Tim Stock
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Re: Energy Savings Scheme Rule Change 2017-18 Consultation Paper

26 January 2018

Dear Mr Stock

This letter sets out the Energy Efficiency Council's (EEC) positions in response to the NSW Energy Savings Scheme (ESS) Rule Change Consultation Paper 2017-18 (hereafter referred to as the Consultation Paper).

The EEC strongly supports the ESS. The ESS addresses a combination of market failures and distortions in the energy market that result in over-investment in energy supply and under-investment in demand-side solutions. The ESS has delivered substantial improvements in energy efficiency and lowered peak demand, reducing energy bills for homes and businesses, including non-participants.

The EEC's responses to the questions in the Consultation Paper are set out in the attached document. We would also like to seek a meeting to discuss a number of other matters that are not covered in the Consultation paper, including:

- Improving the product registration process, which currently adds significant costs and delays to projects under the ESS.
- The requirement for sites (such as manufacturers) to provide forward data on production over multiple years, which is highly problematic.
- Detailed rules within the Project Impact Assessment with Measurement and Verification (PIAM&V) method that currently create barriers to Accredited Certificate Providers (ACPs) generating credits in a reasonable timeframe.

We look forward to continuing to work closely with the NSW Government on the design and operation of the ESS. If you require any further information please contact me at any time on 0414 065 556 or rob.murray-leach@eec.org.au

Yours sincerely

Rob Murray-Leach

Head of Policy

Responses to Questions in the Consultation Paper

General Rule updates

Question 1: Do you agree with the proposal to preserve preceding transitional arrangements within the Rule? If not, please provide an alternative approach and supporting evidence to justify your response.

No comment.

Question 2: Do you agree with the intention to collect additional customer data, including NMI and DPI? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC opposes the proposed requirement for Accredited Certificate Providers (ACPs) to gather additional data, including National Metering Identifiers (NMIs) and Delivery Point Identifiers (DPIs). Instead, the EEC recommends that the Office of Environment and Heritage (OEH) directly gather a sample of data from energy users under the program for the purposes of assessing the impacts of the ESS.

The intent of this proposal appears to be assessing the impacts of the ESS in order to demonstrate its effectiveness and improve its operation. While the EEC supports this intent, we believe that the proposed method for data gathering will add significant costs to projects and undermine the intent of the ESS.

In practice, gathering data on NMIs and DPIs can be extremely complicated. For example, there are a large number of industrial sites with multiple data points (e.g. over 20 NMIs), that don't have a simple register of all their NMIs. Conversely, there are many embedded networks (e.g. retail centers) with a single NMI that wouldn't be suitable for assessing the energy savings at a site within the network (e.g. a retail outlet).

A requirement for ACPs to provide NMI and DPI data would add significant costs and barriers to energy efficiency upgrades, reducing the impact and cost-effectiveness of the ESS. Therefore, we recommend that OEH instead allocate a budget to directly gather data on the energy use of a sample of sites in order to assess the impacts of energy saving projects.

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Project Impact Assessment with Measurement and Verification Method

Question 3: Do you agree with the proposal that ACPs are required to ensure that the LED lights installed under the PIAM&V method meet the relevant equipment requirements outlined in the ESS Rule? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC opposes the proposal to require ACPs to ensure that LED lights installed under the PIAM&V method meet the relevant equipment requirements outlined in the ESS Rule. Instead, we propose that this requirement is only added to projects where LEDs account for more than 40 per cent of energy savings under a PIAM&V project.

The intent of this proposal appears to be ensuring that ACPs that planning to do lighting upgrades don't use the PIAM&V method solely to sidestep the requirements under the lighting method. While this is a reasonable intent, the proposal to require all projects to demonstrate that every luminaire meet a series of requirements would add significant costs that undermine the viability of projects.

The cost of registering LED products under the ESS is currently very high and this would add significant costs and delays to PIAM&V projects. This additional cost may be justified in cases where LEDs make up a large proportion of a project, but is not justified in cases where LEDs only make up a small part of a project.

Given that the PIAM&V method is still in its infancy, adding this requirement to all PIAM&V projects this would significantly delay the development of a healthy market for energy efficiency services. Therefore, in the short-term we propose that this requirement is only added to projects where LEDs account for more than 40 per cent of energy savings under a PIAM&V project.

This issue highlights a broader issue for the ESS – the process for registering products still adds significant cost and delays. The EEC strongly urges the NSW Government to address this problem by collaborating with other states and the Australian Government to develop a streamlined national process for registering products under energy efficiency obligation schemes. Once a streamlined product registration process is in place it may be worth considering whether all projects under PIAM&V should be required to only use LED products that have been registered.

Question 4: Do you agree with the proposed changes to the Maximum Time Period for Forward Creation when using the default decay factors? If not, please provide an alternative approach and supporting evidence to justify your response.

No comment.

Question 5: Do you agree with allowing ACPs to top up ESCs for one or more consecutive years at the same time, provided they calculate Additional Energy Savings for each year separately? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC supports this proposal.

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Metered Baseline Method

Question 6: Do you agree with the proposal that ACPs are required to ensure that the LED lights installed under the Metered Baseline Method meet the relevant equipment requirements outlined in the ESS Rule? If not, please provide an alternative approach and supporting evidence to justify your response.

As per question 3, the EEC opposes the proposal to require ACPs to ensure that LED lights installed under the Metered Baseline method meet the relevant equipment requirements outlined in the ESS Rule. Instead, we propose that this requirement is only added to projects where LEDs account for more than 40 per cent of energy savings under a Metered Baseline method project.

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Deemed Energy Savings methods

Question 7: Do you agree with the proposal to update the SONA Equipment Electricity Savings tables? If not, please provide an alternative approach and supporting evidence to justify your response.

No comment.

Question 8: Do you agree with the proposed Asset Lifetime values? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC notes that there is relatively little variation between the Asset Lifetimes estimated for various equipment groups, but significant differences between various applications to various Building/Space Groups. Therefore, we propose that the table is simplified to:

- Office
- Retail
- Industrial
- Public (roads etc)
- Other

We note that the category 'other' includes a large number of potential uses, including outdoor lighting and carparks, and believe that additional work is required to either designate a number of sub-categories under 'other' or provide an average Asset Lifetime that accounts for this wide variation of contexts.

Question 9: Do you agree with the proposed transition period? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC proposes that the transition be shifted from 30 October 2018 to 31 December 2019, in order to better align the transition with the shift in vintage in certificates. This would reduce the transition costs for ACPs and therefore improve the cost-effectiveness of the ESS.

Question 10: Do you consider that the proposed Asset Lifetime values should be rounded to the nearest year, or that that the proposal for portions of years is more appropriate?

No comment.

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Question 11: Do you agree that a Maximum NLP cap should be applied to all types of HID highbay lamps, or do you think it should only be applied to specific technology types of highbay lamps? Please provide supporting evidence to justify your response.

The EEC proposes that instead of a simple maximum Nominal Lamp Power for highbay lamps, the ESS include:

- A maximum NLP for highbay lamps with requirements for only limited data provision by ACPs
- An uncapped NLP for highbay lamps if ACPs are able to substantiate the NLP of the highbay lamps.

While a maximum NLP cap is appropriate for the majority of cases, efficient lamps are now being installed in a number of applications such as sports stadiums. In these cases it would be appropriate to both provide additional incentives and ask ACPs to provide evidence to support the high NLP figures.

Question 12: Do you have any comments on the proposed maximum NLP cap?

No comment.

Question 13: Do you agree with the inclusion of a sub-clause for Maintained Emergency Lighting? If not, please provide an alternative approach and supporting evidence to justify your response.

No comment.

Question 14: Do you agree with including a "built in" category for mercury vapour and metal halide lamps with integrated ballasts? If not, please provide an alternative approach and supporting evidence to justify your response.

No comment.

Question 15: Do you agree with introducing standalone, simplified equations to the public lighting sub-method? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC supports this proposal.

Questions 16-30: Updates to Home Energy Efficiency Retrofits sub-method

No comment.

Question 31: Updates to High Efficiency Appliances for Businesses - Do you agree with ensuring only new boilers or water heaters can be installed under Activity Definitions F8 and F9? If not, please provide an alternative approach and supporting evidence to justify your response.

The EEC supports this proposal.

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