

Ms Sarah Clough
General Manager, Industrial Energy Efficiency Branch
Department of Resources, Energy and Tourism
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Dear Ms Clough

The Energy Efficiency Council welcomes the opportunity to provide input on the discussion paper on *'Proposed changes to the Energy Efficiency Opportunities Regulations to Address Recommendations from the Full Cycle Evaluation'* (the 'Discussion Paper'). The Energy Efficiency Council is the peak body on energy efficiency, cogeneration and demand-management, and represents experts in energy efficiency from industry, academia and the public sector.

The Energy Efficiency Opportunities (EEO) Program has delivered substantial benefits to large energy users. The recent independent program review found that the EEO Program had substantially improved participants' energy management processes and capabilities. Between 2006 and 2012 participants found and implemented efficiency opportunities of 88.8 PJ per annum, with financial benefits of \$808 million per year. A conservative estimate found that 40 per cent of these savings, or \$323 million of benefits per annum, should be attributed to the EEO program.

The independent review also found that there were still substantial opportunities to assist large energy users to improve their energy management processes and find further savings. This finding is in line with energy efficiency experts' experiences, who have found that while the EEO Program has improved the capacity of most EEO participants to improve their energy use, the majority of participants need further assistance to develop effective energy management processes.

Therefore, the Energy Efficiency Council strongly recommends that the Australian Government complete the second five-year EEO Program cycle (2012-2017). Continuing the program would support those companies that are still establishing energy efficiency management processes to fully embed them in their practices.

However, the Council also believes that there are opportunities to streamline the compliance and reporting requirements for the EEO Program. The focus of the EEO Program has been delivering improvements in energy management practices, and reporting and compliance requirements should be designed to achieve this aim while limiting unnecessary effort by energy users.

Changes to the Assessment Framework

The Energy Efficiency Council supports the changes to the EEO Assessment Framework set out in Attachment C of the Discussion Paper. We believe that these changes are appropriate and should reduce compliance effort. The majority of changes are simply clarifications and eliminations of duplication, and will deliver modest benefits.

The replacement of the explicit requirement to evaluate potential opportunities to an accuracy of ± 30 per cent with a requirement to evaluate opportunities to an accuracy commensurate with the investment associated with potential implementation should significantly reduce compliance effort. We support the removal of the explicit requirement to evaluate potential opportunities to an accuracy of ± 30 per cent. However, we believe that businesses should document their justification to going to a particular level of accuracy, and guidance material should be prepared that helps companies understand what level of accuracy is appropriate. Clear guidance would reduce the effort that companies have to take to ensure that they are compliant with this broad requirement.

Furthermore, we believe that the Department of Resources, Energy and Tourism (DRET) should develop a more comprehensive 'plain English' Compliance Guide for the EEO program. A number of energy users have expended resources and time clarifying the requirements of the EEO Program. Developing a single document that sets out all the requirements of the Act, the Regulations and DRET officials would reduce compliance costs. This Compliance Guide should also provide guidance, including those elements of Key Element 3 that are being removed as requirements.

Finally, Key Element 5.1 should be adjusted to encourage companies to provide information to management in a way that captures both local savings and organisation-wide benefits in those situations where multiple groups within a business benefit from an energy saving activity.

Development of a single reporting portal

The Energy Efficiency Council strongly endorses the proposal to create a single data reporting portal under the National Greenhouse and Energy Reporting Scheme (NGERS). The Council has advocated for the development of a single portal for some time. The Australian Government should ensure that NGERS, EEO and any carbon pricing policies are aligned with respect to the measurement of energy and emissions. Currently, a number of schemes involve measurement of different scopes and quantum, creating unnecessary compliance burdens.

Recognising companies with excellent energy management performance

The Energy Efficiency Council supports the concept that companies that have excellent energy management practices should be both publicly recognised and exempted from the normal EEO reporting processes (i.e. they should be able base their assessment on their own processes and systems, rather than complying with the EEO Assessment Framework). In 2012 the Energy Efficiency Council suggested this type of approach be considered.

We believe that exemption from the EEO Assessment Framework would need to take place on a regular basis, most likely once every full cycle of the EEO program (every 5 years). Therefore, the effort required to be exempted from the EEO Assessment Framework must be lower than using the EEO Assessment Framework.

In addition, considerable work will need to be undertaken to determine the objective criteria that DRET would use to determine if a company demonstrates excellent energy management. The flowchart set out in Attachment B of the Discussion Paper appears reasonable, but if it relies on ad hoc assessments of 'excellence' by DRET officials it would be inequitable for energy users and create risks for the EEO program and DRET.

Therefore, the Council recommends that DRET undertake work in consultation with energy users, the Energy Efficiency Council and the Council's members to determine what criteria could be used to determine if a company has excellent energy management processes in place. In particular, we note that:

- Excellence in energy management should be partly determined by actual performance (e.g. levels of efficiency relative to benchmarks or rates of efficiency improvement), rather than just energy management processes. For example, it might be suitable to exempt companies from the EEO Assessment Framework if they solely use energy in commercial facilities, and those facilities have an average NABERS Energy rating exceeding 4 stars.
- There are currently differing views on whether accreditation under ISO 50,001 could be one pathway for seeking exemption from the EEO Assessment Framework, and these issues need to be resolved.
- DRET may wish to consult with organisations that specialise in public reporting (such as the Global Reporting Initiative) to ensure that what is reported is still valuable to investors.

Summary

The Energy Efficiency Council:

- Strongly recommends continuing the EEO Program for a second round (2012-2017)
- Broadly supports the proposed changes to the EEO Reporting Framework
- Supports the development of a single energy use /savings reporting portal through NGERS
- Supports the principle of recognising companies with excellent energy management, but notes that further work will need to be undertaken to determine how this will be identified and ensure that this alternative compliance pathway is effective and low effort.

Yours sincerely



Rob Murray-Leach
Chief Executive Officer