

Lashae Roulston
Director, Energy Demand and Efficiency Policy
Victorian Energy Upgrades team
Department of Environment, Land, Water and Planning
energy.upgrades@delwp.vic.gov.au



6 May 2022

Re: Home Energy Rating Assessment Issues Paper

Dear Lashae

Thank you for the opportunity to comment on the Home Energy Rating Assessment Issues Paper.

The Energy Efficiency Council (EEC) is the peak body for energy efficiency, energy management and demand response. Our members include energy management companies, independent experts and various levels of government.

The EEC is broadly supportive of including home energy rating assessments in the Victorian Energy Upgrades (VEU) program, as a means of expanding the scale and reach of in-home energy assessments. Using the VEU to lower the cost of home energy ratings will:

- Increase the number of households that have access to expert advice to help them improve the thermal comfort of their home and reduce their energy use;
- Increase the Department of Environment, Land Water and Planning's (DELWPs) access to data on the features of Victorian homes, which will help to design better tailored programs to improve the quality of Victorian homes; and
- Support the move to disclosing the thermal comfort and energy efficiency of homes at the point of sale.

However, the EEC strongly urges DELWP and the Essential Services Commission (ESC) to consider a range of options to ensure the quality and integrity of home energy rating assessments. A major subsidy for home energy ratings will attract a large cohort of new home energy raters and reduce the importance of word-of-mouth for home energy raters to attract new customers. Accordingly, DELWP and ESC should consider how to minimise the risk that home energy raters provide lower-quality ratings.

More detailed comments in response to the consultation paper are provided in the attached submission.

For further information please contact me on rob.murray-leach@eec.org.au or 0414 065 556.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Murray-Leach", written in a cursive style.

Rob Murray-Leach
Head of Policy, Energy Efficiency Council



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**Energy Efficiency Council submission to the
Home Energy Rating Assessment Issues Paper**

General comments

The EEC is broadly supportive of adding Home Energy Rating Assessments to the Victorian Energy Upgrades (VEU) program. Energy efficiency obligation/white certificate schemes have a strong track record for expanding uptake of energy efficiency products and services, leading to reductions in energy usage and greenhouse gas emissions. Incentives to encourage a wider range of households to take up an in-home energy assessment are likely to lead to greater literacy and engagement of households with their energy use, and ways to manage and reduce their use. This will support broader policy objectives of reducing energy use and greenhouse gas emissions, while helping consumers reduce their energy bills.

The EEC has several broad comments on the proposed inclusion of the assessment in the VEU.

Quality, integrity and compliance

The performance of a home energy rating assessment is essentially a service performed by an accredited assessor that imparts knowledge and information about the energy performance of a dwelling from the assessor and the scorecard tool to the householder. The utility of the service (the scorecard assessment and recommendations) relies on the assessor correctly populating the tool to create customised ratings and recommendations; the quality and applicability of the information that the tool can provide about an individual house, and the effective transfer of this information to the householder.

An in-home rating assessment can have substantial value if performed correctly and the results provided to the householder in a way that can be easily understood. Systematic requirements can help in this regard, by using standardised, accessible report templates and linked information resources that householders can access to help further understand the scorecard report.

However, as inclusion in the VEU is likely to stimulate more widespread take-up of the home assessment, care must be taken so that the scorecard assessment remains rigorous. Safeguards should ensure that recipients of the rating assessment receive a service that will provide them with genuine, useful advice and opportunities to improve the energy performance of their dwelling.

In the absence of appropriate regulation and safeguards, an incentive could exist for assessors to perform as many assessments as possible in order to maximise certificate generation. Should householders not receive an accurate, understandable assessment report, provided with accompanying explanation and the ability to ask questions and engage with the assessor, then the assessment activity will provide a much less valuable service to the householder.

The EEC therefore suggests that strong compliance requirements are considered to ensure that assessments carried out for VEU incentives are rigorous, of acceptable quality, and support the objectives of the VEU to reduce energy usage and consequent greenhouse gas emissions. Compliance measures could include systemic requirements – such as requirements for geocoded photographs as evidence of the assessment, expectations of a minimum average time to complete the activity, as well as training and accreditation requirements – as well as auditing and analytics to monitor the performance of assessors.

Ensuring the tool gives fit-for-purpose information

The EEC is generally supportive of using the National Scorecard as a basis for home energy assessments. However, further refinement of the tool is necessary to ensure it provides fit-for-purpose information to householders to help them improve the energy performance of their house. The maximum value of the Home Energy Rating Assessment activity will be captured when the tool provides accurate information, and recommendations to householders that are actionable and accessible for the householder.

Firstly, the EEC suggests that there are important refinements to make to the Scorecard's methodology and presentation, prior to distributing it more widely to consumers through the VEU.

The scorecard's primary metric is a composite star rating that reflects *cost* to operate a home within thermally comfortable parameters. However, the EEC's views are that the rating should focus on energy use per square metre as the core metric, as this will allow better comparison of homes of similar size and enable scorecard ratings to act as a good indicator of thermal comfort.

In addition, the EEC strongly recommends that onsite generation is removed from the core star rating under the scorecard. Currently, the inclusion of solar PV in the scorecard allows solar PV to 'mask' the poor thermal comfort of a home. In addition, solar PV energy sold into the grid in daytimes only attracts a low feed-in tariff, and energy consumed in the evenings is both expensive and greenhouse intensive, so including solar PV in the core scorecard metric reduces the scorecard's value as an indicator of thermal comfort, energy costs and greenhouse gas emissions.

Similarly, the tool's treatment of some appliances requires further development – in particular the treatment of heat pump hot water systems (HPHWS). HPHWS are an efficient appliance for providing hot water services that consume very small amounts of energy, leading to relatively low greenhouse gas emissions. Indeed, when HPHWS are well-integrated with renewable energy (particularly on-site PV generation), they can provide near-zero emissions hot water. However, while the tool is able to discriminate between high- and low-efficiency gas appliances, the tool cannot discriminate between low- and high-performing heat pump hot water systems, meaning that all HPHWS are given the same rating, which can lead to a lower rating overall for a house that has invested in a high-quality HPHWS.

As scorecard ratings have the potential to have real-world, material consequences (such as access to concessional green financing products, or informing consumer decisions on purchasing or renting housing), it is important that the tools are refined to improve their output in advance of encouraging more widespread adoption.

Secondly, the scorecard provides householders with recommendations that may not be actionable in many circumstances. Renters are often unable to make substantial changes to the building fabric, and many households will not be in a position to afford some upgrades (like double glazing). Ensuring that the tool provides a range of recommendations that are actionable by the recipient of the energy rating assessment is important to maximise the value and potential abatement that can be generated by the tool.

Lastly, consideration of integration of the home energy rating assessment activity with upgrades that the tool might suggest could create more effective links between undertaking the assessment and implementing upgrades. For example, should activities that encompass residential building fabric upgrades come to market, it would be worth considering how these could be effectively linked to the home energy assessment activity for maximum benefit.

Ensuring appropriate incentives

The EEC suggests consideration could be given to ensuring that incentives offered under the scheme for home energy rating assessment activity encourage participation by a wide range of householders. The method calculation proposes a flat incentive per dwelling, meaning the same number of certificates would be generated for assessing a studio apartment or a six-bedroom house. This would provide an incentive for certificate creators to target high-density households, even though these might be apartments where many elements in the assessment are controlled by the body corporate and are unable to be changed by the householder. Consideration could be given to making the incentive proportional to the size of dwelling, which would also be roughly proportional to the potential for emissions reduction in that household.

Similarly, consideration could be given to measures to target priority households with energy assessments. An obvious mechanism would be adding an incentive multiplier for assessments undertaken at priority households.

Responses to questions

1. Do you think residential home energy rating assessments should become a VEU program activity?

Yes. Using the proven VEU scheme to scale-up the number of home energy assessments undertaken makes considerable sense and supports the scheme's policy intents of reducing greenhouse gas emissions, energy usage and lowering consumer energy bills.

A wide-scale rollout of home energy assessments will support increased community awareness of energy performance and efficiency of their household, as well as increase diffusion of practical information for households to reduce their bills. The in-person nature of a home energy assessment is likely to increase engagement of the householder with issues of energy efficiency and thermal performance and increase the likelihood of householders taking action to improve the performance of their dwelling.

The EEC supports the inclusion of assessments, provided appropriate compliance measures are in place to ensure that householders will receive a quality, useful service through the provision of the scorecard. Should the activity be rolled out with a weak compliance and enforcement overlay, poor outcomes for householders (incorrect, inadequate or unusable information and advice) and the community at large (waste of funds in the VEU, reputational damage, potential emissions reductions foregone) are foreseeable.

Using the VEU to lower the cost of home energy ratings will:

- Increase the number of households that have access to expert advice to help them improve the thermal comfort of their home and reduce their energy use;
- Increase the Department of Environment, Land Water and Planning's (DELWPs) access to data on the features of Victorian homes, which will help to design better tailored programs to improve the quality of Victorian homes; and
- Support the move to disclosing the thermal comfort and energy efficiency of homes at the point of sale.

While including energy ratings in the VEU will deliver some direct energy savings from households upgrading their buildings in response to the rating, the energy savings from facilitating the shift to residential disclosure will be substantially larger.

2. Are there other home energy rating assessment tools that you would like to see incentivised by the VEU program? Yes/No?

The EEC has no comment on this question.

3. What issues and opportunities do you foresee with providing up-front incentives for a home energy rating assessment?

Providing a single, up-front incentive provides a simple and accessible way for certificate providers to provide a service to homeowners with a single visit. The costs of this model are relatively well known and manageable, and make most effective use of labour. It is also a model which will scale well, and driving widespread uptake of home assessments will be important to the potential for this activity to unlock abatement.

While a reassessment model might be able to provide more demonstrated abatement, a single upfront assessment/incentive model is likely to reach more households – in particular, those households who may be less engaged with energy efficiency and thermal performance of their homes. A single incentive/assessment can be offered as a relatively quick, easy service for people to access, with a modest time commitment. This lowers barriers to participation, and makes wider take-up more likely.

However, as already discussed, strong and well-tailored compliance requirements and enforcement will be required to ensure that assessments conducted retain rigour and quality, and continue to support the objectives of the scheme.

4. What issues and opportunities do you foresee with providing incentives for a new activity incentivising upgrades demonstrated through re-assessment?

While an activity that incentivises upgrades through re-assessment is likely to be more closely linked to direct abatement, it is likely that take-up of such an avenue would be limited, and most attractive to those already intending to undertake upgrades (and, by extension, already aware of the upgrades they wish to do). Greater value will be realised through making the energy assessment as widely available as possible – even to households who ultimately do not undertake upgrades after receiving the assessment.

A re-assessment model would significantly increase the transaction costs associated with the certificate, and have the likely effect of reducing the potential reach of the home energy assessment activity. This suggests that a single incentive/assessment should be the preferred approach, to maximise the opportunities for knowledge transfer and awareness-raising.

5. Do you support the proposed approach to calculating the energy savings resulting from the provision of a home energy rating assessment? Yes/No?

The calculation of the energy savings resulting from home energy assessments is a reasonable and defensible method of calculation. However, as discussed earlier, the direct link between energy savings/abatement and the energy assessment activity is complex, and the calculation suggested should not be considered definitive. Instead, the EEC suggests that the incentive is set at a level appropriate to encourage uptake, understanding that wide uptake is likely to catalyse further energy efficiency activities.

6. Do you support the assumed savings lifetime proposed for the activity? Yes/No?

Five years is a reasonable assumed savings lifetime. As the activity is taken up, data could be collected to inform future revisions of the activity calculations.

7. Are there other considerations that should be included within the activity calculations?

As discussed earlier, the EEC suggests that adjustments for size of dwelling could be included in the calculation metrics. Similarly, an additional incentive for priority households could be considered, although other policy measures could also encourage targeting low-income and vulnerable households.

8. Do you agree with limiting residential premises to a single incentive? Yes/No?

Delivery of subsequent home energy rating assessments are unlikely to drive additional abatement. Re-assessments may demonstrate the effects of upgrades undertaken, however this will not drive additional abatement, and hence does not support the scheme's objectives. A better use of resources is to deploy assessments to as many households as possible. Importantly, limiting the incentive to one per household per five years does not preclude a householder from undertaking a subsequent assessment, if they are motivated enough to do so.

A method for re-distributing the results of previous, valid assessments will be necessary. For example, where an assessment was undertaken for a previous tenant within the past five years, a new tenant should be able to access the results of that assessment, along with information resources to understand and apply the recommendations of the assessment.

9. Are there any issues or opportunities to improve the implementation and administration of the proposed activity?

As discussed earlier, effective integrity and compliance measures will need to be developed prior to implementation of this activity. Establishing the activity without robust compliance measures presents risks the integrity of the scheme as a whole.

10. If you are a Residential Efficiency Scorecard assessor, would you be interested in becoming a VEU accredited provider? Yes/No?

Not applicable.

11. If you are a VEU accredited provider would you be interested in becoming a Residential Efficiency Scorecard assessor? Yes/No?

Not applicable.