



# Victoria Government Gazette

No. S 36 Tuesday 21 February 2017  
By Authority of Victorian Government Printer

## Electricity Industry Act 2000

### ORDER SPECIFYING A METHODOLOGY AND FACTORS FOR THE DETERMINATION OF THE AVOIDED SOCIAL COST OF CARBON

Order in Council

The Governor in Council makes the following Order:

1. **Purpose**

The purpose of this Order is to specify a methodology and factors for the determination of the avoided social cost of carbon which the Essential Services Commission (ESC) must have regard to under section 40FBB(3)(c) of the **Electricity Industry Act 2000**.

2. **Authorising provision**

This Order is made under section 40FBB(3B) of the **Electricity Industry Act 2000**.

3. **Commencement**

This Order takes effect on the day it is published in the Victoria Government Gazette.

4. **Definitions**

In this Order –

*avoided*, in relation to CO<sub>2</sub>e, has the meaning given by clause 5;

*CO<sub>2</sub>e* has the same meaning as *carbon dioxide equivalent of a greenhouse gas* (as defined in section 3(3) of the **Victorian Energy Efficiency Target Act 2007**);

*relevant financial year* means the 2017/18 financial year, for which a rate or rates determined under section 40FBB of the **Electricity Industry Act 2000** will apply;

*relevant period* means the five-year period ending on 31 December of the calendar year that ends 6 months prior to the commencement of the relevant financial year.

5. **Meaning of avoided (in relation to CO<sub>2</sub>e)**

For the purposes of this Order, CO<sub>2</sub>e is *avoided* if demand for electricity generated by a generation facility that is not a small renewable energy generation facility falls because of the export of small renewable energy generation electricity.

6. **Methodology and factors for determining social cost of carbon**

For the purposes of section 40FBB(3)(c)(i) of the **Electricity Industry Act 2000**, the avoided social cost of carbon for the relevant financial year is the cost per kilowatt-hour of small renewable energy generation electricity purchased by a relevant licensee, determined in accordance with the following methodology and factors –

Avoided social cost of carbon = Volume factor × Price factor

where –

**Avoided social cost of carbon** is the cost per kilowatt-hour of small renewable energy generation electricity purchased by a relevant licensee, expressed in dollars;

**Volume factor** is the volume of CO<sub>2</sub>e that is avoided by each kilowatt-hour of small renewable energy generation electricity purchased by a relevant licensee, expressed in tonnes and calculated in accordance with the formula in clause 7; and

**Price factor** is the value of a tonne of CO<sub>2</sub>e for the relevant financial year, expressed in dollars and calculated in accordance with the formula in clause 8.

**SPECIAL**

**7. Formula for calculating Volume factor**

For the purposes of clause 6, the Volume factor must be calculated in accordance with the following formula –

$$\text{Volume factor} = \frac{\text{Coefficient factor} \times X}{1000}$$

where –

**Volume factor** is the volume of CO<sub>2</sub>e that is avoided by each kilowatt-hour of small renewable energy generation electricity purchased by a relevant licensee, expressed in tonnes; and

**X** is 1 (representing 1 kilowatt-hour of electricity exported by a small renewable energy generation facility); and

**Coefficient factor** is 1.27 (reflecting that 1.27 kilograms of CO<sub>2</sub>e are avoided by the export of every kilowatt-hour of small renewable energy generation electricity).

**8. Formula for calculating Price factor**

(1) For the purposes of clause 6, the Price factor must be calculated in accordance with the following formula –

$$\text{Price factor} = \left( \sum_{m=1}^q P_m \right) \div q$$

where there are  $q$  months within the relevant period and –

**Price factor** is the value of a tonne of CO<sub>2</sub>e for the relevant financial year, expressed in dollars; and

**P<sub>m</sub>** is the VEET average market spot price of one tonne of CO<sub>2</sub>e for month  $m$  of the relevant period.

(2) For the purposes of subclause (1), the **VEET average market spot price** is, for a month specified in column 1 of the following Table, the corresponding amount specified in column 2 of the Table opposite that month.

**Table**

Column 1	Column 2
Month	VEET average market spot price
Jan 2012	\$ 33.51
Feb 2012	\$ 23.81
Mar 2012	\$ 22.09
Apr 2012	\$ 21.89
May 2012	\$ 23.71
Jun 2012	\$ 23.95
Jul 2012	\$ 21.32
Aug 2012	\$ 21.17
Sep 2012	\$ 22.55
Oct 2012	\$ 21.56
Nov 2012	\$ 20.00
Dec 2012	\$ 20.00

<b>Column 1</b>	<b>Column 2</b>
<b>Month</b>	<b>VEET average market spot price</b>
Jan 2013	\$ 19.85
Feb 2013	\$ 18.13
Mar 2013	\$ 17.19
Apr 2013	\$ 17.60
May 2013	\$ 17.10
Jun 2013	\$ 14.80
Jul 2013	\$ 13.88
Aug 2013	\$ 14.84
Sep 2013	\$ 13.65
Oct 2013	\$ 12.64
Nov 2013	\$ 15.25
Dec 2013	\$ 16.59
Jan 2014	\$ 16.21
Feb 2014	\$ 18.38
Mar 2014	\$ 19.70
Apr 2014	\$ 19.13
May 2014	\$ 18.41
Jun 2014	\$ 19.29
Jul 2014	\$ 17.40
Aug 2014	\$ 15.76
Sep 2014	\$ 14.48
Oct 2014	\$ 14.37
Nov 2014	\$ 17.25
Dec 2014	\$ 19.96
Jan 2015	\$ 18.36
Feb 2015	\$ 18.42
Mar 2015	\$ 18.76
Apr 2015	\$ 18.73
May 2015	\$ 18.90
Jun 2015	\$ 19.24
Jul 2015	\$ 20.69
Aug 2015	\$ 26.10
Sep 2015	\$ 32.73
Oct 2015	\$ 32.97
Nov 2015	\$ 27.20
Dec 2015	\$ 27.25

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<b>Column 1</b>	<b>Column 2</b>
<b>Month</b>	<b>VEET average market spot price</b>
Jan 2016	\$ 24.76
Feb 2016	\$ 23.07
Mar 2016	\$ 22.51
Apr 2016	\$ 20.87
May 2016	\$ 18.84
Jun 2016	\$ 17.78
Jul 2016	\$ 16.62
Aug 2016	\$ 14.61
Sep 2016	\$ 14.37
Oct 2016	\$ 16.13
Nov 2016	\$ 15.80
Dec 2016	\$ 15.40

Dated 21 February 2017

Responsible Minister:

HON LILY D'AMBROSIO MP

Minister for Energy, Environment and Climate Change

MONICA BIRD  
Acting Clerk of the Executive Council

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