

Emma Jacobs
Manager, Demand Side Policy
Department of Environment, Land, Water and Planning
Email: energy.upgrades@delwp.vic.gov.au

25 November 2021

Re: Victorian Energy Upgrades – Market Consultation Paper October 2021

Dear Emma,

Thank you for the opportunity to comment on the Victorian Energy Upgrades (VEU) Market Consultation Paper October 2021. The Energy Efficiency Council (EEC) is the peak national body for energy management and has engaged extensively with the Victorian Government on the VEU over the last ten years.

The EEC welcomes the Department of Environment, Land, Water and Planning (DELWP) considering how to ensure the smooth operation of the VEU. Victorian Energy Efficiency Certificate (VEEC) prices have risen for a number of reasons, including:

- Restrictions associated with COVID-19 impeded the installation of energy saving measures. This has been a particular issue for Accredited Providers that have forward contracts with retailers;
- The reduction in the electricity emissions factor. A reduction in the electricity emissions factor will reduce the number of VEECs created per electricity-saving measure, almost invariably increasing the VEEC price; and
- Limited low-cost opportunities to generate VEECs. This has been particularly driven by the planned reduction in the incentives for lighting retrofits without matching introduction of other low-cost measures.

Variations in the VEEC price are essential to the operation of the VEU. Rising VEEC prices encourage Accredited Providers to develop and roll out new energy saving measures, which then result in reductions in the price of VEECs. The EEC strongly urges the Victorian Government to avoid making reactive changes to the VEU in order to achieve particular target prices, as this undermines market certainty, ironically increasing VEEC prices in the long-term. It is critical that public statements and consultations relating to the VEU avoid creating uncertainty that can impact the market.

However, the EEC supports the Victorian Government making sensible changes with the primary goal of improving the operation of the VEU, and this type of reform is likely to put downward pressure on VEEC prices and improving price stability.

The EEC supports the measures being introduced by the Victorian Government to smooth the operation of the VEU, specifically:

- Retaining the VEU targets at their current levels. The EEC agrees with the Victorian Government's position that stable VEU targets are important as they provide the market with investment certainty;
- The Essential Services Commission (ESC) will extend the retailer surrender date for 2021 from 30 April 2022 to 31 July 2022;
- Extension of residential lighting activities from 28 February 2022 to 31 January 2023;

- Publishing information on VEEC price trends; and
- Developing new and revised activities, specifically the review of heating and cooling measures and possible introduction of insulation activities in Q3 2022.

However, the EEC believes that the Victorian Government should consider a number of other measures that would improve the operation of the VEU. These include:

- Ensuring that there are many practical energy saving methodologies available. The EEC seeks a meeting with DELWP and the ESC in early 2022 to discuss a number of energy saving measures. In particular:
 - o Ensuring that project-based methods have minimum unnecessary costs and barriers; and
 - o Considering the timing of the phase-out of commercial lighting activities;
- Reviewing the Act to determine whether the VEU should, in the longer-term, be moved from an emissions reduction metric to a weighted gigajoule metric. Energy management has multiple benefits for the reliability, affordability and sustainability of the energy system, including reducing peak demand and helping to better align loads with the output of renewable energy generation. A weighted gigajoule metric may provide a more accurate and stable price signal than a system heavily dependent on emission reduction factors. This change should not be made in response to short-term movements in VEEC prices but should be considered as part of the long-term directions of the VEU.

The EEC looks forward to continuing to work with DELWP on the VEU. If you have any questions on the points raised on this submission, please contact me via rob.murray-leach@eec.org.au.

Yours sincerely,



Rob Murray-Leach
Head of Policy
Energy Efficiency Council