

NABERS Multi-Tool Scoping Paper Feedback
Built Environment Section
Office of Environment and Heritage
PO Box A2449
SYDNEY SOUTH NSW 1235

Re: NABERS Multi-Tool Scoping Paper and NABERS Governance

Dear Ms Yma ten Hoedt

The Office of Environment and Heritage NSW (OEH) has sought comment on the NABERS Multi-Tool Scoping Paper. This submission provides the Energy Efficiency Council's feedback on both the Scoping Paper and the more general issue of NABERS management and governance. This submission sets out general recommendations around the direction of NABERS first, in order to provide context for recommendations on the Multi-Tool.

The NABERS Strategic Plan and Strategic Directions

The Energy Efficiency Council is strongly supportive of the current NABERS Energy rating tools for Office, Hotels and Shopping Centres. These tools have been critical to benchmark the performance of buildings, which:

- Enables prospective buyers and tenants to make more informed purchasing and leasing decisions; and
- Assists building owners and tenants to upgrade the efficiency of their properties.

The Energy Efficiency Council's members are core stakeholders in the development and implementation of the NABERS tools, because they have deep expertise in energy efficiency, undertake a large proportion of NABERS assessments and use NABERS assessments to facilitate energy efficiency upgrades in commercial buildings. The validity and relevance of NABERS is critical to the viability of many of our members' businesses.

The ongoing development and updates to the various NABERS tools will be essential to keep NABERS Energy relevant. However, development and update of NABERS tools needs to be handled sensitively, particularly given that NABERS Energy ratings have become mandatory at the sale and lease of office space through the CBD scheme. The development and update of NABERS tools must recognise that:

- Building values are effected by NABERS ratings, and building owners make investments in their properties based on current and expected future NABERS rating protocols. Uncertainty about future rating protocols may reduce investment in energy efficiency upgrades;
- Building managers and energy efficiency service providers have invested significantly to build capability around the current tools, and will need to invest further if there are changes to NABERS rating protocols; and
- The acceptance and cost of NABERS and CBD will be significantly improved if property companies can integrate them as 'routine' business practices.

This means that stakeholders need to have certainty about the future of development of NABERS tools:

- Industry needs to be given at least one year of well-communicated notice of plans and processes to change specific aspects of the NABERS tools;

- Where there are changes to NABERS tools, consultation must be extensive, planned, structured and staged to get industry input. The numbers of consultations being undertaken on NABERS Tools at any one time needs to be prioritised as part of a multi-year limited and well-organised timetable. Excessive, ad hoc and poorly coordinated consultation processes reduce the ability of industry to stay on top of changes to NABERS and requires excessive investment in consultation; and
- Industry needs to have a strong sense of comfort and engagement regarding the technical validity, management and development of the NABERS tools.

The Energy Efficiency Council recognises the good work undertaken by OEH over the last decade in managing the NABERS tool. However, following the introduction of CBD, complexities have emerged in NABERS governance, management, consultation and engagement.

Recent decisions around NABERS and processes for the upgrade of NABERS, such as the strategic plan, have proceeded in an intermittent fashion. Consultation and communication with stakeholders have been sub-optimal and ad-hoc. For example, while there was a positive outcome from the recent update to the NABERS Energy Tool for Shopping Centres, there was originally no plan for a public consultation period.

Therefore, the Energy Efficiency Council recommends that the NSW Government and Australian Government engage with the Energy Efficiency Council, Property Council and other key stakeholders to:

- Urgently establish a much more robust consultation process for the development and update of NABERS Tools, which includes a public consultation period for all major changes to NABERS Tools, and regular information sessions.
- Develop a new governance structure for NABERS. The Council would strongly urge that the NSW Government continue to own and manage the NABERS tool, but agrees with the Property Council that it should be managed by a Board that reports to the relevant NSW Minister
- Update the Strategic Plan for NABERS, with a workplan with a modest number of activities and a timeline that include the following priorities:
 - o Maintaining the integrity of the NABERS Energy for Offices, given that this tool is mandated through the CBD scheme. This must include updating NABERS Energy (NABERS Energy v2) and funding the development of a precinct cogeneration measurement tool.
 - o Maintaining the integrity of the other high-use tools, specifically NABERS Energy and Water for Offices, Hotels and Shopping Centres.
 - o Revitalising NABERS Energy and Water tools for tenancies and extending them to 6 stars, in line with the other tools
 - o Completing the roll-out of the NABERS Data Centres tool

Consultation, communication and stakeholder engagement

Consultation and communication are critical for NABERS stakeholders, particularly in managing the impacts of transitions between Tool protocols. For example, recent changes to the NABERS Energy for Shopping Centre were technically defensible, but inappropriately consulted and communicated. This left the NABERS Administrator open to charges that:

- It provided opportunities for some shopping centre owners and energy efficiency providers to comment on the changes, but not others.

- Stakeholders, such as Energy Efficiency Council members, were not kept up to date, exposing them to professional risks and in some cases disrupting commercial process.

Developing strong consultation and communication processes would build stakeholder engagement, and this could be enhanced by increased transparency. The Council supports the proposal to make the underlying algorithms of NABERS available publically and free of charge. We strongly support this move, as the high level of integration of NABERS in our members' technical operations means that the continued operation of NABERS in "Black Box" mode is a significant impediment, and indeed a risk to the scheme as individual members create their own interpretations of the underlying scheme workings. Further consideration should also be given to other methods by which the use of the rating can be made more accessible and thus integrated more deeply into the daily process for building owners and assessors alike.

Governance

The Energy Efficiency Council would strongly urge that the NSW Government continue to own and manage the NABERS tool. However, the Council agrees with the Property Council that it should be managed by a group that reports to the relevant NSW Minister. The structure and governance of this group is critical. The Council would argue that this group should involve:

- Representatives from NSW OEH, the Australian Government and other key governments
- At least three industry representatives, including the Energy Efficiency Council (as the representatives organisation for companies that deliver NABERS ratings), the Property Council, the Shopping Centre Council
- An independent chair that is not associated with either the property or energy efficiency sector, but has enough expertise to be resistant to inappropriate

The NABERS Multi-Tool (NABERS Energy for Office v2)

NABERS Energy for Office is part of the mandatory CBD program, has strong acceptance by industry, including property owners, tenants and energy efficiency service providers. Therefore, it is critical to undertake ongoing maintenance of NABERS Energy for Office to keep it up to date, but changes need to be sensitively and carefully managed.

The building and energy efficiency industries have adjusted to multiple revisions to the NABERS and CBD schemes in recent years, including:

- Adjustment of the Victorian NABERS Energy for Office benchmark in 2010
- Introduction of the CBD scheme for offices in 2010
- Introduction of 6-stars into NABERS Energy for Office in 2011
- Introduction of the CBD lighting tool for offices in 2011
- Release of NABERS Energy rulings on cogeneration in 2010 and 2012

Therefore, we believe that further reviews of NABERS Energy for Office needs to be carefully considered before they are launched, and carefully managed. The Council recommends that the NABERS administrator announce a 'strengthening' of NABERS over a two year timeframe, with initial scoping consultation over the next 6 months, followed by technical work and then a second round of consultation.

While NABERS Energy for Offices is functioning well, there are genuine opportunities to improve the performance of NABERS that justify a review and update of NABERS Energy for Offices. This review could consider development of a multi-tool and harmonisation with the other NABERS Energy tools.

However, NABERS Energy for Offices should not be framed as the development of multi-tool, but a process of refining and improving NABERS Energy for Offices. Shifting the basis of NABERS Office to be similar to NABERS Energy for Hotels and for Shopping Centres is not an end in itself, and should only be undertaken to enable better rating of multi-use buildings.

There is not a greatly pressing need for a multi-tool that addresses building with substantial mixes of multiple building types, simply because there are relatively few of these in the market that would be captured with combination of the NABERS tools that are available. The limited number of multiple-use buildings may also make it harder to develop a robust benchmark for multiple-use buildings, and ultimately maintaining the robustness and acceptance of the tool is critical, particularly under the mandatory disclosure regime.

Therefore, framing the goals of the review as harmonisation and development of a multi-tool will reduce the support for the review. Instead, it should be branded as a general review, which may examine the issue of multiple-use buildings.

Tenancy ratings

There are a number of other priorities beyond NABERS Energy base building rating tools. In particular, there is a need to revitalise the NABERS Energy tool for tenancies. At present NABERS for Office Tenancies has variable benchmarks from state-to-state, a lack of ability to reflect efficiency issues in the presence of modern IT installations and a debatable 5 star limit. As a result, integration of an updated tenancy rating with the data centre rating is needed that permits meaningful ratings across the wide variety of IT configurations present in modern tenancies. Again, however, we believe that this can be achieved with a relatively simple combination of an updated tenancy rating and the data centre rating.

Summary

In summary, the Energy Efficiency Council believes that the ongoing development of NABERS needs to focus on the update and improvement of existing tools as a first priority, including careful consideration of means by which unnecessary inflexibility can be removed as a means of facilitating a broader base of rateability. The Multi-tool concept has limited application and as such should be tackled in the relatively obvious manner presented once the office tool shares the same technical underpinnings as the other tools, rather than being permitted to drive any more fundamental rework of the ratings framework as a whole.

Please contact me on 03 8327 8422 should you require further information on any of the issues raised in this submission.

Yours sincerely



Rob Murray-Leach
Chief Executive Officer