

## ENERGY SAVINGS SCHEME REVIEW - SUBMISSION FORM

Submissions should be sent to: [energysavings.scheme@trade.nsw.gov.au](mailto:energysavings.scheme@trade.nsw.gov.au). The final date for submissions is 24/02/2014

Organisation Name:

Q1	What other issues should this ESS Review consider to help deliver the NSW Energy Efficiency Action Plan?	The terms of reference of the review are adequate to cover the key issues.
Q2	What other information could be kept on the Energy Savings Scheme Registry that would assist with any of the issues identified in this paper?	The registry should identify the postcode of where energy saving activities took place, to help with future targeting of efforts.
Q3	How can the Government attract more existing energy efficiency service providers to either become an ACP or to partner with ACPs?	Simplify the rules and engage directly with potential energy service providers through joint forums with the Energy Efficiency Council.
Q4	Apart from the proposed ESS Rule changes, how can the ESS encourage a broader diversity of activities?	If the ESS is extended to gas and the recommendations in the Energy Efficiency Council's submission to the ESS Rule Change are addressed, it will adequately expand the ESS to a broader diversity of activities.
Q5	Are there market barriers to regional delivery under the ESS and if so should the NSW Government address those barriers? How could the Government address these issues?	It is generally more expensive to deliver the ESS in regional areas owing to greater travel costs and reduced economies of scale. While the NSW Government should not adjust the ESS to overturn these issues, it should fix those features of the ESS that further distort this by: - Adjusting certificates to allow for distribution and transmission losses; and - Spreading audit costs evenly across the scheme, as with VEET.

Q6	What has been the impact of ESC price volatility since the scheme started?	Price volatility makes it harder for ACPs to maintain staff, order stock and plan activities in the most efficient manner. Greater price stability would substantially lower the cost of delivering energy savings and help develop the energy efficiency sector to focus on deeper, more complex energy saving projects which require higher and more stable certificate prices. Volatility can be reduced by raising the target and allowing the ERF to buy abatement.
Q7	Is greater ESC price transparency desirable?	Greater price transparency is desirable, in order to assist IPART set the pass through rate to customers, rather than having to rely on the penalty rate to set the pass through rate.
Q8	Should the reporting on actual energy savings better reflect expected savings rather than the estimates required for ESC creation?	Yes.
Q9	Should the ESS report on expected actual savings from forecast future ESC creation, as well as past ESC creation, in order to improve energy market planning?	Yes.
Q10	What approach to economic modelling is most appropriate for this review?	The most appropriate approach is a 'scenario modelling' approach. Given that there is significant uncertainty about the future of the NSW energy market and network infrastructure (e.g. centralised vs decentralised), it is appropriate to test current policies based on how they facilitate either option. Demand-reduction has significant benefits in reducing the need for sunk investment if the energy sector undergoes significant transformation in the next 30 years.
Q11	What policies have proven successful in white certificate schemes in other jurisdictions in Australia and around the world that NSW could incorporate in the ESS?	<p>The Council believes that the ESS is heading in the right direction and, based on global experience, the Council recommends that the Government focus on complementing the ESS with:</p> <ul style="list-style-type: none"> <li>- Tools that lower transaction costs for energy efficiency upgrades; and</li> <li>- Promoting the ESS.</li> </ul>

Q12	What are the advantages and disadvantages of a state-based versus a national scheme?	The Council supports moving towards a national scheme. The advantage of a state-based scheme is that it allows more regional tailoring, whereas a national scheme has deeper liquidity and reduces costs for ACPs and energy users that operate in multiple jurisdictions. We are aware of many energy service providers that will only invest to build their capability around certificate generation when a multi-state scheme is in operation. However, we recommend that the NSW Government work hard to ensure any national scheme is as effective as the ESS.
Q13	How should the NSW Government prioritise further harmonisation?	The Council recommends that the NSW Government focus on working with the Victorian Government to harmonise the VEET so that it more closely resembles the NSW ESS.
Q14	How can the NSW Government provide investment certainty for participants in the ESS while the details and timing of the Emissions Reduction Fund are developed and finalised?	The government can provide investment certainty by formally announcing that the ESS is complementary to the ERF and that the ESS will not be considered for review before 2020. Beyond that, the earlier that the NSW government can announce how the ESS and ERF will interact, the better for ACPs.
Q15	How well does this vision of market transformation meet the needs of NSW households and businesses?	The Council recommends an alternative definition of market transformation that focuses on a highly functional market for efficiency services and products, which includes: - There are no barriers to the adoption of efficiency, and customers can purchase efficient services and products as easily as non-efficient alternatives; - The value of undertaking or delivering demand-side activities reflects any and all benefits to the market (e.g. avoided infrastructure costs, reduced wholesale costs); and - Customers meet their need for energy services (e.g. comfortable buildings) using a more cost-effective balance of supply and demand-side services.
Q16	How can reporting on market transformation and opportunities best help the NSW economy take advantage of the ESS?	Despite the proposed changes to the definition of market transformation, the metrics proposed for measuring market transformation are reasonable. Reporting on these metrics will help build awareness of the need to improve the balance of demand-side and supply-side services.

Q17	How can NSW encourage broader access for service providers to the ESS?	Harmonisation with the Victorian scheme, implementing the Rule Change, active engagement with potential ACPs and streamlining the process for getting products included in the ESS are critical to broaden access for service providers to the ESS.
Q18	What other support functions might help the ESS drive market transformation?	<ul style="list-style-type: none"> <li>- Marketing the scheme to prospective certificate creators and energy users and providing training.</li> <li>- Continual improvement and building complementary tools.</li> <li>- Reporting on scheme performance.</li> </ul>
Q19	What roles should the NSW Government have in facilitating the ESS market?	<ul style="list-style-type: none"> <li>- Marketing the scheme to prospective certificate creators and energy users and providing training.</li> <li>- Continual improvement and building complementary tools.</li> <li>- Reporting on scheme performance.</li> </ul>
Q20	How can the NSW Government better co-ordinate its market transformation efforts?	The Government should establish a standing 'energy efficiency market' committee between OEH and Trade and Investment and IPART.
Q21	How might the NSW Government help provide ESC price transparency?	Provide a public average price of certificates in the market.

Q22	How could compliance processes be improved?	The Council recommends reducing requirements for paperwork-based compliance, in favour of increased M&V-based spot audits, with the imposition of significant penalties for egregious reporting.
Q23	How could enforcement processes be improved to ensure high levels of compliance without excessive cost burdens on the Government?	The Government needs to enforce penalties where there is clear evidence for reporting. The cost of these exercises would provide a clear signal of the government's intentions, reducing the likelihood that it would need to bring future cases to court.
Q24	How could the ESS Rule development processes be improved?	IPART, OEH and ACPs should meet regularly to discuss emerging issues.
Q25	How can evaluation and continuous improvement be better incorporated into the ESS?	See answer to question 24.
Q26	Should market engagement be improved?	Yes.
Q27	How could scheme reporting be improved?	No comment.

Q28	Should administration fees reflect the full cost of developing and managing the ESS?	<p>Administration fees should cover many of the costs of developing and managing the ESS, and they will cover more of the administration costs if the Government takes up opportunities to reduce these costs. The Council recommends an independent review of administration of the ESS by IPART and other agencies, and clarification of the roles of the various agencies involved in the ESS.</p> <p>However there are substantial public benefits to the ESS that are not captured by energy users or ACPs. Therefore, it is appropriate to supplement income from administration fees with general funding.</p>
Q29	Should audit processes be reviewed to reduce costs while protecting compliance?	Audit processes should be reviewed by an impartial third party.
Q30	Should the NSW Government review targets to optimise the benefits to the economy?	Yes, targets should be raised.
Q31	Should the current approach to setting targets be revised?	There should be a system for reviewing targets. If the certificate price significantly exceeds the penalty price for a significant period of time the targets should be reviewed to determine if they should be lowered. If the certificate price drops below a particular price, targets should be reviewed to determine if they need to be raised.
Q32	Should the ESS be the main mechanism for achieving the NSW 2021 target? What alternative program or policy options might help?	<p>The ESS should be the main mechanism, complemented by:</p> <ul style="list-style-type: none"> <li>- Specific development of tools and training; and</li> <li>- Mechanisms to reduce peak demand.</li> </ul>

Q33	Is the current penalty price appropriate? If not, what factors should be considered?	No comment.
Q34	Should banking and borrowing be improved to increase flexibility to balance short-term supply and demand?	No comment.
Q35	Is there a need for Government to address the current oversupply of ESCs?	Yes, the target should be reviewed and raised.
Q36	Should the NSW Government extend the ESS past 2020? What conditions would need to be met to end the ESS?	The ESS should be extended on an indefinite basis until either: - There is an adequate National Energy Savings Initiative in place; or - Robust analysis indicates that the supply-side distortions in the energy market and other barriers to optimising the demand-supply balance in the energy market have been addressed.
Q37	Should the ESS be expanded to cover natural gas?	The ESS should be expanded to support gas efficiency, including the replacement of inefficient gas boilers with more cogeneration systems. While the scheme could support a shift from low-efficiency electric boilers to high-efficiency cogeneration, it should not support households switching from electric boilers to gas boilers, as rising gas prices mean that gas boilers with low upfront costs could have very high running costs.
Q38	What are the pros and cons of different certificate conversion factors?	Generally, the Council recommends the use of Gigajoules, adjusted to account for greenhouse gas emissions, as emissions act as a proxy for a range of primary energy losses through conversion and fugitive emissions.

Q39	How should liable acquisitions and eligible energy savings be defined for natural gas efficiency?	Similar to the VEET.
Q40	How can the ESS encourage greater participation by vulnerable households?	The Council has made recommendations under the ESS rule change to address this.
Q41	Should the treatment of emissions-intensive trade-exposed sites be reviewed?	The Council recommends a review of the treatment of EITE sites.
Q42	How should the impact of energy efficiency activities on peak demand events be calculated?	The Council will engage with the NSW Government directly on this issue.
Q43	How can information be provided to electricity infrastructure planners to ensure that the impact of the ESS on peak demand is properly accounted for?	This issue has been addressed earlier in this submission.
Q44	How can the ESS be enhanced to encourage energy savings at the times of peak demand, particularly in constrained network locations?	<p>The Energy Efficiency Council recommends complementing the ESS with:</p> <ul style="list-style-type: none"> <li>- A mechanism to allow demand-reduction to compete with supply during critical peaks; and</li> <li>- Reforms to the way that distribution and transmission companies are regulated and compensated to ensure that they invest in demand reduction when it is cheaper than network investment.</li> </ul> <p>This is discussed more extensively in our attached overview letter.</p>