULTS.CSV

³ Available at: <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Settlements/Carbon-Dioxide-Equivalent-Intensity-Index>



4.2.3. AEMO's conclusion

Given the relatively small impost of publishing the CDEII for AEMO, and the fact that the data remains useful for some market participants and other parties, AEMO will continue to publish the CDEII data in its current form.

4.3. Emission Factor data source

4.3.1. Issue summary

Clause 3.13.14(l)(2) of the NER states that the data on emission factors should be publicly available and from a reliable source. To date, under the Procedures, emission factor data was sourced from published NTNDP documentation.

Currently, under the NER, AEMO is required to publish the NTNDP by 31 December each year. Although the NER have not yet been amended to change this requirement, AEMO anticipates that the matters to be covered in the NTNDP and included in the NTNDP database will in future be covered by the ISP.

4.3.2. AEMO's assessment

The Procedures will need to be amended to reflect the likelihood that the NTNDP will be superseded and relevant emissions factor data will be sourced from the ISP database. Given that no changes have yet been made to the NER, AEMO considers it prudent to allow for future publication name changes, but maintain the central requirement that the data comes from an AEMO published source containing the emission factor assumptions.

4.3.3. AEMO's conclusion

The Procedures will be amended to allow emissions factor data to be sourced from the NTNDP database⁴, or any database maintained and published by AEMO that supersedes the NTNDP database (i.e. the ISP database) and includes emission factor assumptions. All links will also be updated to refer to AEMO's CDEII page, which will contain the link to the latest NTNDP (or other) database.

5. OTHER MATTERS

As part of this review, AEMO is moving the Procedures to the current AEMO procedures template, making grammatical corrections, removing obsolete references and updating website links.

6. DRAFT DETERMINATION

Having considered the matters raised, AEMO's draft determination is to amend the Procedures in the form of the uploaded Procedures document published with this Draft Report.

⁴ The NTNDP database contains the assumptions and inputs used for the NTNDP. These inputs constitute the NTNDP database in accordance with clause 5.20.4 of the NER.



APPENDIX A. GLOSSARY

Term or acronym	Meaning
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AFMA	Australian Financial Markets Association
CDEII	Carbon Dioxide Equivalent Intensity Index
ESB	Energy Security Board
ISP	Integrated System Plan
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NER	National Electricity Rules
NTNDP	National Transmission Network Development Plan