Changes to Schedule 34 (Lighting)

AGL Response
Discount Factors

In proposing this change, AGL recognises the Commission has considered that:

- the rising energy prices, as well as the decreasing cost of LEDs, results in it often being more cost-effective to replace many fittings with LEDs regardless of rebate offered; and
- metal halide and mercury vapour-based fixtures are often the most likely to be replaced earlier than other business lighting.

Therefore, we agree with the discount factor proposed for these fixtures.

However, we are concerned about the lack of distinction between tube-only replacements and full fitting replacements, as they are not the same in cost or replacement structures. Tube-only replacements are often a simple temporary “Band-Aid” fix, whilst full fitting replacements usually carry longer warranties, are generally more reliable and are theoretically safer as there is no modification required to the fittings (it’s often a simple plug-and-play replacement of the entire lighting unit).

AGL therefore suggests that there be a clear distinction between tube replacements and full-fitting replacements in the new rules, which incentivise full-fitting replacements.

Furthermore, we recommend a focus on the quality and legitimacy of product warranties, meaning that lights that have a longer NATA-verified warranty should be incentivised over shorter warranties, and regulated by the ESC/VEU. This would drive out low cost, high failure lights from the market: currently manufacturers are able to get the same rebate based upon a light with a 12-month warranty and a 7-year warranty - products which clearly have different life expectancies. The end user should be incentivised to use products that will last the savings term that is used to calculate rebates.

Proposed Roll-Out

AGL does not agree with the proposed roll-out dates or method used to define the cut-off period.

As there is little-to-no time between the submission cut-off and the enactment of changes, we suggest that it should be extended to Stage 1 enacted March 1, 2018, with the full enactment of proposed changes coming into force July 1, 2018.

We also strongly recommend have the cut-off date based upon the submission date of paperwork rather than the date of completion, as we fear it could incentivise incorrectly dated paperwork including the Certificates of Electrical Safety. By making the cut-off date based on submission date to the Commission for review, it removes all ambiguity and significantly de-risks the chance for non-compliant behaviour.
Sumission re proposed changes to Schedule 34 Lighting Upgrade

Thank you for the opportunity to submit a response from Ecovantage and I apologise for the brevity.

We believe the discount factor is warranted due to cleaner electricity production post Hazelwood and the indication of industry transformation toward LED. We need to be able to celebrate our wins and reflect these in our incentive schemes. Whilst the first can be calculated the latter will need to be somewhat arbitrary and therefore conservative.

We believe that without an incentive the current trajectory would continue toward LED although the other barriers would continue to slow the transformation outcome that we require. Capex issues, knowledge of EE benefit and general reluctance to change would again reduce replacements occurring. So, if a discount is applied reflecting LED availability, it needs to be minor (10%) as it is simply one of the barriers and probably the least.

There has been some concern about timining and length of notice, again this should vary depending on size of discount but the EE industry should be able to handle this change even if it were to arrive in January as we have had warning for quite sometime. We complain about the time the bureaucrats take to make changes and then when it is not working in our favour we complain about that and try to put them off for extended periods. Bring it on.

I think the risk to the industry/scheme through delay and further oversupply is much greater than that of acting too quickly.

Ecovantage believes co-contribution should be applied in Victoria as it has been proven in the NSW ESS scheme.

Thanks

Bruce Easton.
EECCA Submission

Department of Energy, Land Water & Planning (DELWP), VIC Government

Victorian Energy Upgrades program

Commercial Lighting Consultation Paper - Proposed changes to Schedule 34 Lighting Upgrades

Energy.upgrades@delwp.vic.gov.au

1 November 2017

Energy Efficiency Certificate Creators Association
Level 2, 2 Domville Avenue, Hawthorn VIC 3122
www.eecca.org.au
Introduction

The Energy Efficiency Certificate Creators Association (EECCA) congratulates the Victorian Government on the success of the Victorian Energy Upgrades program to date and supports ongoing integrity to contribute to that achievement.

The EECCA strongly advocates policies that provide business with certainty and adequate time to adapt to changes to the VEU program.

Concerns

1. **The EECCA does not believe the case for additionality has been made** and without access to the consultant’s report and data it is difficult to see how the position has been reached.
   a) The end-of-life argument for replacement of linear fluorescent tubes and HIB lamps with efficient LED Lighting is flawed. Even if LED is lower cost, aesthetics (consistency) and lack of information means that like-for-like replacement with old technology is standard in business as usual.
   b) Proof of the flawed end-of-life argument can clearly be seen in businesses which do not have incentives driving upgrades. A visit to schools and offices (especially those not seeking a high NABERS rating) will quickly show that old technology continues to be widely deployed and used as standard replacement.
   c) Analysis commissioned by the NSW Government Office of Environment and Heritage (OEH) for the NSW Energy Savings Scheme found that the refurbishment cycle of Linear Fluorescent Lamps ranged from 10-20 years depending on the sector, and that HID refurbishment cycle in industrial space was 20 years. (Please see “NSW Energy Saving Scheme: Targeted Consultation Paper Lighting sub-methods September 2017” issued by NSW Government.) This is at odds with the DELWP position.
   d) A number of EECCA members adamantly oppose the introduction of a discount factor.

2. Widespread feedback from VEU participants is that the uptake of **LED lighting in large parts of the office and schools (3,000) hasn't happened on scale and these should definitely NOT be discounted.** These are buildings with predominately linear fluorescent tubes.
   a) The end-of-life argument in this instance again is not valid, and if wide scale tube only end-of-life replacement occurred without VEEC incentive then it would leave the building with a poor power-factor and all the issues the ESC diligently works to avoid under the program.
3. **Business investment in government programs is highly dependent on certainty.** The proposed introduction of a discount factor has occurred very quickly and with insufficient time for participants to manage business risk. Under the proposal the industry will have at most **only 5 weeks** between the date of a decision and the date the change would come into effect.

   a) An EECCA submission to the discussion paper requested at least six months notification. We believe it should be longer. Modeling provided in the August submission showed forward hedging strong through to March-2018 (six months from the date of analysis).

   b) **The EECCA requests that notice of future changes be given 12 months from the date of a decision to the date of introduction.**

   c) The EECCA requests that a formal timetable mechanism be developed for implementing any future changes to discount factor of schedules that are found to be no longer additional.

4. In the consultation to the initial issues paper, the **EECCA proposed co-contribution as a preferred mechanism to the discount factor, not as well as.** EECCA members are split on this topic and any further consideration requires extensive consultation.

5. Many EECCA members welcome the higher VEEC price that has occurred primarily because of the release of the discussion paper, and the proposal of a discount factor. But this benefit is not universal, and **a number of EECCA members had long term hedges aimed at giving certainty which instead have provided them with a significant loss** that is compounded by the introduction of a discount factor.

6. The VEEC price volatility over the past four months during the period of uncertainty of government policy has been particularly difficult for participants to manage. Having a **standard timetable for the implementation of regulatory changes** or discount factor implementation would aid certainty.

7. **The stepped implementation** of a discount factor would be welcomed, but the second step should start six months after the first step.

---

**Further consultation needed**

We would welcome the opportunity for further consultation with the DELWP as part of this submission.

**For more information regarding this submission, please contact:**
Hamish McGovern, EECCA President, [REDACTED]
Victorian Energy
Upgrades

Response to Proposed Changes to Schedule 34 Lighting Upgrade

October 2017

Prepared by:
Alex Pawsey
General Manager
Emerald Planet
Executive Summary
Emerald Planet (EP) agrees with the proposed discount factors and implementation dates for the replacement of High Intensity Discharge (HID) lamps (Metal Halide, Mercury Vapour and High Pressure Sodium lamps), but we disagree with implementing a discount factor for T8 or T12 linear fluorescent tube replacement.

One of the key outcomes of discounting HID replacement in Activity 34 is to encourage diversity of installation among installers. Linear fluoro tubes in 3000h sites or less, which represent a large chunk of remaining tube installs, already have low abatement to begin with. Discounting these installations will dis-incentivise installers from participating in these types of installs.

Background
EP welcomes the opportunity to respond to the VEU consultation paper on the proposed changes to Schedule 34, Commercial Lighting.

As a supplier committed to long term participation in the VEU program, and all other energy efficiency programs in Australia, EP agrees with their periodic review and the creation of measures to maintain program integrity and longevity.

We therefore feel that introducing a discount factor of 0.85 on HID lighting, under the proposed implementation timeframe commencing January 1st 2018, (moving to 0.70 in April 2018) will have a positive outcome on the schemes.

The possible benefits are:

- Encourage diversity of installation activities under Activity 34, instead of overrepresentation of high bays alone
- Dis-incentivise, or eliminate, “free giveaway” behaviour in high bay installations
- Incentivise installers to choose higher quality luminaires and deliver better lighting outcomes to end users

In addition, if the notion of an end-user co-contribution, similar to that seen in the NSW Energy Saving Scheme, were to be considered, EP would be supportive of this measure.
Discounting Abatement in T8 or T12 Linear Fluorescent Tubes
EP feels that the proposed discounting of abatement in fluorescent tube replacement to 0.80 of the current levels may create more harm than good in this activity.

Unlike HID replacement, currently carrying high abatement yield per lamp (eg around 18 VEECs for a typical high bay), the majority of tube replacement sites remaining in Activity 34 are 3000h or less sites, which yield already-low abatement (eg around 1 VEEC for a typical fluoro tube to LED tube replacement).

Further discounting this abatement may result in the dis-incentivisation of participants in this activity, or push them in a cycle of demand for lowest price, low-quality product in an effort to maintain margin.

Given the high compliance requirements of performing Activity 34 installations under VEET, and the associated administrative cost to APs, sufficient VEEC yield must be present in order to incentivise participants, who would otherwise opt to perform installations outside the program, free of compliance overhead.

Suggested Variation
One suggested compromise is to make the discount factor only affect fluorescent tube replacement with LED tubes, and not complete luminaire replacements such as LED panels. This would result in a better lighting outcome for the end users whilst maintaining incentive for participants to perform lighting upgrades in office spaces.

Conclusion
If you would like us to provide any further comment on the above points, please feel free to contact sales@emeraldplanet.com.au or call us on 1300 511 148.

EP thanks DELWP again for the opportunity to respond to this discussion paper and looks forward to hearing the outcome of the consultation period.
31 October 2017

Re: Victorian Energy Upgrades – Proposed Changes to Schedule 34 Lighting Upgrade

Dear Emma


The EEC strongly supports the Victorian Energy Upgrades (VEU) program. The VEU improves the reliability and affordability of Victoria’s electricity system whilst reducing emissions.

In relation to the short-term issues raised in the Issues Paper, the EEC:

- Does not have a view either way on the discount factors proposed for some Schedule 34 activities. While there may be a case for reducing the incentives offered for these activities, the Government has not published strong evidence that would indicate whether the incentives for these activities should or should not be reduced. We recommend that the government develop criteria for assessing whether incentives for activities should be reduced, maintained or increased, which it could apply to future reviews.

- Supports the principle of a ‘staged reduction in incentives’ that is proposed in the Issues Paper. A staged reduction provides energy efficiency providers with more time to adjust their business models and will result in a smoother transition in the composition of activities under the VEU.

- Opposes the proposed timetable for the introduction of the discount factors. We would propose that partial discount factors should be introduced no earlier than four months after the Victorian Government makes its final determination on this matter, and full discount factors are introduced no earlier than nine months after the final determination. This will provide more time for industry to transition.

- Continues to advocate that the Government review the case for co-contributions from energy users for commercial activities in conjunction with EEC members. A co-contribution would increase the incentive for energy users to assess the quality of equipment, which would increase the benefits from the VEU.

The EEC also strongly encourages the Victorian Government to set up a more structured process for reviewing the incentives for various goods and services. The EEC supports the regular review of the incentives that the VEU provides for various activities, because the incentive that is required to drive the uptake of a good or service will change and the market for that good or service develops.
These ‘market transformations’ should not come as a surprise. In fact, the VEU should be explicitly designed to encourage market transformation. This means that the government should expect, and therefore plan, to review the incentives offered for goods and services over time. However, the process for undertaking reviews is currently ad hoc, which increases uncertainty for industry and fluctuations in the price of certificates.

The EEC strongly recommends that the Victorian Government develop a clear process for triggering and undertaking a review of discount factors for different technologies. For example, the Government might announce in advance that it will undertake a review if a certain number of units of a product are installed, or the price of a product drops by more than a certain percentage.

Even if a review has been triggered, reviews should still be undertaken without prior assumptions – just because a certain number of units of a product have been sold it doesn’t mean that the market has transformed. Likewise, even if the cost of a product has declined, in some cases the cost of a product may only be a minor factor in its uptake rates - the major factor might be the cost for energy efficiency service providers to find and engage energy users.

However, providing a clearer process for triggering and undertaking the review of various products and services would provide signals to the energy efficiency industry that helps it to plan for changes in the incentives offered by the VEU, increasing the stability and cost-effectiveness of the VEU.

Summary

The EEC thanks the Victorian Government for its ongoing work to improve the operation of the VEU scheme, and looks forward to continuing to engage on this issue. If you have any questions please contact me on [REDACTED]

Yours sincerely

Rob Murray-Leach
Head of Policy
Energy Efficiency Council
13 October 2017

energy.upgrades@delwp.vic.gov.au

Dear Department Environment, Land, Water and Planning

Energy Mad Response to Victorian Energy Upgrades Proposed Changes to Schedule 34 Lighting Upgrade

Thank you for the opportunity for Energy Mad to submit a response to the Victorian Energy Upgrades Proposed Changes to Schedule 34 Lighting Upgrade (the “Paper”).

Energy Mad supports the proposed Discount factors and implementation dates listed in the Paper.

Kind Regards

Dr Chris Mardon
Founder, Energy Mad
26 October 2017

Via email

Energy.upgrades@delwp.vic.gov.au

Attention Emma Jacobs

RE: PROPOSED CHANGES TO SCHEDULE 34 LIGHTING UPGRADE CONSULTATION PAPER

Thank you for the opportunity to respond to the above mentioned consultation paper.

Energy Makeovers has completed more than 3,300 commercial lighting upgrade projects in Victoria and has developed deep practical domain knowledge of the commercial lighting LED upgrade market. We are therefore well placed to share our market knowledge and experience with the department in considering this very significant proposed intervention in the VEU scheme.

Summary.

- Energy Makeovers experience demonstrates that commercial lighting customers do not choose to invest in LED upgrades as a result of lamps approaching or reaching the end of their life.

- Government and regulatory intervention in the VEU scheme undermines the integrity of the scheme and introduces avoidable costs and risks to market participants that are ultimately passed on to Victorian energy consumers.

- The notice period of announcements of changes to the VEU scheme that can impact on the VEEC trading market should be 12 months.

- The VEU scheme can be improved considerably by increasing the target and introducing quarterly surrender obligations for relevant entities.

Lamp failures do not trigger LED upgrade activity.

Energy Makeovers accepts and agrees with the research conducted by the department that found that “...when replacing T8 or T12 linear fluorescent lamps and high intensity discharge (HID) lamps nearing the end of their life, it is now more cost-effective to install energy-efficient LED lighting equipment than conventional lighting technologies in many circumstances”. However Energy Makeovers deep and broad real world experience in engaging with commercial lighting customers demonstrates that customers almost never act to replace fluorescent lamps and high intensity discharge (HID) lamps with more efficient LED options prior to, or at the end of lamp life.

Fluorescent lamps and high intensity discharge (HID) lamps replaced under VEET schedule 34 are mostly installed in the following environments:
- Offices
- Shops and retail business premises
- Factories and warehouses

Office and factory/warehouse property managers replace failed lamps as soon as possible as they fail to avoid negative impacts on productivity. Suboptimal lighting levels in these premises also often represent an OHS risk to these property managers. Accordingly lamps are replaced as and when they fail in offices and factories/warehouses.

Shops and retail businesses replace failed lamps as soon as possible as the impact of suboptimal lighting levels can negatively impact on the perception of the business by their customers. This is particularly a concern when lamps at the end of their life start to flicker and draw attention to themselves. Accordingly lamps are replaced as and when they fail in shops and retail business premises.

Upgrading individual failed lamps to LED technology does not occur for the following reasons:

- It is far quicker and cheaper to source a replacement lamp based on the existing lamp type than to upgrade to LED technology.
- Replacement lamps are usually held onsite to facilitate fast replacement of failed lamps.
- LED lamps mixed with older technology lamps usually produce unacceptable lighting outcomes for customers with noticeably different luminous intensity, colour, CRI, beam angle etc.

For all of the above reasons businesses do not replace individual failed lamps with LED technology nor do they wait for a critical mass of lamp failures to trigger the option of a complete LED lighting upgrade. They replace lamps with the same type as and when they fail.

LED lighting upgrades occur when commercial lighting customers consider this investment represents an attractive return on their capital. The availability of VEEC benefits improves the LED upgrade business case with the result that many projects that would not have otherwise been viable for commercial lighting customers are now within their investment appetite.

The application of discount factors to commercial lighting upgrades.

Energy Makeovers is concerned by the application of arbitrary changes to the energy saving and carbon abatement formulae used in the VEU scheme. The current calculation methodology is based on reputable scientific research methods and any change to abatement factors should be on a transparent scientific basis with research published and available for discussion and debate by Victorians. Changes to abatement calculations that are not based in sound science undermine the fundamental credibility of the VEU scheme and strengthen the arguments for those that oppose the concept of a Victorian energy efficiency certificate trading scheme.

The timing of changes to the VEU scheme.

VEECs are traded in a live trading market with prices varying hour to hour. As a large market participant, Energy Makeovers depends upon VEEC sale revenue for the viability of its business. Margins for all APs are very low and have at times been negative for extended periods and volatility in VEEC
market prices significantly impacts on Energy Makeovers and all other market participants.

The announcement of changes to the VEU scheme has instantaneous impact on VEEC trading prices. Indeed even rumours of consideration of potential changes to the VEU scheme has resulted in immediate changes to VEEC spot and forward market prices.

The health of a trading market can be gauged by the level of trading in both spot and forward transactions. Market participants take considerable risk when negotiating forward certificate trades if there is opportunity for government and regulatory intervention in the market within the trade period. Therefore the perceived risk of government and regulatory intervention negatively impacts on the liquidity of the forward VEEC trading market.

One of the great benefits of the VEU scheme is that it incentivises innovation in energy efficiency product and service design. It could be argued that the existence of the VEU scheme has been a significant contributor to the pace of innovation in LED lighting design and this has delivered immeasurable carbon reduction to markets around the globe. However the development cycle of energy efficient products including LED lighting can run to several years. Therefore the risk of government and regulatory intervention in the VEU scheme generates considerable risk for energy efficient product developers resulting in an artificial throttle in the development of products that may deliver great energy cost savings and carbon abatement not only in Australia but around the globe.

The impact on Energy Makeovers, all other APs, and product manufacturers/suppliers of government and regulatory intervention is directly felt in the product procurement cycle. To ensure the availability of VEEC approved products to meet customer demand, Energy Makeovers must place orders for products with manufacturers/suppliers up to 6 months in advance of delivery to allow for manufacturing and shipping/logistics. The impact on manufacturers/suppliers is over a longer period than this as they must secure component supply contracts and book production line capacity up to 6 months ahead of sales to APs.

Accordingly the risk of VEEC market intervention by the government and regulator significantly impacts APs and product manufacturers/suppliers.

Energy Makeovers recognises that the health of the VEU scheme requires that changes can be introduced from time to time by the government and ESC and that it is not feasible to provide notice periods that accommodates the product development life cycle of energy efficient products. However Energy Makeovers believes an optimal balance between the need to introduce changes in a timely manner and introducing unnecessary uncertainty into the VEEC trading market can be achieved by establishing a protocol of providing 12 months clear notice of VEU market changes from the date that decisions are announced to the market.

Other impediments to the optimal functioning of the VEU scheme.

Energy Makeovers is a proud participant, contributor, and supporter of the VEU scheme. We believe the scheme has delivered excellent results for Victorians and will continue to do so well into the future. However there are
some fundamental elements of its design that are impeding its ability to deliver even greater results. This includes:

- **Low annual VEET targets.**
  There has been a continual history of VEEC over creation in recent years demonstrating that there is considerable scope to double the annual VEET target. This over creation has resulted in very low VEEC market values that only benefit the relevant entities that are making record profits from Victorian energy consumers. The VEET scheme has delivered the lowest possible cost greenhouse gas emission reduction for Victorians and has demonstrated its ability to deliver even greater results with a higher annual VEET target.

- **Annual surrender obligation for relevant entities.**
  This provides relevant entities with the ability to procure all of the VEECs required to meet their obligation once a year. Conversely APs are required to sell VEECs continually throughout the year to fund their operations. This exacerbates the significant asymmetry in the power balance between relevant entities and APs resulting in severe distortions in the proper operation of the VEEC trading market. The resulting boom and bust cycle of VEEC demand leaves APs unable to financially support their operations for extended periods of the annual cycle. This problem can quickly and easily be remedied by moving to quarterly VEEC surrender periods for relevant entities.

If you wish to discuss this matter further, please contact me on [REDACTED]

Yours sincerely,

Bruce Page

Director
Good afternoon,

In response to the recent consultation paper:

- The potential changes to the discount factor/number of VEECs created per light will affect the number of certificates we as an aggregator will be able to create, however less certificates may mean a higher price. This would hopefully allow the other activities within the scheme to be looked at.
- The minimum customer co-contribution would affect some customers/installers and their existing model which may need looking at. However, overall this co-contribution would be a good move towards maintaining the integrity of the scheme.

Thank you.

Kind regards,

Madison Visscher
Energy Efficiency Manager

How did I do? 😊😊😊

Click on a face to provide feedback on my performance!

5 Walkers Road Nunawading Victoria 3131 Australia
P 1300 GREENBANK (1300 473 362)
F 03 9877 49 04
www.green-bank.com.au

This email and any files transmitted with it are intended for the recipient only. The information contained in this message may be confidential, legally privileged, or commercially sensitive. If you are not the intended recipient you must not reproduce or distribute any part or all of this email, disclose its contents to any other party, or take any action in reliance on it. If you have received this email in error, please contact the sender immediately by return mail and delete this message from your computer. GB Environmental Trading (and/or any of its subsidiary or associated businesses) will not be held liable for any unauthorised use of this email and/or its attachments.
Department of Environment, Land, Water and Planning,  
Victorian Energy Upgrades

Proposed Changes to Schedule 34 Lighting Upgrade

National Carbon Bank of Australia (NCBA) would like to comment on the proposed changes of discount factors for lighting upgrades, as well as the introduction of a minimum customer co-contribution of $5 per MWh saved.

Discount Factor

Firstly, NCBA would like to request the release of the research data used to develop the final discount factors, as we would like to know how these values were established and why these particular lamp types were selected. Without seeing the data, it appears that a strong discrimination has been imposed against certain lamp types and products. This discrimination could encourage businesses to discontinue offering customers opportunities to undergo full site upgrades.

Secondly, the discount factors for lighting upgrades of T8 or T12 linear fluorescent lamps, as mentioned in the discount factor table on page 2, have caused NCBA significant concern, as applying this discount on incumbent technology would then significantly impact the LED products being installed in their place. For example, the installation of LED panels will be greatly impacted if the discount is applied. Therefore, NCBA proposes a discount factor on only T8 or T12 linear fluorescent tubes being upgraded to LED tubes. This specification would allow for the continued incentive to use LED panels and other alternative replacements in Victorian lighting upgrades.

Minimum Co-Payment

NCBA strongly supports the introduction of a minimum $5/MWh co-payment. We believe that this introduction to the VEET would address the current oversupply of poor quality products in the market, as well as the occurrence of unacceptable lighting upgrades in Victoria. It will also positively impact upon the Victorian Energy Upgrades brand and all its participants.

Other Remarks

On another note, NCBA would like to know what DELWP’s strategy is to ensure that there are enough VEECs to be created in order to fulfil the scheme target, if a number of businesses are driven away from the VEET due to the proposed changes.

NCBA thanks the Department of Environment, Land, Water and Planning for the opportunity of providing feedback.

Kind Regards,

Julia Curry
Technical and Quality Manager
Victorian Energy Upgrades
Energy Policy and Programs
Department of Environment, Land, Water and Planning
GPO Box A4509
Melbourne VIC 3001

Submitted electronically

Dear Sir/Madam,

Re: Proposed changes to Schedule 34 Lighting Upgrade

Introduction
Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Department of Environment, Land, Water and Planning (the Department) proposed change to a number of certificates generated by certain types of lighting upgrades under Victorian Energy Upgrades (the scheme).

Red and Lumo oppose the proposed changes to Schedule 34 Lighting Upgrade.

This proposal will add unnecessary costs to retailers who are required to purchase Victorian Energy Efficiency Certificates (VEECs) to satisfy their obligations under the scheme. These additional costs are likely to be passed through to consumers at a sensitive time when increasing prices may cause bill shock.

Energy efficiency schemes like such as this one need to be developed in accordance with best practice regulatory principles of predictability and consistency. The Victorian Guide to Regulation, argues that changes to regulation should only be made following a review of a range of feasible policy options using quantitative and qualitative analysis to determine the net benefits of the options. Only following this exercise, should the preferred policy option be chosen.\(^1\) We do not believe that there are sufficient net benefits to make this change.

The proposal to adjust the discount factors to the lighting upgrades of T8 and T12 linear fluorescent lamps at a time when the market for VEECs is developing and maturing represents a short sighted policy response which is not based on credible cost benefit test. As a result, we do not support the changes.

Additional Costs
Applying discount factors to VEECs for lighting upgrades of T8 or T12 linear fluorescent lamps and high intensity discharge lamps will add costs to the scheme and likely have flow on increases to Victorian consumers.

Further, we consider that this will lead to the reduction of fewer VEECs being produced in the market. In the long run, the availability of fewer VEECs in the market will add to their market price and the cost of retailer compliance. This proposal runs contrary to the combined efforts of industry and the state and federal government who are currently in the process of finding ways to reduce retail prices to consumers.

Best Practice Approach
As outlined above, amendments of best practice regulatory schemes need to take into account predictability and consistency in rule making.

Rational investors prefer to invest in a stable regulatory environment. We strongly recommend that the market for VEECs be able to continue to develop without any external interference. This is

---


important to create a predictable and stable environment for investors. Investors need to be assured that changes in policy will be based on merit and not for any other reason, including political objectives.

Further, the market for VEECs needs to mature before it lands at a natural equilibrium, consistent with other markets in the long term. Interference into the market via changes to the rules creates unnecessary volatility. This has a flow on effect and cost impost on the basis of this change. Therefore, should the scheme rules be amended every time a particular product is oversupplied then this raises the risk profile of the VEECs market.

In terms of consistency, a best practice regulatory approach would not include adjusting the discount factors for lighting upgrades of T8 and T12 linear fluorescent lamps at a time when the VEEC market is maturing raises serious questions regarding the consistent application of the scheme.

For example, if there were significant technological advances and economies of scale reducing the costs of another energy efficiency product that created VEECs under the scheme, would the Department proceed to adjust the discount factors for the certificates created by this product? If this continued to happen frequently would there be changes to the scheme rules, and what would be its effect on investors? Alternatively, if a product included in the Victorian Energy Upgrades Scheme had increased in cost and was developing fewer certificates over time, would the Department proceed to exclude that product from the Victorian Energy Upgrades?

The natural evolution of the market relies on the consistency of the scheme rules. Deviation from a market based outcome and a consistent approach will add regulatory risk for investors, the changes will increase costs, which will ultimately be borne by all Victorian consumers.

Conclusion

Red and Lumo oppose the proposed changes to Schedule 34 Lighting Upgrade, as we expect that this proposal will add to the costs of operating under the state based energy efficiency scheme, which will ultimately be borne by all Victorian consumers.

This runs contrary to the combined efforts of the industry and governments who are currently working together to find ways to reduce the price to Victorian consumers.

The current oversupply of VEECs in the market just reflects a stage in the development of the market that will eventually settle at an equilibrium state. As such, we see no real reason to interfere with the development of the market at this stage. Interfering with the evolution of the market represents a significantly higher risk to investors than any short term anomaly and should therefore be prevented.

In the end, absent a serious market failure, markets should be permitted to develop and evolve naturally without interference.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to over 1 million customers.

Red and Lumo thank the Department for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd
31\textsuperscript{st} October 2017

Victorian Energy Upgrades
The Department of Environment, Land, Water and Planning
energy.upgrades@delwp.vic.gov.au.

Re: Submission to PROPOSED CHANGES TO SCHEDULE 34 LIGHTING UPGRADE consultation

Dear VEU Team,

Wattly has been fortunate to be the largest creator under the VEU Program for the past 18 months, accounting for around 15\% of the VEEC creation. As an aggregator, Wattly sees a wide sample activities performed.

Wattly does not believe the case for additionality has been been made and without access to the consultant’s report and data it is difficult to see how the the position has been reach. The end-of-life argument for replacement of linear fluorescent tubes and HIB lamps with efficient LED Lighting is flawed. Even if LED is lower cost, aesthetics (consistency) and lack of information, means that like-for-like replacement with old technology is standard in business as usual.

As noted in Wattly’s submission to the issues paper, for activities submitted by Wattly in the period May — August 2017, approximately 20\% of VEECs were coming from linear fluorescent tubes and whilst over 70\% coming from HID. The linear fluorescent lamps that are being upgraded under the program are primarily in retail or offices collocated with warehouses and factories and hence driven by the higher VEEC incentive for HID lamps. Office buildings and education buildings are not benefiting from the program.

Further analysis of Wattly’s activities on the industry type shows that of the 900 activities installed in the past six months:

- 65\% of VEECs come from Warehouse and Manufacturing.
- 20\% from Retail
- 3\% in Professional Services and similar office building based activities
- 1\% from Education
- the remaining ~10\% are scattered and potential some office based

We recommend that DELWP examine the VEET Schedule 34 activities installed in the past six months (Activity Date) and group the activities by Industry Type (collected by the ESC in the activity). It clearly shows that education buildings and offices buildings are not benefiting from the VEU program. These buildings are awarded 3,000 hours PA, and are predominantly linear fluorescent. For this reason, the discount factor should definitely not apply to linear fluorescent lamps.

Wattly supports the discount factor for HID lamps only, and on the basis it has substantially lifted the VEEC price and will enable more activities to occur under the VEU program.

Wattly has experience considerable challenge in managing the VEEC position and forward contracts in light of substantial regulatory uncertainty throughout the second half of 2017. The speed that the discount factor has been implement, and the lack of a standard timetable for changes such as this has led to greater uncertainty in the industry and a highly volatile VEEC price.
Wattly requests that for business certainty and investment that at standard time table be established for the introduction of a discount factor or regulatory changes. Industry participants need a clear minimum of six months between the announcement of the final decision of a change and its introduction and a stepped transition is welcome over a single one off change.

Wattly has mixed views on the co-contribution. It is pretty clear that customer engagement is higher with a co-contribution, however a co-contribution greatly impedes uptake. A co-contribution introduced after strong uptake for an activity under VEU would help market transformation to business as usual.

Wattly also supports the EECCA submission.

Yours sincerely,

Hamish McGovern
Managing Director
Wattly Pty Ltd
[REDACTED]