



10 March 2025

Department of Energy, Environment and Climate Action
PO Box 500
EAST MELBOURNE VIC 8002

Submitted Via email: energy.upgrades@deeca.vic.gov.au

Dear Sir / Madam,

Re: Stanwell Corporation: Victorian Energy Upgrades Strategic Review discussion paper

Stanwell Corporation Limited (Stanwell) appreciates the opportunity to provide feedback to the Department of Energy, Environment and Climate Action (DEECA) consultation on *Victorian Energy Upgrades Strategic Review*.

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is also being applied to the rollout of renewable energy.

Stanwell is developing a pipeline of renewable energy and storage projects throughout Queensland, whilst maintaining a reliable supply of baseload power from two of the most efficient and reliable coal-fired power stations in Australia – the Tarong power stations near Kingaroy and Stanwell Power Station near Rockhampton.

This feedback contains the views of Stanwell and should not be construed as being indicative or representative of the views or policy of the Queensland Government.

Background:

Stanwell has, through meetings with the Essential Services Commission (ESC) and a follow up letter, outlined record certificate prices and a lack of liquidity in the market as key areas of concern for Stanwell retail customers ¹ In addition to Stanwell addressing the options presented on proposed targets for the Victorian Energy Upgrades (VEU) program for 2026 to 2027 in the recent consultation it was further reiterated that "these concerns are material and warrant further consideration and action".

Stanwell commends DEECA for its work on the proposed VEU targets for 2026 and 2027. Stanwell supported Option 1 for the VEU of 4 million VEECs which offers greater savings for both residential and commercial customers while providing a balanced approach to managing certificate supply and demand.

Stanwell would like to provide feedback on the following consultation questions:

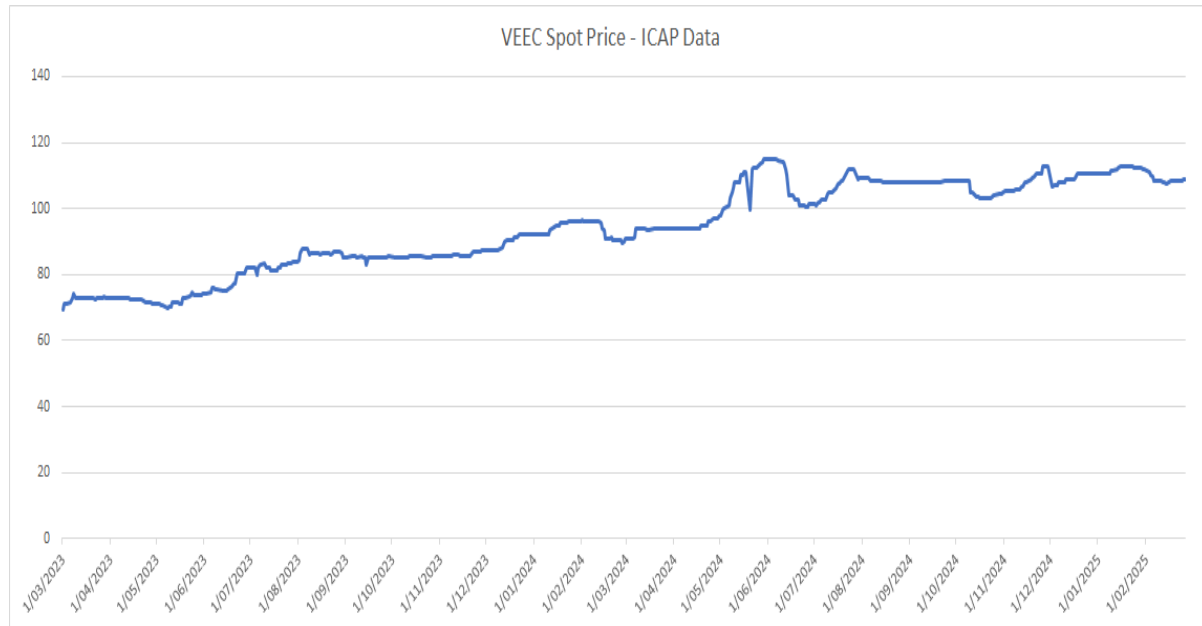
¹ 24/195139 ESC Feedback Victorian Energy Upgrades - Relevant Entity compliance meeting signed 2606

3. What are the biggest challenges with the VEU program as it currently operates?

Stanwell’s key concerns around the Victorian Energy Upgrades (VEU) program are VEEC market liquidity and high certificate prices.

As can be seen in the table below, certificate prices are still at over \$100. Getting the balance between emissions reductions to meet the Scheme’s objective while ensuring that price impacts on customers and businesses do not become the headline of the program is the biggest challenge

Table 1 – VEEC Spot Prices 3/01/2023 to 1/02/2025



4. (c) What factors need to be considered by the review when conducting its analysis of the VEET Act purpose and objects?

Stanwell agrees with the paper ² with initial feedback from stakeholders suggesting that while GHG emissions reduction and energy efficiency should remain key priorities under the scheme, consideration of the VEET scheme objectives should place greater emphasis on “supporting energy affordability” with the current 'cost of living crisis' front of mind.

16. How would changes to the requirements for banking and borrowing impact the certificate market?

Stanwell would like to see the VEU allow for carry forward of liability, such as is allowed in the Renewable Energy Target (RET)³. Participants under the RET can carry forward a certificate shortfall of up to 10 percent of their liability for the year without triggering penalty provisions. They are also able to carry forward shortfalls over multiple years, provided it remains within 10 percent of certificate liability.

This may free up some certificate capacity in the scheme in the short term, take pressure off high prices and give participants flexibility to manage certificate holdings.

² [Strategic Review of the Victorian Energy Upgrades program | Engage Victoria](#)

³ [Certificate shortfall | Clean Energy Regulator](#)

18. (a) Are the requirements to become an AP reasonable and proportionate? If not, what improvements could be made?

Stanwell would like to see improved rigour in the Accredited Person (APs) accreditation process, to ensure that those accredited are "fit and proper and competent and capable persons" to participate in the scheme. Stanwell is aware of situations where APs have defaulted, leaving participants (including Stanwell) to source undelivered certificates at spot price, with the potential for exposure to shortfall compliance penalties and reputational damage as a result.

The introduction of a more robust accreditation process would help reduce counterparty risk for retailers and the cost of defaults, which are ultimately borne by customers.

In support of improvements to the accreditation process, Stanwell proposes that ISDA (International Swaps and Derivatives Association) master agreements be the recognised standard for forward trading contracts under the VEU scheme. Making ISDAs the official standard, would shift the onus from buyers of certificates having to assess and reject AP sellers without ISDAs, to AP sellers being required to have ISDA agreements in place before engaging in forward trades.

This approach aligns with the emerging unofficial market practice and would reduce counterparty risk by encouraging all participants to adopt robust legal and financial safeguards. Following the default of APs under the VEU scheme that impacted Stanwell, our current position is to only trade forward with counterparties with ISDAs in place. Scheme preference of ISDAs as the standard would increase trust, facilitate smoother transactions, and support market liquidity by providing clear expectations for participants.

Conclusion:

Stanwell appreciates the chance to provide feedback on the consultation on Victorian Energy Upgrades Strategic Review. Stanwell's main concerns about the VEU scheme are VEEC market liquidity and high certificate prices.

Stanwell would welcome the following changes to the VEU scheme:

- the ability to carry forward certificate shortfalls and improved accreditation processes to reduce market risks.
- The promotion of ISDA master agreements as the recognized standard for forward trading contracts would reduce the risk of AP defaults and enhance the overall integrity of the certificate market. A well-regulated and trustworthy market ultimately benefits all participants by lowering costs, reducing exposure to compliance penalties, and improving the liquidity and efficiency of certificate trading; and
- For the VEET scheme objectives to place a greater emphasis on supporting energy affordability in conjunction with GHG emissions reduction and energy efficiency.

A cautious and measured approach, as outlined above, will benefit the VEU scheme in the long term.

Stanwell welcomes the opportunity to further discuss the matters outlined in this submission. Please don't hesitate to contact Brad Supple, Market Regulation Analyst, via email at Bradley.supple@stanwell.com

Yours sincerely



Zi Ying Koh
A / Manager Market Policy and Regulatory Strategy
Energy Markets