

Energy Security Safeguard

Energy

NSW Treasury

Energy Savings Scheme

Refrigerated cabinets
position paper

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Refrigerated cabinets

Need for change

In NSW, the *Energy Savings Scheme (Amendment No. 1) Rule 2021* (ESS Rule) commenced on 28 February 2022. This amendment to the rule included an update to Activity Definition F1 Install a New High Efficiency Refrigerated Cabinet or Replace an Existing Refrigerated Display Cabinet.

In recent weeks, the Scheme Administrator, IPART, identified a rise in bad practice associated with the installation of new refrigerated display cabinet activities, especially where there is a high incentive per refrigerated cabinet in comparison to the product price. Some refrigerated cabinets are being installed where they do not meet with the needs of the business, resulting in poor outcomes for consumers. This combined with the escalation of similar issues in the Victorian Energy Upgrades program and rising stakeholder concern prompted consideration of a rule change.

Targeted consultation on refrigerated cabinets was held on 1 July 2022 and attended by 43 stakeholders including Accredited Certificate Providers (ACPs), refrigerated cabinet manufacturers, industry associations and IPART. The final position on rule changes presented here incorporates feedback from 15 written submissions provided by those stakeholders as part of the targeted consultation.

The result is an increase in requirements and a decrease in incentives for Activity Definition F1. These changes will improve good practice by ACPs and installers, leading to positive outcomes for consumers and genuine energy savings.

Recognising the accelerated nature of this rule change, stakeholders will have an opportunity to provide further input on these changes through public consultation on the ESS Rule later this year.

Co-payment requirements

Clause 9.9.1(e) of the ESS Rule now includes a minimum \$250 co-payment for each installed new or replacement refrigerated cabinet. As with other co-payments under the ESS, the purchaser must provide the payment and must not be reimbursed. In-kind payments are not an acceptable form of payment.

Co-payment requirements have been in the ESS rule since 2014. They help to achieve desirable outcomes for consumers under both the Home Energy Efficiency Retrofits and Commercial Lighting methods. A co-payment requirement ensures that consumers actively engage with the energy efficiency upgrade, helping to ensure customers receive quality fit-for-purpose products by making a financial contribution toward their energy savings outcome.

All stakeholder submissions supported the introduction of co-payment requirements and suggested that it needed to be paid per refrigerated cabinet. Several submissions suggested that it should be in the order of at least \$200.

To ensure that any refrigerated cabinets activity that takes place under the Safeguard adheres to good practice, the co-payment will also be added for refrigerated cabinet activity in the Peak Demand Reduction Scheme (PDRS). The same evidence will be eligible to cover the co-payment requirement for the installation of a refrigerated cabinet under both schemes.

Split baselines for new and replacement equipment

New and replacement refrigerated cabinets activities have been split into two activities with separate baselines following stakeholder feedback and analysis of the Greenhouse and Energy Minimum Standards (GEMS) Registry.

The cost of disposal associated with a replacement activity can be in the hundreds of dollars, while no additional costs come with the new activity. Feedback from stakeholders outlined difficulties in convincing consumers to pay extra to dispose of old refrigerated cabinets while incentives for new and replacement activities were equal. Consumers may also have difficulty accessing disposal and removal services from some ACPs. Splitting incentives for new and replacement activities ensures that additional costs for the disposal of old refrigerated cabinets are not a barrier for the replacement activity.

The replacement and disposal of old refrigerated cabinets is key to the energy efficiency upgrade process as it removes inefficient stock from the market. It also drives better outcomes for consumers who may be otherwise inclined to keep old refrigerated cabinets.

Incentivising new high efficiency refrigerated cabinets remains an important part of the ESS refrigerated cabinets activity. Incentives for new refrigerated cabinets under the ESS provide consumers with greater access to high efficiency products by reducing the capital cost in comparison with lower efficiency products. New high efficiency refrigerated cabinets only result in energy savings where the consumer receives high efficiency equipment that best meets the refrigeration needs of the business.

We will monitor the impact of splitting incentives on the uptake of the replacement activity. We may also further adjust new and replacement energy efficiency baselines as needed to drive the disposal of old refrigerated cabinets.

Stakeholder feedback on the baselines was that some classes of refrigerators were receiving more incentives than needed, especially class 7, while others were under-incentivised. As a result, refrigerated cabinet baselines have been adjusted in accordance with:

- stakeholder feedback on current and proposed baselines
- the average Energy Efficiency Index (EEI) of products registered on the GEMS Registry for each Refrigerated Cabinet Product Class
- the size of incentives for a range of commercially available refrigerated cabinets.

In general, the updated baselines for new and replacement refrigerated cabinets align the baseline EEI for each class with the higher star rating categories in the GEMS Registry, followed by:

- a one star decrease in the baseline EEI for replacement activities, and
- a two star decrease in the baseline EEI for new activities.

For classes 3,8,9 and 10 the baseline EEI is rounded up to the next GEMS star rating category for both new and replacement refrigerated cabinets. This reflects the current low incentive for that equipment.

For class 7, the baseline EEI has been reduced by an extra star rating for both new and replacement activities due to the large number of 10 star refrigerated cabinets in the market, bringing down the average EEI significantly.

Incentives for the replacement refrigerated cabinet activity will also be available through the Peak Demand Reduction Scheme (PDRS). This will offset the reduction in incentives for replacement refrigerated cabinets in the ESS Rule.

We will closely monitor the impact of updated baselines to ensure bad practice is eliminated. Further changes to baselines will be made as part of the ESS and PDRS rule changes, if needed.

GEMS Registry

Several stakeholders expressed concerns about product data in the GEMS Registry. These concerns relate to the quality of test reports, particularly from overseas testing laboratories. We will pursue opportunities to engage the Commonwealth Government on this issue to further strengthen the ESS rule.

Clarification on building type

Clause 9.9.1(d) has been added to the ESS rule to make it explicitly clear that implementations under the Installation of High Efficiency Appliances for Businesses sub-method can only be carried out in non-residential buildings, unless otherwise specified.

Activating the changes

The changes will be effective the day after the publication of the ESS Rule amendment. Transitional arrangements will allow the creation of ESCs from implementations completed prior to the commencement to occur under the terms of the previous rule.

Further, a limited exemption to the co-payment requirement will apply if a contract to supply the refrigerated cabinet was already in place prior to the commencement of the rule. This will only apply to implementations where evidence can be supplied of a contract existing prior to the gazettal date, and where the implementation date is within 2 weeks of the commencement date.

A transitional clause has been added to ensure that accreditation notices for Activity Definition F1 roll over to include the new split into F1.1 and F1.2 activities.

IPART as the Scheme Administrator will provide additional information, including in relation to the documentation required to demonstrate payment, and existing contractual arrangements.

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For more information
For more information please visit or contact:

www.energy.nsw.gov.au | sustainability@environment.nsw.gov.au