

Emma Jacobs
Manager, Victorian Energy Upgrades
Department of Environment, Land, Water and Planning
Email: energy.upgrades@delwp.vic.gov.au

7 February 2020

Re: Victorian Energy Upgrades – Regulatory Impact Statement for VEU targets and other matters

Dear Emma,

Thank you for the opportunity to comment on the Victorian Energy Upgrades (VEU) Regulatory Impact Statement. The Energy Efficiency Council (EEC) is the peak national body for energy efficiency, and has engaged extensively with the Victorian Government on the VEU over the last ten years.

The EEC strongly supports the VEU, which has delivered major benefits to consumers over the years. The Energy Efficiency Council:

- Strongly supports the proposed way forward for large energy users, specifically that large energy users can opt out of VEU program if they implement an energy management system that meets the *ISO50001 Energy Management Systems* standard or equivalent. However, the EEC strongly recommends that the Victorian Government work closely with the EEC and the NSW Government to determine energy management systems that could be adopted instead of ISO50001, which will not be suitable for many companies, and provide significant funding for a support program to help larger energy users to improve their energy management systems.
- Supports the proposed targets for the VEU for the period 2021-2025, specifically:
 - 6.5 million certificates for 2021
 - 6.7 million certificates for 2022
 - 6.9 million certificates for 2023
 - 7.1 million certificates for 2024
 - 7.3 million certificates for 2025.

However, to ensure that these targets can be met, the Department of Environment, Land, Water and Planning (DELWP) will need to refine the rules and requirements relating to various activities in the VEU, including for project-based activities and insulation. The EEC strongly recommends that the Victorian Government allocate more funding to DELWP to develop and implement these activities and complementary programs, such as minimum energy efficiency standards for rental properties. Once these activities and complementary programs are in train, the VEU will be able to deliver large volumes of abatement at low cost and the target could be significantly lifted.

- Strongly recommends that the VEU move from emission-based targets to Gigajoule based targets, as this:
 - Aligns with the multiple benefits of energy efficiency, including reduced greenhouse gas emissions, improved health and comfort, reduced energy bills for participants and reduced energy costs, which delivers reduced energy bills for both participants and non-participants;
 - Reduces the reliance on projections of the emissions factor for electricity. EEC members varied in their views on the accuracy of the proposed ten-year emission factors for electricity in the period 2021-25; and
 - Provides more clarity and certainty for energy service providers and participants, and therefore delivers lower costs.
- Has concerns about the increase in the penalty price to \$112, especially if this increase in the penalty price occurs before additional activities have been introduced. Any increase in the penalty should be phased in gradually over time, and the Victorian Government needs to model the impact in detail.
- Recommends that the Victorian Government look at banking and borrowing provisions in the VEU during periods of significant transition in the scheme.
- Strongly opposes the inclusion of solar PV as an activity under the VEU, as there are limited barriers to solar PV, numerous other schemes supporting solar PV and accordingly a significant risk that solar PV could dominate the VEU, reducing the support for energy efficiency measures.
- Supports the Victorian Government examining ways to support demand response through the VEU.
- Has significant concerns about the abrupt reduction in certificates generated by lighting activities. Our position on this is set out in more detail in the submission on lighting activities.
- Strongly recommends that DELWP invest in the development of a long-term strategy for activities under the VEU. Our position on this is set out in more detail in the submission on lighting activities.

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 on 0414 065 556 or rob.murray-leach@eec.org.au.

Yours sincerely,



Rob Murray-Leach
Head of Policy
Energy Efficiency Council