

Manager Sustainable Energy Programs
Operations and Programs Branch
NSW Department of Industry, Resources and Energy Division
energysavings.scheme@industry.nsw.gov.au

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Response to NSW ESS 2016-17 rule change consultation paper

Green Energy Trading welcomes the opportunity to respond to the NSW ESS 2016-17 rule change consultation paper.

About us

Green Energy Trading is one of Australia's largest environmental certificate agents, and is committed to making incentives for renewable energy and energy efficiency technology more accessible to Australian consumers and businesses. Green Energy Trading was established in 2007 to support business and consumer access to financial incentives for renewable energy and energy efficiency technologies. As an independent agent we create and trade environmental certificates for households and businesses that have chosen to install solar PV, solar hot water, small wind, efficient space heating, LED lighting as well as other renewable energy and energy efficiency projects.

In 2009 Green Energy Trading became an Accredited Person (AP) of the NSW Energy Saving Scheme (ESS). Green Energy Trading is also an Accredited Certificate Provider in the Victoria Energy Efficiency Target (VEET) scheme and a Registered Agent in the Renewable Energy Target (RET).

In addition to certificate creation, a large part of our involvement in the NSW ESS has been as a knowledge leader providing education and information on the ESS and how it works to end consumers and installers.

We also work closely with the Energy Efficiency Certificate Creators Association (EECCA) and IPART, the scheme administrator, to ensure the integrity of the ESS scheme is upheld.

Overall, the proposed changes to the ESS are reasonable and welcome. The changes appear very positive with their intent to stimulate more activity in the scheme.

Green Energy Trading only has the following comments on the issue of co-payment.

Change to the co-payment requirement

The requirement for co-payment to be paid before ESCs are created may preclude some activities that are occurring with the support of finance models or make the finance un-necessarily complicated with increased transactional costs.

GET believes that it is not the intention of the government to stop innovative financial solutions for energy efficiency upgrades but to make sure that the consumer is engaged with the process.

An alternative for 9.4.1 (e) could read:

the Purchaser **has paid or is legally contracted to pay** a net amount of at least \$5 (excluding GST) per MWh of Electricity Savings, which must not be reimbursed, for the goods or services making up the Implementation, as evidenced by evidence acceptable to the Scheme Administrator

Advocating for the removal of co-payment

We understand the government's key concern for requiring a co-payment is to ensure that the customer is engaged with the energy efficiency solution and that the customer values the activity and actually wants it.

As far as commercial lighting is concerned, the significant reductions in costs of LED lighting (and the current high value of certificates) have meant that in some instances the activity can be installed for free. The requirement for a co-payment has led to some undesirable practices by solution providers (refer to recent IPART guidance).

However, in some ways, this development can be seen as an objective sign that the scheme is working. Market transformation is occurring and innovative business models associated with falling technology costs has meant that the cost of installing some activities has reduced dramatically. Essentially we have seen technology and installation costs fall much further than government or industry expected.

The requirement for a co-payment under such circumstances actually puts a break on the rollout of attractive abatement activities. This results in higher certificate prices than would otherwise apply and this leads to higher energy prices to customers. Increased supply of abatement would lead to a reduction in certificate prices which in turn would eventually result in these activities not being able to be given away for free.

Essentially the scheme, as a market based mechanism, will sort these activities out such that it would not be sustainable long term to provide these for free. We can see this at work in the Victorian Energy Efficiency Certificate (VEEC) market (refer to Figures 1 and 2). LED installations in largely residential premises (Schedule 21C) increased dramatically as technology costs reduced and VEEC prices increased (refer to attached charts). As the VEEC price reduced with increased supply then Schedule 21 activities could not be given away for free and the resultant level of activity reduced dramatically.

Commercial lighting activity is now the dominant activity, and at the current level of VEEC prices is generally not a free activity. The potential for free activities acts to keep a brake on certificate prices. It is quite interesting to compare how the activities and costs of the Vic and NSW schemes compare -

currently Victoria is delivering significantly higher commercial lighting abatement at a lower cost to NSW (refer to Figures 3 and 4). This is the case even when we allow for the removal of LED tubes in NSW.

We also miss out on the opportunity to demonstrate to government that technology has moved so rapidly that other measures - eg regulatory measures and MEPs could then be implemented. The roll out of free CFCLs eventually led to regulatory phase out of incandescent lighting.

Addressing the issue of customer engagement

We believe that co-payment is not necessary if:

1. ACPs are prohibited from carrying out unsolicited marketing practises (door knocking and telesales) for lead generation.
 - Traditional advertising methods through mail-outs/TV/radio allowed
 - consumers required to makes the first move of engagement
 - ACPs required to disclose their marketing practises during audit and un-solicited practises would lead to disciplinary action and potentially removal of accreditation

and

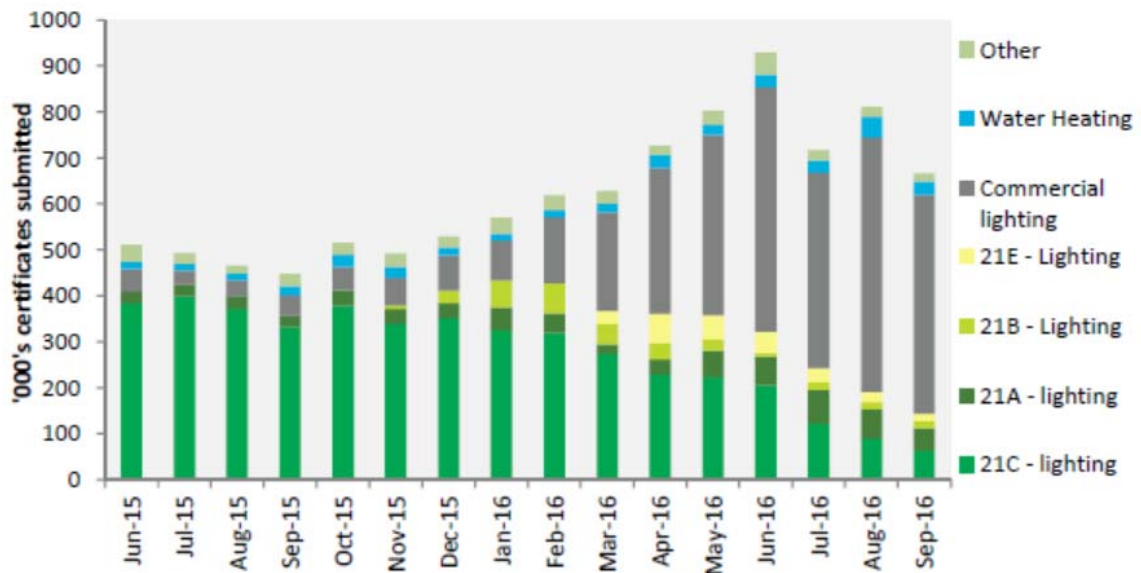
2. Only high quality products are on the approved product register – essentially the products registered as approved are seen by the consumer as “government approved” so the standard of product should be higher than standard
 - Product approvals process should be managed by a third party test facility that can test products submitted for approval and provide a pass or fail report based on the government set criteria. This will:
 - remove issues with fraudulent documentation
 - be completed in a timely manner at the cost of the person/company submitting the product application
 - give confidence to major lighting suppliers that the product approval process itself (i.e time it takes for products to get approved) is not a barrier to their products being in the scheme
 - reduce the likelihood of undesirable practises (such as updated products being labelled with the same model number in order to avoid the product approval process).
 - There should also be a clause in the rule that allows products to be removed from register where a % of product failures occur (as determined by the scheme administrator) discovered through field auditing.

Green Energy Trading supports fair changes and enhancements to the NSW ESS and would be pleased to discuss the above comments further should the department require.

Yours sincerely,

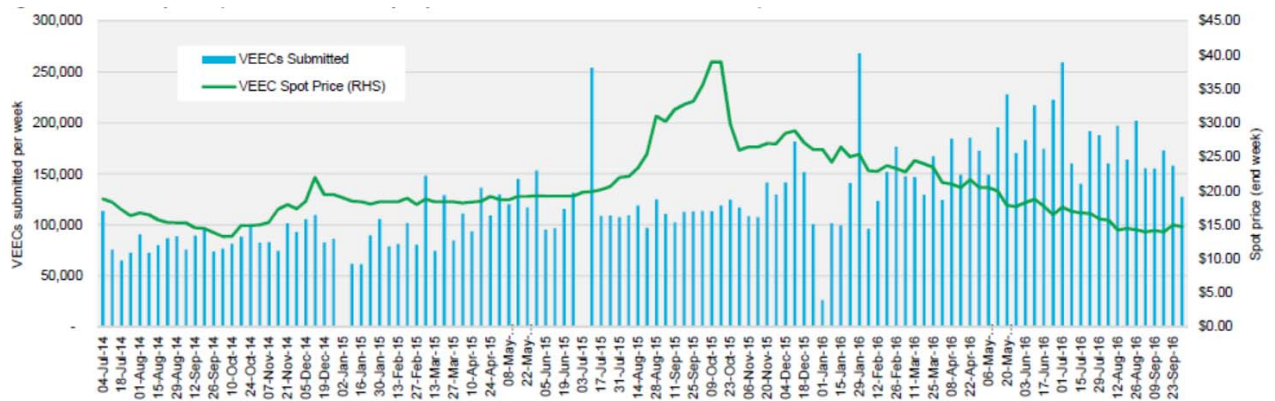
Caroline Bennett
Energy Efficiency Manager

Figure 1 – VEECs submitted for creation by month by activity



Note: the target is equivalent to 450,000 VEECs per month, so the market has been significantly oversupplied since December 2015.

Figure 2 – VEECs submitted each week (LHS) compared to VEEC spot price



Note: As the level of creation increased above the equivalent weekly target of 104,000 from November 2015, the price has been falling.

Figure 3 – ESCs submitted for creation by month by activity

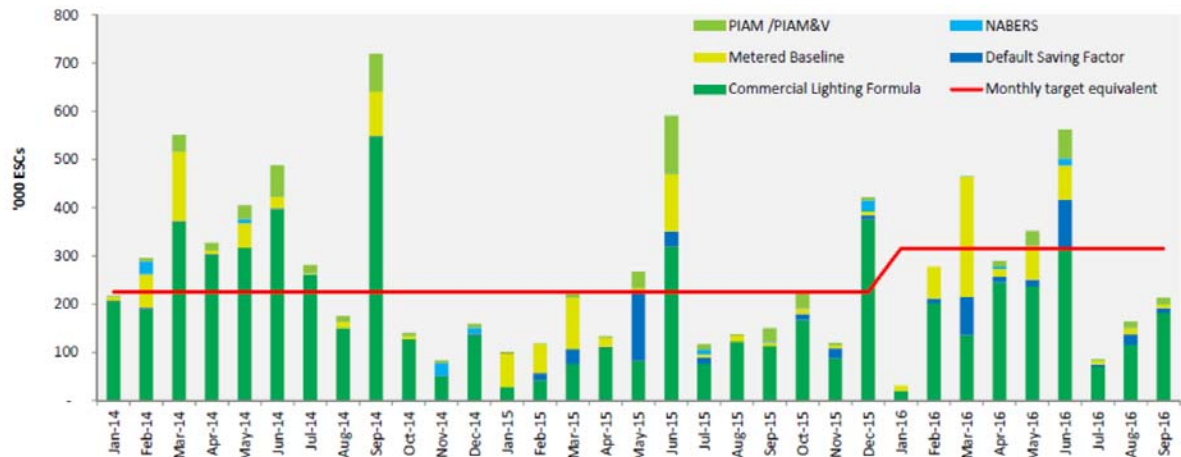


Figure 4 – ESCs submitted each week (LHS) compared to ESC spot price

