

Emma Jacobs  
Manager, Victorian Energy Upgrades  
Department of Environment, Land, Water and Planning  
Email: [energy.upgrades@delwp.vic.gov.au](mailto:energy.upgrades@delwp.vic.gov.au)

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**Re: Victorian Energy Upgrades program**

Dear Emma

Thank you for the opportunity to provide comment on the review of the Victorian Energy Upgrades (VEU) program. The Energy Efficiency Council (EEC) is the peak national body for energy efficiency, and has engaged extensively with the Department of Environment, Land, Water and Planning (DELWP) on the VEU over the last ten years.

The EEC strongly supports the VEU, which has delivered major benefits to consumers over the years. The function of the VEU is to address market failures and distortions in markets for energy, buildings, appliances and services. The VEU delivers multiple benefits, including:

- Reductions in Victorians' energy bills
- Reductions in greenhouse gas emissions
- Improvements to households' health and wellbeing
- Improvements in businesses productivity; and
- Creation of jobs

Responses to DELWP's questions are set out below.

### **1. What other energy and climate policies should be considered in setting targets?**

A core purpose of the VEU is to reduce Victorians' energy bills, and the VEU should consider the broad landscape of energy policies and the energy market in determining the potential level of energy savings that the VEU can deliver to consumers.

Since the aim of the VEU is to deliver energy savings that are additional to business as usual (BAU), the development of the VEU should consider energy efficiency programs that affect the BAU of energy efficiency, especially minimum standards for buildings and appliances and other incentive programs for energy efficient products.

However, many policies that encourage the uptake of energy saving measures will support, rather than duplicate the VEU. For example, the Residential Energy Efficiency Scorecard (REES) will encourage households to take up a range of energy saving measures, which should result in a lower Victorian Energy Efficiency Certificate (VEEC) prices. Therefore, the REES will lower the cost of achieving a particular VEU target, allowing the Victorian Government to set a higher VEU target for the period 2021-25.

The EEC particularly encourages the Victorian Government to explicitly plan to use multiple policies to transform the markets for particular goods and services. As an example, the VEU could be used to shift the market for heat-pump water heaters from 'low-volume, high-price' to 'high-volume, low-price', at which point minimum energy efficiency standards for water heaters would be raised and VEU incentives for heat-pumps could be wound back.

**2. What issues would you like to see us consider in determining the greenhouse gas savings attributed to energy savings?**

As noted above, the VEU delivers multiple benefits, not just greenhouse gas savings. As a result, the EEC recommends that the VEU moves from a greenhouse reduction target to an energy saving target that is measured in Gigajoules for consistency with NSW.

**4. Should the program incentivize maximizing self-consumption of rooftop solar?**

No comment

**9. What issues would you like to see us consider regarding large energy users role in the program?**

Sites that were subject to the now-terminated 'Environment and Resource Efficiency Plans' (EREP) program can currently opt-in to generate VEECs, but opting-in also requires them to contribute to the cost of the VEU. The uncertainty about future costs and benefits from participating in the VEU means that many EREP sites have not participated in the VEU, which has limited energy savings generated in the industrial area.

The EEC has long advocated that EREP sites should be able to generate certificates but should not have to contribute to the cost of the VEU, in the same way that the NSW Energy Saving Scheme (ESS) allows Emission Intensive Trade Exposed (EITE) companies to generate certificates but not have to contribute to the cost of the ESS. If more large sites participated in the VEU it would deliver both significant benefits to both the economy and other energy consumers, as it would reduce the total cost of the VEU and the cost of energy supply.

**10. Is there anything else we should consider as part of the analysis?**

The EEC recommends that DELWP should consider the substantial benefits of increased harmonization between the VEU and interstate energy efficiency obligation schemes in the Regulatory Impact Statement (RIS).

The EEC also recommends that the RIS should consider the benefits of market transformation. Previous assessments of the benefits of the VEU have failed to consider the benefits of the VEU permanently changing markets for products and services, which means that the benefits of the VEU can persist well any period when it provides an incentive for the uptake of a particular product or service.

The EEC looks forward to continuing to work with DELWP on the VEU.

Yours sincerely,



Rob Murray-Leach  
Head of Policy  
Energy Efficiency Council