



Dr Sharn Enzinger
Review of the Victorian Energy Efficiency Target scheme
Energy Sector Development Division
GPO Box 4509
Melbourne VIC 3001

11 May 2015

Re: The Victorian Energy Efficiency Target Scheme Consultation Paper

Dear Dr Enzinger

The Energy Efficiency Council welcomes the opportunity to provide further input on the Victorian Energy Efficiency Target (VEET) scheme consultation paper.

Firstly, the Council welcomes the Victorian Government's support for extension of the VEET and strongly endorses this decision on economic, social and environmental grounds. The purpose of the VEET is not well understood – put simply, it partially corrects the supply-side distortion in our energy market, and improves the balance between supply-side and demand-side investment. As a result, the VEET:

- Helps to reduce homes' and businesses' energy bills;
- Creates local jobs in the supply of energy efficiency services and products; and
- Reduces greenhouse gas emissions.

We congratulate the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) on the rapid work that it has undertaken on the VEET modelling and the substantial improvement in the current modelling exercise over the exer2013-14 one. The Council will continue to engage with DEDJTR on the modelling. A number of our comments in this submission are based on the current modelling results; any revisions to the modelling may adjust our perspective.

Our key recommendations that relate to the target are:

- The VEET target should be set for at least a five-year period (2016-2020).
 - The target should be set at least at 6.2 megatonnes (MT) per annum for the period 2016-2020. We recommend that the modelling team review the cost-benefit of targets of 6.6 MT and 7 MT per annum and the government adopt any target that has greater benefits than 6.2 MT target. We also recommend that the Minister should be able to raise the target within this 5-year period if it becomes evident that the supply of energy efficiency opportunities is substantially greater than anticipated.
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- Industry, including Energy Intensive Trade Exposed (EITE) companies and companies that were formerly required to develop Environment and Resource Efficiency Plans (EREP), must be able to generate certificates under the VEET.

There are a number of significant issues in the design and administration of the VEET that are not covered by the modelling exercise but need urgent attention. Although the VEET has net benefit to the community, the net benefit would be greater if these problems, which increase the costs and reduce the benefits, were addressed. These issues can be classified as 'administrative' and 'design' issues, although in practice a number of issues are caused by both administrative and design issues (e.g. the speed of registering new methodologies).

- Administrative issues include significant delays in the registration of technologies and introduction or updating of methodologies. In the past, understaffing and governance have been the key administrative issues, such as unclear lines of accountability between DEDJTR and the Essential Services Commission (ESC).
- Design issues include difficulties in updating activities and the lack of harmonisation between the VEET and the NSW Energy Savings Scheme (ESS). There are a number of clear solutions to these issues, such removing activities from the regulations and having them set by an independent committee, similar to the model used by the Emissions Reduction Fund.

The Council recommends that DEDJTR and ESC set up a task-group as soon as possible to quickly resolve administrative issues that are under their control and commence a review into the design and legislation that underpin VEET. We recommend that this task group focus on harmonisation with the NSW ESS, establishment of an activities committee and introduction of the Project-Based Assessment (PBA) methodologies.

We again congratulate the Victoria Government for committing to extend the VEET scheme and look forward to continuing to work with you on the detailed design of the scheme.

Please contact me on rob.murray-leach@eec.org.au should you require further information on any of the issues raised in this submission.

Yours sincerely



Rob Murray-Leach



**Energy Efficiency Council
Submission on the
Review of the Victorian Energy Efficiency Target Scheme**

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Benefits of Energy Efficiency and Demand Management

Energy efficiency is one of Victoria's biggest untapped opportunities. The VEET will help to tap this opportunity, keep energy affordable, boost competitiveness and create jobs.

Making energy affordable

Homes and businesses save money when they get more out of each unit of energy that they use. Recent estimates suggest that improving the energy efficiency of our economy would save homes and businesses \$5 billion every year by 2020.

Smarter energy use can also lower energy prices. National energy prices have almost doubled in the last five years, putting huge stresses on homes and businesses. These price rises were mainly caused by the network companies spending over \$40 billion on the grid (poles and wires). Over a third of this was caused by rising peak demand on a few very hot or cold days. Boosting efficiency and reducing peak demand will reduce wholesale electricity prices and reduce the amount that we need to spend on poles and wires.

Boosting competitiveness

Australia is one of the least energy efficient developed economies. Over 25 years, Australia's energy efficiency increased by just 0.7 per cent a year, compared to 1.6 per cent a year in most other developed countries. This puts our businesses at a competitive disadvantage as energy prices rise, particularly with China, the US and Europe investing heavily to improve their energy efficiency. Giving Australian businesses access to the skills and programs they need to improve their efficiency is essential for their competitiveness.

Creating jobs

When a company improves its energy efficiency, it becomes more competitive and can invest its savings on expanding production and retaining workers. One study in the US found that each dollar invested in energy efficiency generated US\$2.32 in local economic activity: US\$0.84 more than an equivalent expenditure in petroleum and gas bills.¹ Boosting energy efficiency would also create a thriving domestic and export market with an estimated 75,000 jobs in Australia by 2030, including builders and manufacturers.

Managing the change in energy supply

There are significant changes occurring in energy supply, both locally and globally. This creates an environment in which it is unwise to invest in long-lived network infrastructure that might not be suitable for future energy generation and consumption patterns. Addressing the market failures that decrease energy efficiency will reduce the need to invest in assets that could become stranded during this period of uncertainty, and reduce energy costs.

Meeting Australia's emission targets

Energy efficiency makes good economic sense and also reduces greenhouse gas emissions. Energy efficiency could deliver a third or more of the carbon cuts that Australia needs to meet its bipartisan emissions target for 2020 and beyond, and helps Victoria transition to a low carbon economy.

¹ National Renewable Energy Laboratory 1995, DOE/GO-10095-196, Energy Efficiency Strengthens Local Economies, U.S. Department of Energy, Washington

1. VEET Target

Question 1: What should the new VEET target be?

The Energy Efficiency Council recommends that:

- The VEET target should be at least 6.2 Megatonnes (MT) per annum for 5 years (2016-2020). The Government should also model a target of 6.6 MT per annum for 5 years and adopt this target if it has greater net benefits than a 6.2 MT target.
- The target of 6.2 (or 6.6) MT per annum should act as a ‘floor target’ for the period 2016-2020, with the Minister able to raise the target if new information shows this would be beneficial. This could be enacted by Parliament setting a target range (e.g. 6.6 to 10 MT per annum) for the period 2016-2020, with the VEET defaulting to the bottom of the range but the Minister able to raise the target if a review finds that this would generate additional net benefits.
- The Victorian Government should consider setting the target as a percentage of liable sales, like the NSW ESS.

Target length

There is widespread support for the VEET target to be as long as practicable, as this provides certainty to industry, including retailers and energy efficiency providers. Greater certainty will allow for the development of more innovative delivery models and reduce the cost of delivering energy efficiency. The benefits of longer targets should be balanced against the predictability of the scheme delivering net benefits. Therefore, the Council supports the adoption of targets of at least 5 years, and we welcome the Department modelling a 5-year target in response to our recommendation in February this year.

We also believe that the balance between certainty for industry and certainty of net benefits can be improved by allowing the Minister to raise the target if it is clear that the current review underestimated the volume of energy efficiency opportunities. For example, a new technology may emerge that can deliver substantial low-cost energy savings. We believe that this approach would give the optimum balance of accuracy and certainty.

Target size

The modelling currently suggests that a target of 6.2 MT per annum over 5 years would deliver maximum benefits. However, we recommend that the department also model a target of 6.6 MT per annum over 5 years.

The Council notes that:

- A target of 6.2 MT per annum is only optimal if the main goal of VEET is maximising net benefits to energy consumers. If the Victorian Government wishes to give higher priority to the goals of job creation and/or carbon emission reduction, the target should be higher.
 - The optimum size of the target depends on the volume of efficiency that the industry can deliver, which depends on both market conditions and the VEET methodologies. It is critical that the government move quickly to adopt project-based methodologies (see section 8).
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2. Modelling approach

Question 2: Comments are invited on the modelling approach used to determine the costs and benefits of the VEET scheme. Is there any additional data or information that should be considered?

We congratulate the department on the rapid production of the modelling and the correction of a number of significant problems in the 2013-14 VEET modelling exercise. The Council believes that the approach to NEM modelling that is set out in the consultation documents is broadly appropriate. However, we do have a number of concerns:

1. The National Electricity Market (NEM) modelling should be complemented with simple multi-criterion analysis that takes a very simple approach to projecting the costs and benefits of the VEET. While NEM modelling is extremely valuable, it uses complex models that include multiple hidden assumptions. Using two approaches helps to identify issues and improves the robustness of analysis.
2. The modelling must include multiple NEM scenarios. There is considerable uncertainty about the future of supply and demand in the NEM. The single scenario used is only one of a number of possible scenarios, and is quite an extreme scenario, predicting that the majority of wholesale energy in 2040 will still be supplied by conventional coal-fired generation. We recommend that the modelling should include at least one alternative scenario, such as high penetration of electric vehicles, renewable energy and distributed generation. Without multi-scenario modelling, the results of the modelling are not robust.
3. The full range of costs and benefits of energy saving measures need to be included in analysis. While the environmental externality values included in the modelling (greenhouse gas emissions and air quality impacts) are reasonable, the modelling excludes a number of private costs and benefits that should be used for sensitivity analysis. These include:
 - Maintenance savings from more robust equipment (e.g. LED lights); and
 - Productivity improvements, such the improvement in staff productivity in offices following energy efficiency retrofits.

3. Greenhouse Coefficients

Question 3: Which greenhouse gas coefficient should be used to quantify the reduction in greenhouse gas emissions achieved by the VEET scheme?

The Energy Efficiency Council does not have strong views on the greenhouse coefficient used, as it appears that it will only have minor impacts on the scheme. However, in principle we recommend harmonisation with the NSW ESS to improve national consistency in certificate schemes.

There are currently minor differences between the factors used in VEET and the ESS, and these have limited impacts on the schemes. However, the lack of consistency between the VEET and the ESS has real costs for industry. Given the limited differences between the coefficients, harmonisation should be prioritised over other considerations. We would ideally recommend the adoption of an average factor from the National Greenhouse Accounts in both states.

4. Carbon valuation

Question 4. The Department has valued greenhouse gas emissions reductions attributed to the VEET scheme by adopting a carbon valuation series that was produced by the Federal Climate Change Authority as part of its 2014 Targets and Progress Review. Is this approach appropriate for valuing greenhouse gas emissions reductions over the period 2016 to 2050?

The carbon prices included in the modelling are reasonable upper and lower bounds for future carbon prices, particularly given the difficulty of determining a precise carbon price into the future. While we believe that the lower carbon price model is unlikely to be accurate in the longer-term, it is a reasonable lower bound for modelling purposes.

5. Business Sector

Question 5: Is there a case to exclude any business sector(s) from participation in the VEET scheme? Please explain why this is your preferred option, and comment on how this should be implemented.

It is essential that the VEET offer support to all Victorian businesses to improve their energy efficiency, because:

- Improving the energy efficiency of Victorian businesses is essential to improve their competitiveness, boosting job security and economic growth.
- Gas and electricity prices in Victoria have risen steeply in recent years. Additional support is warranted right now to help businesses adjust to higher prices.
- There is a very large untapped potential for cost-effective energy savings in businesses. In recent years, just under 40 per cent of Victorian energy consumption came from the residential sector, just under 20 per cent from the commercial sector and over 40 per cent from the industrial sector. Unlocking this potential will deliver economic benefits, reduce wholesale electricity prices and cut emissions.
- There are significant, well-known barriers to energy efficiency in the business sector, including information gaps and internally misaligned incentives. Some organisations have made unsubstantiated statements that businesses are already taking the optimal level of action on energy efficiency – the data very clearly demonstrates that this is false.
- The NSW ESS and international schemes have demonstrated that energy efficiency certificate schemes can drive industrial and commercial efficiency.

Australia is one of the least energy efficient developed economies. Over 25 years, Australia's energy efficiency has increased by just 0.7 per cent a year, compared to 1.6 per cent a year in most other developed countries. This puts our businesses at a competitive disadvantage as energy prices rise, particularly with China, the US and Europe investing heavily to improve their energy efficiency. Giving Victorian businesses access to the skills and programs they need to improve their efficiency is essential for their global competitiveness.

Victorian industry will need a range of programs to support energy efficiency. A recent report by ClimateWorks found that internal business culture is critical to achieving high levels of energy efficiency, and programs that help foster solid business practices will be as critical as the VEET. The Council looks forward to working with the Victorian Government on the development of an energy efficiency strategy that includes, but is not limited to, the VEET.

A large proportion of energy in Victoria is consumed by large companies, which are either classified as Energy Intensive Trade-Exposed (EITE) companies or were formerly required to develop Environment and Resource Efficiency Plans (EREP). As the features that designate a company as EITE or inclusion in the EREP program are very similar, and the EREP program has now ceased, we recommend that VEET should ignore companies' EREP status and only classify them as EITE and non-EITE.

We recommend companies that were formerly mandated to develop EREP, but are not classified as EITE, should participate fully in the VEET and both generate certificates and contribute to VEET costs.

In relation to EITE companies (including EITE companies that were formerly in the EREP program), we recommend that VEET follow the NSW model, where EITE businesses are able to generate certificates but do not contribute to VEET costs.

We recommend that EITE businesses (including EITE companies that were formerly in EREP) should initially be able to generate certificates but not contribute to VEET costs because:

- Allowing industry to participate will deliver reductions in wholesale energy prices that exceed the additional costs of certificates to consumers, meaning that households will have a net benefit from industry participation
- It will take at least 12 months to introduce activities that will allow EITE to participate in VEET, and initial levels of EITE participation are expected to be low. If EITE participation increases above a certain level (e.g. 20 per cent of certificate generation), we recommend that the government review whether EITEs should contribute towards scheme costs.
- During a period of rapidly rising gas prices, providing additional support to industry to protect jobs is warranted.

We also strongly recommend that the focus of the VEET should be on driving additional energy efficiency activities. We note that at least one company has advocated for payment for past energy efficiency activities. There is no justification for payment for energy-saving activities that have already occurred.

Finally, for businesses to participate in the VEET it is essential that project-based assessment methodologies (PBA) are adopted as soon as possible. However, irrespective of EITE participation, PBA should be introduced as soon as possible, as this also facilitates projects in SMEs, commercial buildings and residential sites.

6. Low-Income households

Question 6. Should the VEET scheme be amended to better ensure support for low-income households? Please outline how the VEET scheme could better support low income households, and comment on why this option should be preferred.

The Energy Efficiency Council supports the need to ensure that low-income households benefit from the VEET. There are two possible approaches to do this:

- Set a sub-target in the VEET for low-income households; or
- Set up mechanisms outside the VEET to help vulnerable households access the VEET (e.g. grants for energy efficient appliances).

While the Council does not, in principle, object to setting a sub-target in the VEET we believe that setting up mechanisms outside VEET to target vulnerable households will be both more effective and cost-effective.

Firstly, vulnerable households face a number of specific barriers to energy efficiency, particularly access to capital. While the VEET can partially address these additional barriers, more targeted measures would address it more effectively. If these programs are correctly set up they will enable low-income households to participate with VEET.

Secondly, defining a 'vulnerable' household in legislation is quite complex. Channelling support through welfare organisations, local governments, retailers and other organisations can help ensure that support reaches those that need it most.

7. Targeting particular groups

Question 7. In addition to expanding the range of energy efficiency activities available in VEET, should any other action be taken to target participation by certain groups?

In addition to businesses and vulnerable households, the Council believes that particular attention should be given to encouraging VEET participation among agricultural businesses.

8. Activities

Question 8. Please suggest up to five activities that should be prioritised for revision or introduction to the VEET scheme.

The Council's priorities for activities are part of our broader recommendations around improving processes and harmonising the VEET with other state energy efficiency schemes. These issues are discussed at length in section 9.

The Council has five main priorities for activities. In order of importance, these are:

1. Adopt the NSW EES's Project-Based Assessment (PBA) methodologies as soon as possible
2. Restructure the way that activities are included in the VEET, specifically:
 - a. Take activities out of the Regulations to provide a much more responsive regulatory structure
 - b. Set up an independent Activities Committee to set and continually update methodologies.
3. Include insulation in the VEET
4. Shift to the NSW ESS methodology for commercial lighting, including allowing lighting projects to deliver more than 3,000 hours of savings per annum.
5. Introduce and improve methodologies for electric motors

Priorities 1,2 and 3 are discussed below. The details of priorities 4 and 5 are covered in submissions from individual EEC members, and are not discussed in this submission

8.1 Project-based assessment (PBA)

There are very large opportunities for energy savings where measurement and verification are essential to confirm the volume of energy savings, including:

- Heating, Ventilation and Air Conditioning (HVAC) upgrades, retro-commissioning and continuous commissioning in commercial buildings;
- Upgrades to manufacturing processes;
- Whole-of-site energy efficiency retrofits that combine several energy saving measures that interact together; and
- Large-scale behaviour-change programs.

The absence of a PBA methodology in the VEET, and the presence of a PBA methodology in the NSW ESS, means that much of the business investment in energy efficiency in Australia has flowed to NSW. This means that Victorian businesses are missing out on opportunities to improve their viability and profitability.

In addition, PBA methodologies can support whole-of-site approaches to both individual dwellings and multi-unit residential sites, encouraging innovation in energy service delivery and deeper energy savings in the residential sector.

The EEC recommends that the Victorian Government adopt PBA methodologies that:

- Are identical to, or as closely aligned as possible to, the NSW ESS PBA methodologies
- Provide certainty about the volume of certificates that will be generated, including a focus on upfront generation of certificates
- Allow for maximum flexibility by developing a number of methodologies
- Use robust measurement and verification methodologies
- Encourage investment in deep energy saving projects, rather than just 'low-hanging fruit' projects that can undermine the opportunity for deeper savings
- Combine low compliance costs with strong compliance, by combining clear rules, limited upfront administration for certificate generation and strong audit regimes with significant penalties for non-compliance

Harmonisation with the NSW ESS

The Council strongly recommends that the VEET adopt PBA methodologies that are consistent with the current or planned PBA methodologies used by the NSW ESS. The NSW Government has significant experience in PBA methodologies, and the VEET should adopt the NSW methodologies, including the Recognised Energy Savings Activities (RESA) methodology, to ensure that the VEET and ESS are harmonised.

However, the VEET should also develop an Energy Performance Contract (EPC) methodology, as this would encourage the use of effective contracting methodologies, deliver high volumes of guaranteed savings and lower transaction costs for both the Victorian government and industry. This methodology could then be extended to NSW.

Upfront generation of certificates and measuring savings

As with the NSW ESS, the VEET should allow for several PBA methodologies, focusing on those PBA methodologies that combine both estimation (deeming) and metered-baseline.

The most accurate way to determine the lifetime savings from an energy saving measure is to measure the energy a site or piece of equipment uses over its entire lifetime compared to a baseline. However, if certificates are generated on an annual basis over many years, energy users will substantially discount the value of those future certificates at the point that they make their investment, reducing the impact of the VEET on decisions.

Energy users discount the value of future certificates because of uncertainty about the future price of certificates and future government policy (which is exacerbated by the VEET running in three-year phases). Therefore, to maximise the impact of the VEET, certificates should be generated as soon as possible following the completion of works.

However, the more that a PBA methodology uses actual data on the impact of an energy saving measure, the more accurate it will be and the less that savings need to be discounted to account for uncertainty in actual savings.

Therefore, some of the most effective PBA methodologies would involve:

- Accredited Persons (APs) being able to develop a good estimate of the volume of certificates that they can generate prior to installation; and

- APs being able to generate certificates shortly after installation, following measurement of the impact of the energy saving measure, by using this short-term measurement to develop an accurate estimate of lifetime energy savings.

Multiple Methodologies

Following the NSW ESS, the VEET should allow for several PBA methodologies, including:

- A multi-year metered-baseline approach, where savings are determined through assessments of energy use at a site before and after implementation. The appropriate protocols for these methods are the International Performance and Measurement Verification Protocol (IPMVP), which was developed by the US Department of Energy, and NABERS. Some additional guidance to the IPMVP may be developed over time to ensure the development of appropriate measurement and verification plans.
- A 'before-and-after' metered-baseline approach, where energy savings are measured and then extended to estimate lifetime savings, with some discount factor. Again, the suitable protocols are the IPMVP and NABERS, although for this method certificates would need to be generated based on estimates of NABERS ratings.
- An individual site engineering estimate method, where certificates for projects are generated by upfront estimates that are checked and approved by an independent third-party.
- An Energy Performance Contract (EPC) Methodology, where one party guarantees a quantum of energy savings to a second party. Under this system, the first party would pay a financial penalty to the second party if a level of energy savings isn't delivered, giving the ESC good confidence that the quantum of energy savings can be delivered. Under this methodology, ESC and/or assessors would need to determine whether the guarantee is contractually genuine, the contract is appropriate, the party making the guarantee is a genuine third party and the party making the guarantee has sufficient skills and finances to ensure that the guarantee is reasonable. As with the 'before-and-after' methodology, this would ideally involve some 'before-and-after' metered baseline.
- A Recognised Energy Savings Activities (RESA) methodology, where ESC approves an AP's methodology for estimating savings from a type of equipment, and the AP can then apply this methodology to multiple sites subject to spot-check auditing. This methodology will substantially reduce transaction costs. These methodologies often involve 'before-and-after' measurements.
- A sampling methodology for large-scale behaviour-based energy efficiency programs.

Assessors

The EEC believes that the ESC should set up a panel of well-qualified, independent assessors to carry out, verify and sign-off on methodologies for generating certificates.

For all PBA methodologies, the role of the assessor should be to determine whether the method for calculating the volume of energy savings, and therefore the number of certificates, is appropriate. Therefore, all assessors will need:

- A sound grounding in the methods used to estimate or measure and verify energy savings. The only globally and locally accepted standard for measurement and verification experts is the Certified Measurement and Verification Professionals (CMVP) accreditation, which was jointly developed by industry and the US Department of Energy.
- Expertise in the PBA methodologies endorsed by VEET.
- Some understanding of the technologies or techniques used to save energy. In cases where assessors are analysing engineering assessments for upfront certificate generation, they would need to have significantly greater skills.

Where assessors are asked to determine whether an EPC guarantee is reasonable, they would also need an understanding of the contractual arrangements in EPCs.

Depending on the PBA methodology, the assessors would either carry out all their work pre-implementation (e.g. pre-installation assessments) or a mix of pre- and post-implementation (e.g. metered-baseline approaches).

There is a substantial number of individuals that have the skills sets required for assessments. Currently, well over 100 individuals have had CMVP training in Australia. Many CMVPs have some understanding of the technologies or techniques used to save energy, although not all to the level required to evaluate the reasonableness of engineering assessments. CMVPs can be trained in PBA methodologies once the PBA methodologies are determined.

Assessors will need to provide accurate and independent advice in order to be effective, as otherwise they will simply duplicate the role of the ESC.

Verification regimes

The verification regime will be critical to the success of PBA methodologies. The EEC strongly believes that the VEET should minimise administration costs while maximising compliance by only requiring large projects to be verified prior to the generation of certificates; smaller projects should be 'spot-checked' for compliance after implementation, to reduce processing time and verification costs.

8.2 Activities Committee

Establish an independent Activities Committee to establish and approve certificate methodologies, similar to the Emission Reduction Fund Assurance Committee. The Authority should develop certificate-generation methodologies including deeming, project based-assessment, guaranteed energy saving projects and use of the International Performance Measurement and Verification Protocol (IPMVP). Private proponents should also be able to develop methodologies for consideration by the Authority.

8.3 Re-introduce insulation into the VEET

Insulation was excluded from the VEET some years ago due to other national programs. As these national programs have since closed, insulation should be reintroduced into the VEET program. Insulation represents one of the largest opportunities to reduce energy use in existing homes and businesses, and there is no reasonable reason for exclusion of insulation if appropriate safeguards are in place.

9. Other changes to VEET

Question 9. Please suggest up to three changes which should be made to improve the VEET scheme.

The Council recommends the following priorities for changes to the VEET:

- Harmonisation with the NSW ESS, with the ultimate goal of full linkage.
- Improvements to scheme governance, including removing activities from the regulations and setting up an independent Activities Committee (see section 8.2).
- Reviewing the fees that ESC collects when it registers certificates, and ensuring that fees are hypothecated for administration, improvement and promotion of VEET.

9.1 Harmonisation with NSW ESS

Harmonising the VEET with the NSW ESS would deliver multiple benefits, including:

- Improved efficiency through economies of scale and a deeper pool of potential savings
- Improved robustness and reduced administrative costs, by pooling the efforts of government officials across several states.
- Reduced compliance costs for retailers, who have to comply with different rules under different schemes in different jurisdictions. Having multiple schemes increases costs for retailers without any extra benefits for households.
- Substantially reduced accreditation, product registration and compliance costs for energy service providers, including retailers, accredited persons and manufacturers. Many of the EEC's members do not currently engage in either the NSW or Victorian certificate schemes, because they perceive the cost of compliance for small markets to exceed the benefits. Therefore, a single national scheme would dramatically improve competition, boosting quality and lowering prices.
- Reduced costs for energy users that want to participate in the scheme in multiple states.

In practice, this would mean:

- Setting a target immediately for VEET at 6.2 MT (or 6.6 MT) per annum for 2015-2020, ideally expressed in a percentage of liable energy sales (like the NSW ESS)
 - Immediately adopting key NSW ESS methodologies, including Project-Based Assessment (PBA) and commercial lighting, including allowing lighting projects to deliver more than 3,000 hours of savings per annum.
 - A major focus on harmonising the registration of products in NSW and Victoria. We recommend that ideally registration of new products be done by an independent organisation that serves both NSW and Victoria, or that alternatively registration in one jurisdiction is automatically recognised by the other jurisdiction.
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Either way, registration in both jurisdictions should involve a single process for energy efficiency providers.

- Having the independent Activities Committee provide advice to both NSW and Victoria on activities and methodologies. As the schemes become harmonised this advice would become statutory in both jurisdictions.
- Setting up a harmonisation process to deliver full harmonisation by 2018, ideally with mirror legislation in both states or national legislation which other states can then opt into.

However, we note that a number of features of VEET are superior to their equivalents in the NSW ESS, and these should be retained. In particular, we note that the ESC has better processes than the NSW Independent Pricing and Regulatory Tribunal (IPART) and it has been more open and consultative than IPART.

9.2 Governance

The detailed implementation of the VEET is critical to the success of the program. Unfortunately, there have been a number of issues in the past including delays in the introduction of PBA methodologies and the registration of technologies. These issues are partly caused by governance and staffing problems, such as unclear lines of accountability between DEDJTR and the ESC.

Some of these issues may be easily solved by clearer assignment of responsibility, and some might require legislative change, such as moving activities from the regulations to an independent Activities Committee.

We recommend that a single person is assigned the task of resolving these governance issues, and is given the authority to drive resolution across all agencies (including DEDJTR and ESC). Their role would include working with agencies to identify issues that have arisen both within and between agencies (including unclear lines of responsibility), identifying the most effective solutions and directly advising the Minister.

As part of governance changes, we recommend the development of an Activities Committee (see section 8).
