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Director, Energy Efficiency
Victorian Department of Environment, Land, Water and Planning
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22 June 2018

Re. Review of Victorian Energy Efficiency Target Regulations

Dear Ms Stephen

Thank you for the opportunity to comment on the Review of Victorian Energy Efficiency Target (VEET) Regulations.

The Energy Efficiency Council (EEC) is a strong supporter of the Victorian Energy Upgrades (VEU) program, which is underpinned by the VEET regulations. The VEU delivers significant benefits to the community – we note that the Regulatory Impact Statement for the Review of the VEET Regulations found that the preferred model for continuing the VEU would deliver between \$1.38 billion and \$5.03 billion in net benefits to Victorians from 2018-28.

The EEC agrees that programs like the VEU need to evolve over time to maintain their cost-effectiveness, and has engaged with members to identify their views on the VEET Regulations. Individual EEC members may have additional recommendations on other matters that are not raised in this letter.

The Specifications

The EEC supports the proposal to move technical components from the VEET Regulations into Specifications that can be changed without Parliamentary approval. This should increase the responsiveness of the VEU to changing circumstances (e.g. the development of new energy saving technologies), lower the Victorian Government's administrative costs and reduce the requirement for Parliamentarians to engage in detailed implementation issues.

The EEC notes that there will need to be systems in place to ensure that changes to the Specifications have to go through appropriate processes. The minimum period for changes to existing methodologies to come into force (e.g. the introduction of discount factors) should be extended from 6 months to 9 months. This period of time will significantly reduce the risk that certificate providers lose value on stock that they have procured for the VEU program, which will flow through to lower prices to consumers.

However, the EEC believes that the processes for changing the Specifications should allow for much more rapid changes in a number of circumstances, such as:

- It is the correction of an error and the change is non-controversial; and
- Threats to the scheme (e.g. a substantially and incontrovertibly incorrect deeming for a technology that is undermining the value of the scheme)

Fresh Start

EEC supports the proposal to provide a 'fresh start' for both residential and commercial activities. However, we recommend that the Essential Services Commission (ESC) retain a duplicate control process on activities to identify potentially inappropriate projects, such as retrofitting all the lighting in a property twice.

Abatement Factors

While the EEC has no specific concerns about the proposal to replace the abatement factors with abatement equations, we strongly recommend that the Victorian Government is mindful about the potential for changes to these factors to impact on energy efficiency schemes in the ACT and South Australia, which may refer to these factors.

Interaction between the VEU and standards for appliances, buildings and lighting

The EEC has no specific concerns about the proposal for methodologies to be automatically updated based on changes to appliance standards. However, the interactions between standards and abatement under VEU need to be considered carefully on a case-by-case basis. For example, with appliances that are only going to be replaced when they fail, the update of appliance standards may reduce the abatement caused by the replacement of an existing appliance with a more efficient model. However, when the VEU leads to the early retirement and replacement of an appliance, the update of appliance standards would have a much more limited impact on abatement.

The Victorian Government also needs to consider the 2019 and 2022 updates to the National Construction Code (NCC), which could affect multiple aspects of the VEU. For example, the NCC may mandate lower power densities than are recommended under the guidelines for lighting design, AS1680. The Victorian Government will need to determine which, if either, of these guidelines takes precedence.

This also raises the broader issue that the Government and ESC need to consider whether some guidelines are mandatory or recommended. Currently, commercial lighting upgrades under VEU are required to 'comply' with AS1680. However, AS1680 is intended as a design guideline, rather than a mandatory requirement, and in many situations adherence to AS1680 would be unsuitable, such as spaces that are only occupied during daylight hours. The EEC recommends that energy users should be allowed to waive requirements for compliance with AS1680.

Large Energy Users

Currently, companies that participated under the Environment and Resource Efficiency Plans (EREP) program can voluntarily opt in the VEU program, which means that if they generate certificates they must also contribute to the costs of the VEU.

This system has resulted in very low take up of energy efficiency measures by EREP sites, and is completely at odds with the NSW Energy Saving Scheme (ESS), where some large energy users are able to generate certificates, but do not have to contribute to the costs of the scheme (largely because energy efficiency activities on their sites reduce system costs for all energy users by putting downward pressure on costs in both the energy system and the ESS). The EEC seeks a meeting with the Victorian Government to discuss this issue.

Commercial Lighting

The EEC supports splitting commercial lighting into three categories: building, non-building and public lighting. The EEC notes that if an Accredited Provider (AP) is already qualified to install non-building lighting, then they should automatically be qualified to do both non-building and public lighting installations.

Photo-Luminescent Exit Signs

Some EEC members have recommended the installation of Photo-luminescent exit signs should be supported by the VEU scheme. This could be introduced under Schedule 34 if the definition of lighting is extended to include self-powered lighting. Potentially, specified lighting products which are approved under the National Construction Code (NCC) could be automatically deemed as appropriate under VEU to reduce administrative costs.

Fan Motors

The EEC strongly supports the introduction of Air Handling Unit Fan Motors in the VEU. However some EEC members have noted that the size of these fan motors should not be restricted to 600W for an internal rotor motor and 800W for an external rotor motor – instead a single upper limit of 4kW for fan motors should be applied to the VEU. A modern efficient fan with the same power rating as an old fan is likely to run substantially below this potential power rating, delivering substantial energy savings.

Hot Water Systems

EEC members have expressed concerns about the methodology changes for hot water systems. The EEC recommends that the Victorian Government specifically consult with the EEC and its members on this issue.

Space Heating

Some EEC members have noted that the current methodologies for space heating don't account for the potential of new systems, or additions to existing systems, that deliver very high Coefficients of Performance (CoP). The EEC recommends that the Victorian Government consult with EEC and its members over options to incentivise very high CoP activities.

Shower Roses

Some EEC members have expressed concerns about the proposal to reduce the flow rates from shower roses installed under the program, as this will reduce the ability to install shower roses in low-income households and could lead to energy users removing low-flow shower roses.

Ceiling insulation

The EEC strongly supports the reintroduction of ceiling insulation in the VEU.

Deemed Gas Methodologies

The EEC strongly supports the introduction of deemed gas methodologies, but some EEC members have expressed concerns about deemed gas methodologies under the VEU, which will likely deliver very little uptake of gas measures. First, the proposed methodologies will underestimate carbon savings, delivering potentially 85-90 per cent less incentive than the NSW ESS for these measures. Secondly, there are many economic opportunities to save energy in large gas boilers, but many of these boilers are effectively excluded from the VEU by the opt-in system for EREP sites (see above). Third, upgrade activities 37 and 38 are limited to natural gas and LPG, and should be expanded out to all fuels. Finally, the VEU's rules will not support upgrade opportunities that are supported by the ESS, such as sensor based blowdown, blowdown flash steam recovery, and residual blowdown heat recovery, not will they support high efficiency heat exchangers. The EEC recommends that these issues are corrected to unlock this energy saving potential.

Summary

The EEC looks forward to continuing to work with the Victorian Government as it extends and enhances the VEU program, and we look forward to discussing these matters. I can be contacted directly on rob.murray-leach@eec.org.au or 0414 065 556.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Murray-Leach', is centered below the text 'Yours sincerely'.

Rob Murray-Leach

Head of Policy
Energy Efficiency Council



energy efficiency
COUNCIL

**Energy Efficiency Council submission to the Review of
Victorian Energy Efficiency Target Regulations 2018**

Detailed Responses

1. Do you agree with moving the technical requirements from the Victorian Energy Efficiency Regulations 2008 to the Victorian Energy Upgrades Specifications 2018, and the process by which that document can be updated by the department?

Yes - The EEC supports the proposal to move technical components from the VEET Regulations into Specifications that can be changed without Parliamentary approval. This should increase the responsiveness of the VEU to changing circumstances (e.g. the development of new energy saving technologies) and lower the Victorian Government's administrative costs.

The EEC notes that there will need to be systems in place to ensure that changes to the Specifications have to go through appropriate processes. The minimum period for changes to existing methodologies to come into force (e.g. the introduction of discount factors) should be extended from 6 months to 9 months. This period of time will significantly reduce the risk that certificate providers lose value on stock that they have procured for the VEU program, which will flow through to lower prices to consumers.

However, the EEC believes that the processes for changing the Specifications should allow for much more rapid changes in a number of circumstances, such as:

- **It is the correction of an error and the change is non-controversial**
- **Threats to the scheme (e.g. SPCs)**

2. Do you agree with introducing flexibility into the proposed Regulations so that emerging technologies and products can be quickly integrated into the Victorian Energy Upgrades program?

Yes

3. Do you agree with providing all activities in the proposed Regulations with a 'fresh start' in terms of the number of times an activity can occur at a premises?

Yes, - EEC supports the proposal to provide a 'fresh start' for both residential and commercial activities. However, we recommend that the ESC retain a duplicate control process on activities to identify potentially inappropriate projects, such as retrofitting all the lighting on a property twice.

4. Do you agree with the transitional arrangements included in Part 4 of the proposed Regulations?

No comment

5. Do you agree with increasing shortfall penalty rate from \$46.72 to \$50?

No comment

6. Do you agree with removing the requirement for certain products to be listed on the product register kept by the Essential Services Commission?

No comment

7. Do you agree with the introduction of the new activity for high efficiency fan motors for ducted or partition fans in ventilation systems (proposed Part 33)?

The EEC supports the introduction of new activity for high efficiency fan motors. However, some EEC members have expressed concerns with the details of the proposed Part 33. Specifically, the proposed maximum limit for internal rotor motors of 600W and for external rotor motor of 800W will completely eliminate this measure. Even highly efficient fans typically have a much higher power rating than 800W, but very rarely operate at these maximum power rating. Some EEC members have recommended that the rated maximum input power should be raised to at least 6kW.

8. Do you agree with the introduction of the new activity for gas-fired steam boilers (proposed Part 37)?

The EEC supports the introduction of new activities for gas-fired steam boilers. However, some EEC members have expressed concerns with the details of the proposed Part 37, specifically:

- The proposed calculations of energy/carbon savings are far too conservative
- The proposed wording sounds like will only apply to projects involving natural gas and LPG savings, which would needlessly exclude good energy-saving projects involving other fuels
- The proposed specification that firing rate output is 100 per cent to 105 per cent of a manufacturer's output seems excessive and will be costly to demonstrate.

9. Do you agree with the introduction of the activity for gas-fired hot water boilers or gas-fired water heaters (proposed Part 38)?

The EEC supports the introduction of new activities for gas-fired steam boilers. However, some EEC members have expressed concerns with the details of the proposed Part 38, specifically:

- The proposed calculations of energy/carbon savings are far too conservative
- The proposed wording sounds like will only apply to projects involving natural gas and LPG savings, which would needlessly exclude good energy-saving projects involving other fuels
- The proposed specification that firing rate output is 100 per cent to 105 per cent of a manufacturer's output seems excessive and will be costly to demonstrate.

10. Do you agree with the introduction of the activity for gas/air ratio controls (proposed Part 39)?

The EEC supports the introduction of the activity for gas/air ratio controls. However, some EEC members have expressed concerns with the details of the proposed Part 39, specifically:

- **The proposed calculations of energy/carbon savings are far too conservative**
- **Part 39 should be separated into two sections, ‘fuel/air ratio controller’ and ‘combustion trim’.**

11. Do you agree with the introduction of the activity for gas-fired burners (proposed Part 40)?

The EEC supports the introduction of the activity for gas-fired burners. However, some EEC members have expressed concerns that the calculations for Part 40 are too conservative, which will result in minimal uptake of these measures.

12. Do you agree with the introduction of the activity for economizers (proposed Part 41)?

The EEC supports the introduction of the activity for economisers. However, some EEC members have expressed concerns that the proposed Part 41 will not provide additional incentives for very high efficiency heat exchangers, and that additional incentives should be considered where these

13. Do you agree with the removal of activities involving solar retrofits for water heaters (current Schedule 2 and 4)?

No comment

14. Do you agree with the removal of the activity involving destroying pre-1996 refrigerators and freezers (current Schedule 19)?

No comment

15. Do you agree with the removal of the activity involving standby power controllers (current Schedule 29)?

No comment

16. Do you agree with the removal of the activity involving low flow trigger nozzles (current Schedule 35)?

No comment

17. Do you agree with removal of flue/chimney balloons as eligible products for installation (current Schedule 15)?

No comment

18. Do you agree with removal of compact fluorescent lamps as eligible products for installation (current Schedule 21)?

No comment

19. Do you agree with removal of gas clothes dryers as eligible products for installation (current Schedule 25)?

No comment

20. Do you agree with the removal of T5 adaptors as eligible products for installation and decommissioning (current Schedule 34)?

No comment

21. Do you agree with the proposed changes for water heating activities? In particular, do you have views on the requirement for heat pump water heaters to be modelled to heat pump zone 5 (current Schedule 1, proposed Part 1)?

The EEC seeks a meeting with the Victorian Government on this issue

22. Do you agree with the proposed changes for space heating and cooling activities? In particular, the changes for room heating (current Schedule 9 & 10, proposed Part 9 & 10) and replacing a fixed electric room heater with a high efficiency room heater?

No comment

23. Do you agree with the proposed eligibility changes for low flow shower roses (current Schedule 17, proposed Part 17)? In particular, decreasing the maximum flow rate allowed to 7.5L/min?

No – some EEC members have expressed concerns with this proposal as it may interfere with support for low income households and result in a higher rate of low flor shower rose removal. The EEC seeks a meeting with the Victorian Government on this issue

24. Do you agree with the changes to incandescent lighting (current Schedule 21, proposed Part 21), including requiring a 60-degree beam angle for downlights installed in residential premises?

No comment

25. Do you agree with the proposed splitting of non-residential lighting activities (current Schedule 34) into building based (proposed Part 34), non-building based (proposed Part 35) and public lighting (proposed Part 27)?

Yes

26. Do you agree with the proposed changes to asset lifetimes, revised lamp circuit power categories, and new space types for non-residential lighting activities (current Schedule 34)?

No comment

27. If you have a separate written submission, please upload it here.
Choose file...

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I consent to the Department publishing my submission on its or a related Victorian Government website.

Yes

In relation to such publication, I request that my submission be de-identified.

No