



28 March 2018

By email: [EnergyMarket.Review@delwp.vic.gov.au](mailto:EnergyMarket.Review@delwp.vic.gov.au)

**RE: Environment Victoria submission on the Consultation Paper  
Response to the Bipartisan Independent Review of the Electricity and Gas Retail  
Markets in Victoria**

Thank you for the opportunity to provide feedback on the recommendations of the Review and the Government's Interim Response.

### About Environment Victoria

Environment Victoria is one of Australia's leading independent environment groups. With more than 40 member groups and tens of thousands of individual supporters, we've been representing Victorian communities on environmental matters for over 40 years. Through advocacy, education and empowerment Environment Victoria seeks significant and enduring solutions that will safeguard the environment and future wellbeing of all Victorians.

### Overview

Environment Victoria welcomes the acknowledgement in the Review recommendations of several of the points we made in our February 2017 submission – specifically Rec. 6B: “The Victorian government to support programs that help low income and vulnerable households reduce their energy consumption.”

We welcome this opportunity to provide further detail on how the impact of current residential efficiency retrofit programs could be increased, so as to maximise their contribution to the overarching goals of affordability, emissions reduction, reliability and security.

We would also urge the government to maximise opportunities for integrating its approaches to assisting vulnerable households to access renewable energy as well as efficiency upgrades.

Widening access to rooftop solar and efficiency have similar impacts in terms of assisting households to reduce consumption of grid-supplied energy, while also delivering wider price and reliability benefits when targeted at moderating or shifting peak demand.

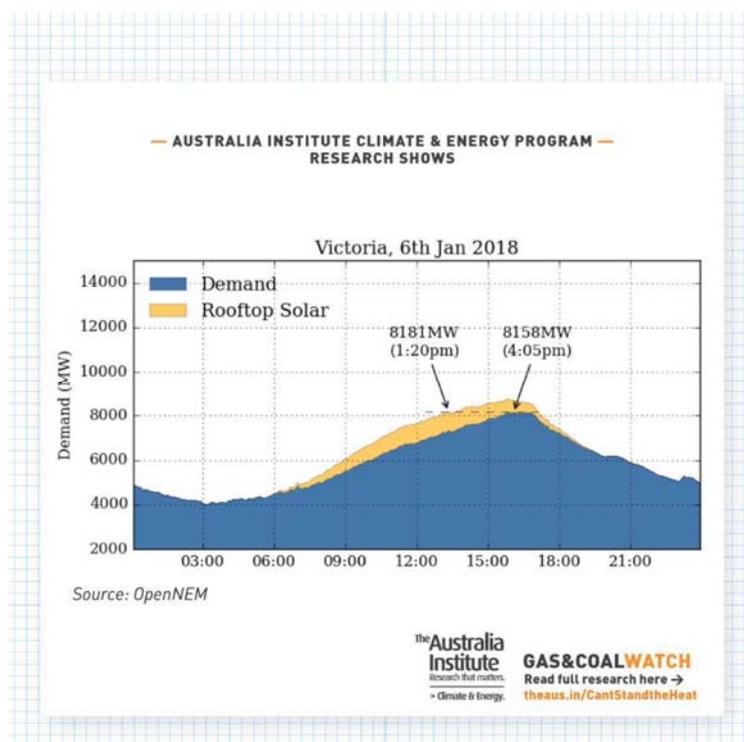
Delivering solar and efficiency upgrade programs as an integrated package allows for greater flexibility in tailoring interventions to the diverse needs of Victorian households, ultimately reducing the costs of program delivery and, most importantly, significantly expanding the scale of what can be delivered.

## The case for equitable access to solar and efficiency for all Victorian households

The growth in rooftop solar over the last ten years has been phenomenal. Victoria now has more than 1100 MW of solar panel systems smaller than 100 kW.<sup>1</sup> The uptake of rooftop solar by Victorian households is playing an important role in reducing the strain on our energy grid.

The graph below shows how, on a very hot day this January, Victoria’s rooftop solar:<sup>2</sup>

- Reduced the highest point of peak demand from the grid (at 4pm) by almost 600 MW
- Delayed the moment of peak demand from the grid by almost three hours, meaning the grid was under strain for less time.



Rooftop solar capacity also plays an important role in reducing the costs of electricity to consumers where the additional capacity serves to moderate or shift peak demand, thus reducing wholesale price spikes which feed into higher retail prices for consumers.

Rooftop solar is one way to reduce household energy costs, as well as demand and strain on the grid. Another is energy efficiency. Without efficiency standards for appliances and new buildings introduced over the last 20 years, consumption across the National Electricity Market would have been about 37 TWh higher in 2013 than it actually was. This difference equates to output of almost

<sup>1</sup> Australian PV Institute, <http://pv-map.apvi.org.au/historical#4/-26.67/134.12>

<sup>2</sup> From The Australia Institute’s *Gas and Coal Watch*, <http://tai.org.au/gas-coal-watch>



5,000 megawatts (MW) of coal fired generation capacity – approximately the combined capacity of Loy Yang A, Loy Yang B and Hazelwood.<sup>3</sup>

But while that's good progress, we've hardly scratched the surface of what's possible in terms of improving the thermal performance of our existing building stock. The majority of household energy use goes towards keeping our homes warm in winter and cool in summer, and heating hot water. So cutting waste through simple measures like insulation, draught-sealing and low-flow shower-heads can reduce annual energy costs by 40 percent<sup>4</sup> - delivering savings of up to \$1,000 per year for an average pre-2005 home.

Efficiency improvements also deliver rapid, cost-effective emission reduction opportunities. Recent analysis identified efficiency as the number one global action to achieve peak emissions by 2020 and significant declines by 2030,<sup>5</sup> while building efficiency improvements could deliver more than one quarter of Australia's commitments under the Paris Agreement.<sup>6</sup>

Given the above benefits of household efficiency and solar, Environment Victoria welcomes the Review's acknowledgement of the role of efficiency, expressed in Recommendation 6B:

“The Victorian government to support programs that help low income and vulnerable households reduce their energy consumption”.

Clearly, addressing energy hardship experienced by low income and vulnerable households must be a priority for government. However, Environment Victoria urges the government to consider the role that efficiency and rooftop solar can play much more broadly, and commit to addressing the range of barriers that prevent much larger scale take-up of efficiency and solar by all Victorians.

As articulated in our original submission, we submit that the over-arching objective for Victorian energy policy should be not only to ensure vulnerable households are protected, but to address the broader question:

“How can we drive a rapid transition to zero net emissions and 100% renewable energy, while ensuring secure, reliable and equitable access to affordable energy services for all?”

Hence, the following sections of this submission respond to Questions 15 – 17 of the Consultation Paper, but with this broader objective in mind.

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<sup>3</sup> Sadler, H. 2013, *Power Down: Why is electricity consumption decreasing?*, The Australia Institute <http://www.tai.org.au/content/power-down>

<sup>4</sup> Sustainability Victoria, [www.sustainability.vic.gov.au/About-Us/Research/Household-retrofit-trials](http://www.sustainability.vic.gov.au/About-Us/Research/Household-retrofit-trials)

<sup>5</sup> IEA 2015, *World Energy Outlook: Special report on energy and climate change*, International Energy Agency, [www.iea.org](http://www.iea.org)

<sup>6</sup> ASBEC 2016, *Low Carbon, High Performance: How buildings can make a major contribution to Australia's emissions and productivity goals*, Australian Sustainable Built Environment Council, <http://www.asbec.asn.au/research-items/low-carbon-high-performance-report/>



## Opportunities for expanding the reach and impact of household retrofit programs

Environment Victoria has welcomed the \$17 million committed to the *Home Energy Assist* household retrofit programs which target different householder groups across the State. However, the estimated 3,300 Victorian homes expected to benefit from these programs falls far short of the scale needed if we are to have any impact on the currently very low average performance of Victoria's housing stock.<sup>7</sup>

Given the focus of this Review, we would particularly emphasise the opportunities for increasing impact through collaboration with energy retailers in a shared approach to addressing high consumption as an underlying cause of energy hardship.

## Leverage complementary sources of investment

While household retrofit programs continue to be financed largely through a direct government investment model, available public funding will limit scale and ambition and therefore assist a far smaller percentage of homes. Furthermore, while Victoria's most vulnerable households should be a priority for public assistance, the public policy justification for spending public money on private assets such as investment properties is less clear.

Hence, government should seek to leverage complementary sources of investment to allow for increased ambition and reach to diverse groups of households. Key opportunities include:

- Establishment of a state-wide revolving capital fund to give local government the option of offering *Environmental Upgrade Agreement* rates-based financing for solar and efficiency upgrades to residents. Such financing helps overcome the upfront cost barriers faced by low income households, while allowing repaid capital to be returned to government or re-invested in further programs. The *Solar Savers* initiative which is financing solar for aged pensioners across 22 council areas, and the proposed amendment to the Local Government Act to extend EUA financing to residential properties, provide an excellent foundation on which to build a statewide revolving fund scheme.
- Partnering with energy retailers to co-finance efficiency and renewable energy retrofits. Co-financing to expand the revolving capital fund as well as data-sharing arrangements (see below) would support the expansion of low-cost retrofit financing options to households beyond aged pensioners, particularly non concession-card holding households with high housing and transport costs who are at increasing risk of energy hardship. Opportunities for further expanding the capital fund through collaboration with private lenders, social impact investors or philanthropic organisations should also be explored.
- Raising Victorian Energy Efficiency Target beyond 2020. Recent industry analysis indicates the Victorian Energy Upgrade Scheme is delivering savings 44 percent above that required to

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<sup>7</sup> Pre-2005 housing stock averages 1.8 stars compared with the 6 star standard for new homes. (Sustainability Victoria 2014, *Household Energy Report*)

achieve current targets, at 50 percent below expected cost.<sup>8</sup> At the same time, activity is currently dominated by commercial lighting, leaving significant efficiency opportunities in the residential sector untapped. This suggests there is ample scope for cost-effectively achieving much higher targets while kick-starting activity in the residential sector. In addition, establishing a priority household sub-target would ensure low-income and disadvantaged households benefited from expansion of the scheme. Costs and risks to retailers associated with reaching these households would be mitigated by complementary investment in targeted outreach and delivery programs (see below).

- Setting minimum efficiency standards for rental properties. The generally poor efficiency performance of Victoria's rental housing stock is exposing renters, many of whom are low income to high energy bills and health risks. However, the well-established 'split incentive' facing landlords and tenants is hindering much needed investment in improvements. As voluntary measures and incentives have been shown to be ineffective<sup>9</sup> and there is limited justification for investing public money in private assets, the only way to overcome the split incentive is to set minimum efficiency standards at the point of lease. The current review of the *Residential Tenancies Act* provides a unique opportunity to deliver this long overdue reform. Minimum standards for health, safety and amenity are being considered. Including basic efficiency measures such as insulation in these standards would catalyse (individually relatively small, but collectively significant) investment in rental housing that will not otherwise happen.

#### Reduce delivery costs to increase impact of retrofit programs

Separate delivery models are currently being developed for the *Home Energy Assist* and *Latrobe Valley Home Energy Upgrade* programs. This is contributing to potentially higher than necessary program overhead costs. Developing a statewide shared services model, based on partnerships with local government and the community sector would provide the necessary risk mitigation and quality assurance, but in a more cost-effective way – leaving a greater proportion of available funds for investment in more home retrofits.

The shared services model being developed through the *Solar Savers Program* could provide a model for a statewide delivery approach, embedded in a broader home energy service providing tailored efficiency and solar advice, finance and services according to individual household need (see below).

In providing streamlined referral services for households with different needs, the statewide network of Home Energy Hubs (discussed below) would also reduce the costs of targeting and recruiting households to individual programs. Instead, local government, community sector organisations and energy retailers already in contact with households in need, would have an easily

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<sup>8</sup> <https://eecca.org.au/news/highly-successful-nsw-and-vic-energy-savings-schemes-over-deliver-under-cost-time-to-increase-targets-10-july-2017>

<sup>9</sup> Lovering, M. 2013, 'Can low income tenants rent an energy efficient home?', AHURI Evidence Review 040, [www.ahuri.edu.au](http://www.ahuri.edu.au)

accessible means of referring them to relevant programs. This would also assist in minimising the costs of delivering a priority household sub-target within VEUP.

#### Partner with retailers to drive data innovation

Victorian households in need of assistance to access solar and efficiency upgrades are more diverse than low income or concession card-holding households alone. A growing segment of retailer hardship program participants are larger families with high energy use combined with high transport and/or housing costs.<sup>10</sup> Effectively targeting interventions to these high usage but financially struggling households will maximise environmental and social benefits. However, data-sharing limitations are hindering the effective targeting of these households.

Government should partner with energy retailers to drive innovation in program delivery through open data arrangements. Amalgamation of diverse data sets on energy consumption, outstanding debt, concession card eligibility and location would enable the cost-effective targeting of programs to households with specific needs within discrete geographic areas.

#### Home Energy Hubs - Overcoming trust, information and complexity barriers

Victoria needs a statewide network of 'one stop shop' Home Energy Hubs, providing every Victorian with easy access to the advice, financial assistance and service providers they need.

Recent analysis by Energy Consumers Australia concludes that ease and convenience, as well as access to trustworthy, independent advice are important factors affecting efficiency behaviour change.<sup>11</sup>

Energy and efficiency literacy is generally low amongst Victorian households while the range of information, products and services is large, technical and rapidly changing and the promised benefits are unpredictable. People are also often wary of advice provided by commercial providers of goods and services but do not know where or how to access independent, up to date advice. For all but the most informed and motivated households, the time and effort required to navigate this complex landscape makes efficiency investment a low priority.

People from culturally and linguistically diverse backgrounds, Aboriginal and Torres Strait Islander people, and people living with a disability face additional and diverse barriers to accessing mainstream services. Effective participation by these groups in energy efficiency programs relies on proactive outreach, recruitment, advice and assistance through existing trusted relationships with established local government and community sector organisations.<sup>12</sup>

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<sup>10</sup> <http://aglblog.com.au/2015/09/effective-support-for-vulnerable-households-closing-the-gap-between-capacity-to-pay-and-cost-of-consumption-part-2/>

<sup>11</sup> Russell-Bennett, R., Bedggood, R., Glavas, C., Swinton, T., McAndrew, R., O'Mahony, C., Pervan, F., & Willand, N. (2017). *Power Shift Project One: Driving Change – Identifying what Caused Low-Income Consumers to Change Behaviour, Final Report*, Brisbane: Queensland University of Technology and Swinburne University of Technology

<sup>12</sup> Yang, A., Settle, D., Erwin, R. and N. Crawley 2016, *Future Powered Families Project: Final Report*, Environment Victoria

The Home Energy Hubs would be delivered through a partnership between local government, Sustainability Victoria and the community sector, building on the existing Community Energy Hubs (in Bendigo, Ballarat and Latrobe Valley) and the various models in place at a local government level.<sup>13</sup>

The Home Energy Hubs would provide all Victorian households with:

- Free, short phone advice on tariffs, basic efficiency and solar options
- Optional referral to more detailed advice eg. Victorian Residential Efficiency Scorecard assessment (fee-for-service, free or subsidised depending on eligibility)
- Help with accessing relevant financial assistance depending on eligibility:
  - Victorian Energy Upgrade Program and other rebates and incentives
  - EUA rates-based financing for solar and efficiency upgrades (for households with high daytime energy consumption)
  - Fully funded efficiency behaviour change and upgrades (for low income and vulnerable households with lower energy usage)
  - Green finance products offered by private lenders.

Giving all Victorian households easy access to a single portal to all services, will reduce the current onus on households to already know about a specific program such as VEUP in order to access it, leading to increased uptake. As mentioned above, it will also give community organisations, retailers and complementary local government services (such as Home and Community Care services), access to a referral pathway to appropriate programs for their clients, thus reducing the costs of recruiting target households for efficiency and solar programs.

### Expanding solar options for renters and apartment dwellers

For renters and apartment dwellers who can't put solar on their own roof or homeowners with shaded roofs, Solar Gardens offer the chance to buy or lease a share of a solar array within their community. The electricity generated by their share is credited on their bill. But energy market rules need to change for Solar Gardens to become an economically viable option for Victorians locked out of solar.

To move this concept forward we need:

- Government-funded trials to ensure that solar gardens are legally feasible, economically viable and attractive to renters;
- Changes to network charging arrangements so that Solar Garden participants receive a fair price for their solar. Currently they only receive credits equivalent to the wholesale price,

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<sup>13</sup> Such as Moreland Energy Foundation, Yarra Energy Foundation, Mount Alexander Sustainability Group, and the Greenhouse Alliances

whereas rooftop solar households get the full benefit of the retail price of electricity they generate (or avoid buying from the grid);

- Government-funded means-tested grants for low-income renters so they can afford to participate in a solar garden.

### Solar incentives for landlords

Several innovative financing mechanisms are being offered by companies such as Sun Tenants and Matter which allow landlords and tenants to split the benefit of solar.<sup>14</sup> Victoria should follow Queensland's lead in providing support to help these models reach scale.<sup>15</sup> However, careful attention is needed to ensure tenants are not left worse off and vulnerable tenants are protected.

### Protect consumers

Affordable supply of energy is essential to health, wellbeing and social participation. But as the energy market becomes more complex, with a wide range of new products, technologies and services entering the market, the way we engage with the system – both as consumers and producers of energy services – is changing. As the system evolves and becomes more complex, we need to make sure consumers particularly vulnerable consumers, remain protected.

There are two broad categories of reforms to our consumer protection regime we need to actively progress now – addressing barriers to informed decision-making by consumers in an increasingly complex market, and making sure consumers are protected when things go wrong.

A number of initiatives could be adopted in the short to medium term, including:

- Requiring energy service providers to identify the consumer's purpose in acquiring a service, to ensure it is appropriate;
- Testing the need for and best ways to help customers make good decisions; and
- Expanding the jurisdiction of the Energy and Water Ombudsman of Victoria (EWOV) – the main port-of-call for settling consumer disputes – to cover the providers of new energy products and services such as solar leasing, residential battery storage, electric vehicles and community energy projects.

The acknowledgement in Review recommendations of the limitations to EWOV's jurisdiction is welcome, as is current work being progressed by EWOV in this policy space. But there is an opportunity to go further to implement a comprehensive reform agenda as outlined by consumer advocates.<sup>16</sup>

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<sup>14</sup> For example, SunTenants [www.suntenants.com](http://www.suntenants.com); Matter <http://matter.solar/>

<sup>15</sup> \$4 million trial targeting up to 1,000 properties <https://www.dews.qld.gov.au/electricity/solar/solar-future/rental-properties>

<sup>16</sup> CALC 2016, *Power Transformed*, Consumer Action Law Centre



Voluntary initiatives are also emerging, such as the Clean Energy Council Solar Retailer Code of Conduct, which allows leading Australian solar energy companies to ‘show their commitment to responsible sales and marketing activities, and solar industry best practice.’<sup>17</sup>

## Conclusion

The energy system is undergoing rapid change. If we recognise the great opportunity this offers – to modernise and clean up our electricity sector, to increase the equity in the provision of energy services, to become more efficient in how we use energy, and to empower consumers – then regulators and policy-makers can ensure that technological change leads to widespread community benefits. If this opportunity is ignored, or if we fail to ensure the costs and benefits of change are shared fairly, it will lead to poor outcomes for all concerned.

Environment Victoria appreciates the opportunity provided by the Consultation Paper to outline how the reach and impact of government programs could be expanded to give all Victorians equitable access to the benefits of rooftop solar and efficiency.

However, as noted in our original submission to the Review, a number of other reforms would further support equity in the transition to clean energy and greater economy-wide efficiency investment:

- Reform of the Essential Services Commission Objective to replace ‘price’ with ‘cost’, creating an obligation to minimise overall cost to consumers and providing a driver for greater investment in efficiency and demand management by system managers and regulators;
- Require the Essential Services Commission to identify and publish efficiency opportunities across the network to support informed decision-making by industry.

Thank you for receiving this submission, and we would be happy to provide any further information to assist with the next steps of the Review.

Regards,

A handwritten signature in black ink, appearing to read "N. Aberle".

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<sup>17</sup> Clean Energy Council, *Solar Retailer Code of Conduct*  
<https://www.solaraccreditation.com.au/retailers.html>

