

Stephen Proctor  
Manager Strategic Delivery  
Sustainability Programs Branch Regional Operations Division  
Office of Environment & Heritage  
Email: [Stephen.procter@environment.nsw.gov.au](mailto:Stephen.procter@environment.nsw.gov.au)

18 June 2018

## Re. ESS Rule Change – Call for Submissions

Dear Mr Proctor

Thank you for the opportunity to propose changes to the NSW Energy Saving Scheme (ESS) as part of its 2019-20 major rule change process.

The Energy Efficiency Council (EEC) is a strong supporter of the ESS and has engaged with members to seek their views on opportunities to improve the operation of the scheme. This letter sets out a number of key points raised by members. Individual EEC members may have additional recommendations and proposals to amend existing activities or methods, or develop new energy efficiency activities or methods.

### Harmonisation and out-of-scheme methodologies

The EEC strongly supports harmonisation of energy efficiency schemes around the country, in order to reduce costs for administrators, certificate creators, manufacturers and consumers. While jurisdictions may still require flexibility to promote specific technologies or methods that are relevant for communities, harmonisation around administrative processes can deliver substantial benefits. We congratulate the NSW Government for proactively leading much of the national work on harmonising energy efficiency schemes.

However, the NSW Government has also introduced a number of elements that sit inside or alongside the ESS that have increased variation between schemes in Australia, which make harmonisation between schemes harder to achieve. EEC members have expressed specific concerns about the recent introduction of mechanisms that operate in parallel to the ESS to support the uptake of energy efficiency activities in residential and SME premises and heating ventilation and air conditioning (HVAC) measures.

These mechanisms have partly been deployed to overcome barriers to energy efficiency activities that result from the design of the ESS. Where possible, we encourage the NSW Government to directly rectify barriers caused by ESS rules to energy efficiency activities, rather than create mechanisms to work around them. There are opportunities to learn from other jurisdictions in the way that they have addressed these barriers, in the same way that other jurisdictions have opportunities to learn from NSW on issues such as co-contributions.

We recommend that the NSW Government engage with the energy efficiency industry to:

- Review potential routes for harmonisation of schemes; and
- Review these parallel programs and alternative ways to address these barriers.

## **Review the way ESS support residential efficiency**

The NSW Government has been at the forefront of efforts to innovate the way that certificate schemes drive residential energy efficiency. However, some of these well-intentioned innovative approaches have not been successful. For example, the requirement for households to pay for Home Energy Audits and install multiple measures in order to receive certificates for residential upgrades has stymied residential efficiency improvements.

The Home Energy Efficiency Retrofit (HEER) program was partly introduced to address this problem. The HEER has the potential to encourage residential energy efficiency activities, although we generally prefer for problems in the ESS to be addressed directly in ways that do not increase the difference between schemes in various jurisdictions (see above). However, the potential of HEER has been undermined by excessive administrative requirements, particularly the onerous and unnecessary requirement for certificate providers to assess and photograph every single transformer in order to replace down lights.

We recommend that the NSW Government:

- Replace the requirement for certificate creators to assess and photograph every transformer with a requirement to sample one or two transformers; and
- Undertake a fundamental review of residential activities under the ESS.

## **Small business retrofits**

The NSW government has also attempted to drive more activities in Small and Medium Enterprises (SMEs) using the HEER program. As noted above, we believe that there may be alternative ways to encourage activities in SMEs that would support national harmonisation.

In addition, the effectiveness of the HEER has been undermined by the requirement for very high lumen outputs when replacing lighting. For example, if a twin T8 is replaced with an LED panel, the panel needs to have an output of around 5,000 lumens, which is almost double the level recommended in AS1680 (the guidelines for Interior and Workplace Lighting). This makes the costs of retrofits prohibitively expensive and, if they proceeded, would result in a workplace being significantly over-lit.

This also raises the broader issue that the administrators of the ESS have introduced a number of well-intentioned rules that are unnecessarily onerous. For example, while AS1680 would be a far more appropriate requirement for lumens than the arbitrary levels introduced under HEER, AS1680 is intended as a design guideline, not a mandatory requirement. In many situations, adherence to AS1680 would be unsuitable – for example in spaces that only operate during daylight hours.

We recommend that the NSW Government:

- Remove the lumen limit on the HEER with a voluntary requirement for compliance with AS1680 that can be waived by the energy user; and
- Review opportunities to encourage SME activities in ways that would harmonise requirements between jurisdictions.

## **Building Fabric**

Upgrading building fabric is critical to improve the health and safety of homes and commercial buildings in NSW, will deliver greater comfort to the community and substantial reduction in energy bills. Measures such as insulation are extremely cost effective, and with appropriate safeguards deliver significant huge benefits to the community.

Upgrading the building fabric of social housing is particularly critical, due to the vulnerability of this group to both energy cost and health issues associated with uninsulated buildings.

The EEC recommends that the NSW Government

- Reintroduce residential and commercial building envelope upgrades into the ESS, including insulation.
- Examine opportunities to upgrade social housing, with a focus on building fabric.

### **Co-contributions**

The EEC supports the requirement for co-contributions in some business upgrade activities. The EEC also understands the NSW Government's desire to discourage certificate creators from effectively 'sham invoicing' clients for co-contributions in order to get around this requirement. However, the current requirements for certificate creators to demonstrate that payments have been made by client is excessive, increases costs and significantly impairs the ability of certificate creators to engage with energy users.

The EEC recommends that the NSW Government review the administrative requirements around co-contributions in conjunction with the energy efficiency industry.

### **Regional calculators**

The EEC notes that several energy efficiency schemes in other jurisdictions now rely on calculators in the ESS, including the ACT Energy Efficiency Improvement Scheme and South Australian Retailer Energy Efficiency Scheme (REES). The introduction of regional weightings into ESS calculators, if it is handled incorrectly, has the potential to cause problems for these jurisdictions' scheme. The EEC recommends that the NSW Government engage with energy efficiency experts and other governments as it updates its calculators.

### **Summary**

The EEC looks forward to continuing to work with the NSW Government as it evolves and improves the ESS. I would appreciate it if you could contact me on [rob.murray-leach@eec.org.au](mailto:rob.murray-leach@eec.org.au) or 0414 065 556 to discuss consultation on a number of these issues.

Yours sincerely



Rob Murray-Leach  
Head of Policy  
Energy Efficiency Council