



## FACT SHEET

# CREATING NGACs FROM DEMAND SIDE ABATEMENT

### What is demand side abatement?

DSA is a reduction in greenhouse gas emissions resulting from actions taken on the customer side of an electricity meter (“the demand side”).

The scheme allows people undertaking demand side abatement (‘DSA’) activities to create NSW Greenhouse Gas Abatement Certificates (‘NGACs’) for five main classes of project:

- **energy efficiency** projects that modify existing energy consuming equipment, processes or systems (called ‘Installations’ in the DSA rule), or which modify the usage of Installations;
- **energy efficiency** projects that replace existing Installations, with other Installations that consume less electricity;
- **energy efficiency** projects that install new Installations that consume less electricity than other Installations of the same type;
- **fuel switching** projects that substitute one source of energy for another; and
- **on-site electricity generation** that replaces supply from the National Electricity Market.

To create NGACs from DSA projects, certificate providers need to:

- establish their project is eligible;
- decide which calculation method to apply; and
- generate enough data and records to apply that method.

### Eligible Projects

Within the five main classes of projects, DSA projects must also be implemented in NSW after 1 January 2002 and in the ACT after 1 January 2004.

For some on-site electricity generation projects, the DSA Rule also accepts projects implemented before this date.

### Ineligible Projects

The DSA Rule excludes abatement activities for which other types of abatement certificates can be created, such as:

- activities for which NGACs can be created under another Rule;
- activities which reduce electricity consumption by reducing the economic benefit from the use of the electricity;
- Green Power purchases;
- activities to reduce losses in electricity transmission or distribution networks; and
- installation of solar water heaters for which Renewable Energy Certificates can be created.

### Nominating others to create NGACs on your behalf

In the DSA Rule, the person entitled to create NGACs is called ‘the Abator’. The Abator is the person responsible for the payment for energy consumed at the abatement site.

For projects implemented before 1 July 2002 claimed as Electricity Sales Foregone under the Emissions Workbook by a Retail Supplier, the Abator is the Retail Supplier.

However, the initial Abator may nominate someone else to create the NGACs to which they are entitled.

This makes it possible for third parties to specialise in creating NGACs from DSA projects implemented by others, perhaps at smaller, decentralised sites. For example, an energy management firm that undertakes an energy efficiency project can offer a discount to the owner of the site in return for the owner nominating the energy management firm to create the NGACs.

While the benefit of the nomination flows to the nominated Abator, so does the burden. The nominated Abator must ensure the DSA project is properly implemented and must keep records of this.

### Creating NGACs before the abatement occurs

As a general rule, DSA NGACs can be created only *after* the demand side abatement that they relate to has occurred. In addition, they must be created no later than six months after the end of the calendar year in which that abatement occurred.

However, in certain circumstances, when the project will create less than 2,000 NGACs per year, the Abator can create NGACs before the abatement has actually occurred.

In addition, for small standard installations such as compact fluorescent lights, the Rule allows the use of default factors to claim the lifetime abatement at the time of installation.

### How many DSA NGACs can be created for a project?

The abatement from a DSA project is calculated by measuring the levels of emissions before and after the project is implemented.

DSA projects vary greatly in terms of the nature of the site, the activities carried out, the technologies used, and the size of the project.

To accommodate this variability, the abator can choose between four different methods for calculating how many NGACs can be created from a DSA project.

These four calculation methods are:

- Project Impact Assessment Method;
- Metered Baseline Method;
- Default Abatement Factors Method; and
- Generation Emissions Method.

For a detailed description of how to use each of these calculation methods, see the **Worked examples for calculating DSA NGACs** available from the Fact Sheets page of our website.

### Confidence Factors

When calculating the number of NGACs that can be created from a DSA project, using certain calculation methods, a 'confidence factor' may be used. This factor provides a method of adjusting the number of NGACs created according to the precision of the data used in the calculations.

For example, data which is very accurate will have a higher confidence factor, and enable more NGACs to be created than data which is less accurate and therefore has a lower confidence factor.

Confidence factors are only used when calculating NGACs using either the Project Impact Assessment Method or the Metered Baseline Method.

When using the Project Impact Assessment Method, confidence factors are assigned under the DSA Rule according to the quality of data used. The highest confidence factor is 1, then 0.9, then 0.8. The DSA Rule describes which factor is used for various projects.

When using the Metered Baseline Method, the applicable confidence factor can be calculated by using the equations specified in the DSA Rule.

### Legal context for this fact sheet

The Scheme Administrator has prepared this Fact Sheet as a general summary of relevant parts of:

- *Electricity Supply Act 1995*
- *Electricity Supply (General) Regulation 2001*
- *Greenhouse Gas Benchmark Rule (Demand Side Abatement) No. 3 of 2003*

This Fact Sheet should not be relied upon as a substitute for legal advice, and is designed to be read in conjunction with the above source documents.