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## **Consultation on the Energy Savings Scheme 2022 Rule Change**

Ecovantage welcomes the opportunity to comment on the 2022 Rule Change Consultation Paper.

In general Ecovantage supports the proposed methods and the ESS rule change to account for non-routine events and adjustments.

As a general comment, a timely delivery of the rule changes with enough lead time to allow the ACPs to adjust their systems and process will assist in smooth delivery of the changes. In our experience the recent rule changes and introduction of new activities in the schemes (i.e. water heaters) was poorly managed and disorganised. This had a negative impact not only on the ACPs but also the broader scheme participants. We hope that lessons have been learnt from that experience and the introduction of non-routine events and adjustments to the ESS rule will be smoother.

More details are discussed in the response to the consultation questions below.

## **About Ecovantage**

Ecovantage was established in 2007 to support businesses and households to reduce energy use and contribute to the fight against climate change through a reduction in emissions. We work within the energy efficiency schemes in New South Wales, Victoria, South Australia and Queensland as well as the national Renewable Energy Target scheme to help businesses and households access incentives for energy efficiency upgrades.

With dedicated teams who are trained and experienced in their roles we offer turn key solutions for our clients that include: Solar & Batteries, Energy Brokering, Tariff optimisation, Hot water upgrades, LED Lighting upgrades, Street lighting installation, measurement and verification and Decarbonisation.

## Responses to Consultation Questions

### Transitional Arrangement

1. Can you foresee any part of the new ESS Rule for which it will be difficult to get 'business-ready' within the proposed timeframes?

**Answer-** There are no foreseeable proposed changes which cannot be prepared for within the proposed timeframes.

### Structural Review of Clauses 1-6

2. Do the proposed changes make the requirements of the Rule clearer?

**Answer-** Yes.

3. Are there any other changes to clauses 1- 6 that would improve the clarity of the Rule?

**Answer-** No.

4. Will the change to the definition of gas have a material impact on the expected number of ESCs that will be created?

**Answer-** Possibly, as biogas and gas are being separated and have different conversion factors (different again to current gas conversion factor), and removing other definitions of gas.

Natural Gas and LPG also have different emissions factors as per NGERs - has this been considered?

There may also be implications of the gas conversion factor changing from 0.39 to 0.47, particularly when using the OIMP method to account for gas saving activities that occurred when the conversion factor was 0.39. The impacts of this should be considered, and guidance around how ACPs are to deal with this in the OIMP should be provided.

### Inclusion of Fuel Switching

5. Do you agree with the proposed fuels?

**Answer-** Yes.

6. Do you agree with the proposed fuel definitions?

**Answer-** For the most part, yes. However, it is confusing that solar is specifically listed under the definition of On-Site Renewables when it is excluded further on in the consultation paper (except in very limited circumstances).

7. Do you agree with the proposed amendment to clause 5.4(f)?

**Answer-** Yes.

**8. Do you agree with the proposed deletion of clause 5.4(g)?**

**Answer-** Yes.

**9. Do you agree with the proposed amendment to clause 5.4(h)?**

**Answer-** Yes.

**10. Do you agree with the proposed amendment to clause 5.4(j)?**

**Answer-** Yes. It appears this description references Table A27 when in fact it should be A28. Please confirm.

**11. Do you agree with the inclusion of the proposed clause 5.4(m)?**

**Answer-** Please confirm that this amendment is not prohibiting any export to the grid (similar to VEU's former 'no export' rule which prohibited any projects with exported any energy beyond the measurement boundary) and is simply saying that any export to the grid is not eligible for ESCs.

**12. Do you agree with the inclusion of the proposed clause 5.4(n)?**

**Answer-** Yes.

**13. Do you agree with the inclusion of the proposed clause 5.4(o)?**

**Answer-** Yes.

**14. Do you agree with the inclusion of the proposed clause 5.4(p)?**

**Answer-** No. It is unclear in the materials released so far why solar PV is included as an eligible fuel (under on-site generation) only to be explicitly prohibited except for when used for solar irrigation pumping. Allowing solar PV fuel switching projects would provide a number of benefits, including encouraging the uptake of PIAM&V and providing additional savings opportunities for energy consumers, as well as helping the ESS to achieve the increased energy saving targets for 2026-2050, particularly as other activities (e.g. lighting) are likely to be phased out in the coming years.

**15. Do you agree with the proposed removal of Activity Definition D19?**

**Answer-** We cannot answer this question with the information provided, as there appears to be an error with the consultation paper. The current ESS Rule defines Activity D19 as *Replace an existing gas water heater with an air source heat pump water heater*, which is different from the consultation paper which defines Activity D19 as *Replace an existing electric water heater with a solar (gas boosted) water heater*.

This Activity Definition is still as per current ESS Rule in the Draft ESS Rule (with track changes) supplied by IPART, which introduces additional confusion.

Please clarify this consultation question.

**16. What other concepts need defining/elaborating on? Please provide supporting evidence to justify your response.**

**Answer-** There has been minimal communication around how often the conversion factors will be subject to change. If these factors are to change as the make-up of energy in different fuels changes, we strongly suggest that a two year fixed horizon is required to create a clear business model.

We would like to see further elaboration on the decision to exclude solar PV except when used for solar irrigation pumping (see answer to Q14 for more detail).

Please provide further information on when and how the emissions factors in Table A28 will be used. Our interpretation is that for fuel switching projects there needs to be a net emissions reduction (rather than net ESCs) which occurs before calculating the energy savings and using the conversion factors to calculate ESCs.

We also suggest that the 'diesel savings' definition is reviewed. This definition says that savings can be negative. However, this would suggest that savings could be claimed if there was an overall net positive saving from fuel switching (i.e. reduced 'other' eligible fuel consumption but increased diesel consumption). This appears to be contradictory to section 2.3.6 of the consultation which says that fuel switching to diesel is not an eligible activity.

## **PIAM&V: Updated Definitions**

**17. Do these definitions make the terms easier to understand and apply? Please provide supporting evidence to justify your response.**

**Answer-** The updated PIAM&V definitions do, to some extent, make the terms easier to understand. However, we have noticed the following issues and recommend these are reviewed.

- Measurement Boundary (a)(ii) - implies that interactive effects (EUE impacted by the implementation outside the measurement boundary) are no longer relevant because everything affected by the Implementation has to be included within the measurement boundary. Please clarify and confirm.
- Measurement Boundary (a)(iii) - what is meant by 'co-metered'? Is this the same as sub-metering, or something different? Please clarify.
- Implementation Period - has two definitions for different clauses. Consider changing the terminology or being more clear about which clause the definition applies to. It is also unclear what implications Implementation Period has in section 7A of the rule - there does not seem to be any reference to it.
- Sub-metering Method - does this prevent sub-meters from being added at a later date to account for any NRAs? If so, what is the applicable method for sites that are not currently sub-metered?
- Eligible Range Adjustment Factor - please confirm that this will apply to all projects, regardless of whether the NRE-A methods are used.
- Consider including a definition of Counted Energy Savings in clause 10

**18. What other concepts need defining/elaborating on? Please provide supporting evidence to justify your response.**

**Answer-** See above (Q17).

### **PIAM&V: Metre Calibration Requirements for Utility Grade Metres**

**19. Does this change reduce the administrative burden of metre calibration requirements? If not, please provide supporting evidence to justify your response.**

**Answer-** This change simply clarifies what has been accepted practice in PIAM&V to-date, and therefore does not reduce the administrative burden of metre calibration requirements.

### **PIAM&V: Non-Routine Events and Adjustments**

**20. Does this Rule change provide more flexibility to the method for addressing Non-Routine Events? If not, please provide supporting evidence to justify your response.**

**Answer-** The proposed changes generally do allow more flexibility for dealing with changes to the site (such as a result of COVID), but do not necessarily make things easier, as the changes are a complex addition to an already complex activity. In some instances they may even result in further limitations and increased risk of failure points. For example, if the ACP and M&V Auditor disagree on the interpretation of “similar” in relation to the range of Independent Variables used in the baseline and operating models. There are also likely to be higher costs involved for audits of projects which use NRE-A methods.

Please also confirm that these NRE-A methods (sub-metering method, short energy models method, and data exclusion methods) are an addition to the way NRAs have been conducted to-date under PIAM&V, rather than replacing the existing approach. If these replace the currently accepted approach to NRAs, then we do have concerns and suggest this is reviewed.

### **PIAM&V: Minimum Statistical Requirements**

**21. Do you agree with the proposed mandatory introduction of the minimum statistical requirements into the ESS Rule? If no, please provide your reasons.**

**Answer-** No. Typically, CMVPs already consider the universally accepted minimum statistical requirements. As such, these do not need to be mandated, and may end up being more restrictive in certain circumstances. There are instances (although rare) where the model is appropriate, but the statistical outputs are below the usual thresholds. Instead of making these models ineligible, they could instead be penalised by linking the accuracy factor to other statistical measures.

It can also be argued that part of the reason for having a third-party M&VP review PIAM&V projects is to ensure that appropriate energy models have been developed and used to determine energy savings, and so introducing these mandatory statistical requirements to minimise the involvement of M&VPs is also minimising the value of the third-party review.

**22. Does reducing the minimum threshold for the Coefficient of Determination improve the flexibility of the method? If no, please provide your explanation and examples**

**Answer-** Reducing the minimum threshold for the Coefficient of Determination only improves the flexibility of the method compared to having a mandatory threshold of the usual 0.75. It does not improve the flexibility of the method by introducing a mandatory threshold where one does not already exist (which is the ultimate flexibility).

## **PIAM&V: Drafted/Future Changes**

### **23. What form of relationship would best relate the Accuracy Factor to the relative precision of the estimated Energy Savings? Please provide details and examples.**

**Answer-** We suggest considering the new guidance that says savings need to be twice the savings standard error. Only where savings do not meet this criterion should have an accuracy factor applied. An alternative approach to consider may be how the accuracy factor is calculated in the CER's Industrial and Commercial Energy Reductions (ICER) method.

### **24. What appropriate and easy to implement representation would best describe the decay of the estimated Energy Savings of an Implementation over the forward ESCs creation period?**

**Answer-** The current tool is perfectly functional, and covers a good range of technology and equipment types. We suggest keeping the current OECC persistence model tool, but making a few updates, including:

- Category and sub-category to be updated to include new or missing technologies, and any technology related to the updated eligible fuel types (e.g. biomass is not currently included but is being introduced as a new eligible fuel source)
- A single overall decay factor, rather than a factor per year (although we note that this would require an update of the equations)
- Consider simplifying the other information inputs. Equipment usage and UV exposure are the most critical, and within 500m of the coast could be incorporated into the postcode.

## **MBM: Normalised Baseline Calculation Method**

### **25. Does the proposed change clarify the calculation of the normalisation method? Please provide supporting evidence to justify your response.**

**Answer-** N/A - this is not a method used by Ecovantage

## **MBM: Determining Subsequent Baseline Measurement Periods**

### **26. Does the proposed change provide clarity that an ACP may set a new baseline Measurement Period based on a new implementation of the same RESA at the site? If not, please provide supporting evidence and suggestions to justify your response.**

**Answer-** N/A - this is not a method used by Ecovantage

## **MBM: Clarification for Calculating Energy Savings from Fuel Switching**

### **27. Does the proposed change clarify the requirement to calculate energy savings from all fuels? If not, please provide supporting evidence to justify your response**

**Answer-** N/A - this is not a method used by Ecovantage

## **MBM: Introduction of New NABERS Building Type**

**28. Do you agree with the proposed Benchmark NABERS Rating Indexes and Annual Rating Adjustments for the warehousing and cold storage sectors? Please explain and provide evidence to support your response.**

**Answer-** N/A - this is not a method used by Ecovantage

## **Deem Savings for PIAM**

**29. Does this change simplify the vintage certificates creation process by providing clarity on how an ACP may determine when Energy Savings are taken to occur? If not, provide supporting evidence and suggestions to justify your response.**

**Answer-** N/A - this is not a method used by Ecovantage

Please do not hesitate to contact me if you have any questions or concerns.

Kind Regards,

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