

Mr Anthony Williamson
Principal Policy Officer, Energy Sector Development Division
Department of Primary Industries
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30 November 2012

Re: Review of Activity Submissions for the Energy Saver Incentive 2012

Dear Mr Williamson

The Department of Primary Industries (DPI) sought input on the Review of Activity Submissions for the Energy Saver Incentive 2012 (the Review). This letter sets out the Energy Efficiency Council's view on this paper.

The Energy Efficiency Council is the peak body for energy services and products in businesses and government. The Council brings together Australia's expertise in energy efficiency to support the development of policy and programs. Incorporating expert advice into the design of energy efficiency policy and programs significantly improves their effectiveness and reduces the risk of unintended consequences.

The Energy Efficiency Council strongly supports the intent of the Energy Saver Incentive (ESI) scheme. However, the review highlights that, without significant changes to the operation of the ESI, it will fail to deliver substantial energy savings, particularly in the commercial and industrial sectors.

While there is a very large potential for cost-effective savings in the commercial and industrial sectors, the Review only supported deeming for a small number of activities that will deliver limited energy savings. As a result, Victorian businesses are not benefitting from potential productivity gains that could substantially improve the viability and competitiveness of their operations. Instead, much of the energy efficiency investment in Australia is flowing to New South Wales, which has an Energy Savings Scheme (NSW ESS) that is much more effective for the business sector.

In order to improve the rate of energy savings in Victoria, the Council specifically calls for:

- The urgent development of project-based methodologies for ESI that would allow case-by-case development of energy efficiency projects, including a guaranteed energy savings methodology. Most effective large-scale energy efficiency projects, such as changes to Heating, Ventilation and Air Conditioning (HVAC), need to be assessed on a case-by-case basis.
- Substantially updating the rules and implementation of ESI regarding commercial lighting, so that the scheme is in line with the NSW ESS. Council members report that the current ESI rules make it exceptionally hard to accredit common technologies and get the appropriate level of reward from energy efficiency retrofits. For example, lighting retrofits in hospital areas with 24-hour operations can only gain certificates for a third of this time (3,000 hours per year).
- Enabling large energy users, including those that participate in the Energy Efficiency Opportunities (EEO) program, to benefit from the ESI scheme. In addition, the mandatory Environment and Resource Efficiency Plans (EREP) program should be eliminated, with the EEO extended to smaller users.
- Streamline the rules for additionality in the ESI. While the Council strongly supports the principle that the ESI should focus on delivering savings that are additional to BAU, this needs to be designed through the scheme rules so that the scheme

delivers overall additionality - excessively complex rules around additionality at the project level will make the scheme administratively burdensome.

- Allocation of additional resources to DPI and the Essential Services Commission to enable them to rapidly improve the design and implementation of the Victorian ESI. The staff working on the ESI are competent but under-resourced to properly support both the implementation and expansion of the ESI.
- The Victorian Government should make a public statement that it strongly supports the Australian Government developing a National Energy Savings Initiative that would subsume the Victorian ESI and other state efficiency schemes. A national scheme would substantially reduce red-tape for energy users, energy retailers and energy efficiency service and product providers, making the schemes more effective. Developing a national scheme would take at least a year, and in the meantime the Victorian Government should substantially harmonise the Victorian ESI with the NSW ESS, generally aligning with the more effective rules under the ESS.

The Energy Efficiency Council strongly supports the Victorian ESI, which can reduce energy prices, improve energy affordability for households and improve the competitiveness of Victorian businesses. The Council looks forward to working with the Victorian Government to ensure that this visionary scheme delivers on this potential.

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