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**Re: Energy Savings Scheme Proposed Activity –
Commercial and Industrial Heat Pump Water Heating Issues Paper**

Dear Stephen

Thank you for the opportunity to comment on the Energy Savings Scheme (ESS) Commercial and Industrial Heat Pump Water Heating Issues Paper.

The Energy Efficiency Council (EEC) is the peak national body for energy efficiency, and has engaged extensively with the NSW Government on the ESS over the last decade.

The EEC strongly supports the NSW Government working to develop a heat pump water heater methodology. There is enormous potential for heat pump water heating in residential, commercial and industrial settings. Given this potential, it is absolutely imperative that the ESS processes encourage the appropriate installation of heat pumps that are of sufficient durability and performance.

Having robust ESS processes to ensure quality installations is doubly important because of the high level of subsidy that heat pumps are likely to attract by combining Energy Savings Certificates (ESCs) and Small-scale Technology Certificates (STCs). The EEC supports this high level of subsidy, but it will mean that consumers are likely to play a smaller role in quality control. For example, if an unsubsidised well-made and installed heat pump costs \$5,000 and an unsubsidised poorly selected and installed system costs \$4,000, consumers will carefully consider quality. However, if subsidies mean that the well selected and installed system costs \$1,000 and a low-quality system is free, customers will reduce the emphasis that they place on quality relative to price.

Therefore, the EEC makes three major recommendations.

Expert support

Heat pump technology and policy is both complex and evolving rapidly. The EEC recommends that the Department of Planning, Industry and Environment (DPIE) and the Independent Pricing and Regulatory Tribunal (IPART) set up an expert committee to obtain regular expert input on the impact of the methodology and its refinement before the commencement of the methodology and on an ongoing basis.

Product registration

The NSW Government must strengthen its work with industry to implement systems to ensure the performance and durability of heat pumps that are registered for the ESS. We recommend that the IPART engage experts with depth in the industry to assist in-house staff the review product registration information, especially information that should be provided by certified testing facilities under AS/NZS 5125 or EN14511 on heat pumps' performance.

Project assessment

The third recommendation on ensuring quality is using a risk-management framework to assess projects. Assessing actual installations will help to confirm:

- The quality of the installation;
- The performance of the product; and
- Whether the energy savings that are claimed are reasonable (e.g. is the volume of hot water used on the site, and therefore the expected energy savings, as claimed). Some types of installations will involve relatively predictable water use, but some may not suit deemed approaches (e.g. hot water systems in irregularly used community facility).

Proper measurement and verification and independent assessments on every installation would be cost-prohibitive, and the EEC therefore recommends that the IPART use a risk-management framework for quality control that balances costs and benefits. For example, the ESC could request additional information or independent measurement and verification of projects in the following situations:

- The first couple of times that a new heat pump water heater product is used in NSW or Victoria, to determine its performance;
- The first couple of times an AP is involved in a heat pump water heater project;
- When products are used in unusual situations (e.g. community sports facilities); and
- When particularly large energy savings are expected or claimed.

Summary

The EEC looks forward to continuing to work with DPIE and IPART on the ESS. If you have any questions on the points raised on this submission, please contact me on 0414 065 556 or rob.murray-leach@eec.org.au.

Yours sincerely,



Rob Murray-Leach
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