



Monday, 7 November 2022

ABN 79 166 767 424

NSW Office of Energy and Climate Change
Energy, Climate Change and Sustainability

Se 406 / 55 Miller Street
PYRMONT NSW 2009
T: (02) 9660 9997
F: (02) 8252 4737
E: savings@energyconservation.com.au

A/O: Stephen Procter – A/Director – Program and Market Development – Safeguard

RE: Energy Savings Scheme 2022 Rule Change Consultation Paper

Dear Stephen,

With reference to the subject consultation paper, please consider our responses as follows.

Question 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?

No comment.

Question 2: Do the proposed changes make the requirements of the Rule clearer?

No comment.

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

Propose to change the wording under Equation 1 such that the use of multiple methods in the verification of savings is at the discretion of the Scheme Administrator; at the very least not hindered by the word ‘or’ in the list of Methods.

Electricity Savings, Gas Savings, Diesel Savings, Biofuel Savings, Biogas Savings, Biomass Savings and On-site Renewables Savings are the Electricity Savings, and Gas Savings, Diesel Savings, Biofuel Savings, Biogas Savings and On-site Renewables Savings respectively, in MWh, arising from each Implementation as calculated according to (as relevant):

- the Project Impact Assessment Method (clause 7);
- the Project Impact Assessment with Measurement and Verification Method (clause 7A);
- the Metered Baseline Method (clause 8); ~~or~~
- the Deemed Energy Savings Method (clause 9);

. Or a combination of these methods as approved by the Scheme Administrator.

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

Not expected to have a material impact.

Question 5: Do you agree with the proposed fuels?

Yes.

Question 6: Do you agree with the proposed fuel definitions?

We broadly agree with the proposed fuels and definitions, but a point we would like to raise is whether consideration should be given to the potential need to prioritise land use for food production or environmental protection versus cropping for biomass/biofuels? This issue was prominent during the biofuels boom in the USA in the 2000s and has been the subject of much analysis. (See for example Biofuel impact on food prices index and land use change D.S. Shresthaa, B.D. Staaba, J.A. Duffield, 2019). At this stage any risk that the proposed ESS Rule change would encourage fuel crops to the extent there is an impact on global food security or adverse environmental outcomes seems very low, but acknowledgement that the NSW government will monitor these issues might be appropriate.

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

Yes.

Question 8: Do you agree with the proposed deletion of clause 5.4(g)?

Yes.

Question 9: Do you agree with the proposed amendment to clause 5.4(h)?

Yes.

Question 10: Do you agree with the proposed amendment to clause 5.4(j)?

Yes.

Question 11: Do you agree with the inclusion of the proposed clause 5.4(m)?

Yes.

Question 12: Do you agree with the inclusion of the proposed clause 5.4(n)?

Yes.

Question 13: Do you agree with the inclusion of the proposed clause 5.4(o)?

We agree that the use of native forest biomaterials should specifically be excluded. Consideration could be given to further defining how this would impact the use of waste residues from native forest activities for energy. For example, would energy generated from sawdust and waste off-cuts from production of native hardwood building timbers be excluded under this clause? Where an existing facility is able to reduce consumption of mains power or diesel through use of material otherwise going to waste, inclusion in the scheme may be justified, but any encouragement to increase use of native timbers beyond what is currently going to waste should be avoided.

Question 14: Do you agree with the inclusion of the proposed clause 5.4(p)?

We question why Solar PV systems are only categorized as RESA if they are used exclusively for irrigation pumping. This approach allocates benefits to a single interest group, i.e., farmers. A more equitable approach would be to define the conditions which make irrigation pumping a good case – e.g., off-grid power use, or single function metered power; and then apply these factors as a general principle which could also include other good cases for encouraging conversion to solar, for example other industries relying on off-grid power.

Question 15: Do you agree with the proposed removal of Activity Definition D19?

Yes.

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

Energy continues to be measured in MWh, but the proposed changes have elements of a move towards carbon measurement through the introduction of “unique conversion factors for each eligible fuel type...based on the relative quantities of renewable and non-renewable primary energy in the different fuels”. This gives rise to some confusion on the design and longer-term intent of the changes, which could be reduced through provision of a clear explanation of how the proposed conversion factors have been derived. The conversion factor for electricity of 1.06 seems to be a historic standard rather than an accurate measurement of carbon emission intensity, but changing this factor substantially, as has happened in Victoria, could have problematic impacts on certificate creation and pricing. To retain energy efficiency as a core focus of the scheme we suggest that measuring ESCs by 1 MWh of savings would be an appropriate adjustment, with other energy sources having conversion factors derived from renewable content and possibly consideration of other factors such as fuel security.

Question 17: Do these definitions make the terms easier to understand and apply? If not, please provide supporting evidence to justify your response.

No comment.

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

No comment.

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

Somewhat. However, considering that utility revenue metering is considered 100% accurate, and noting a widely felt push for non-option C verification, it would be more useful if there was more clarity/guidance around what would satisfy the administrator when it comes to *non-utility* metering. Utility metering is not where the issue is, it's non-utility metering where most questions are in terms of what is deemed to satisfy. To reduce administrative burden, please consider provisions around meter validation procedures as a credible alternative to calibration procedures.

Question 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

Mostly yes. It certainly expands the toolkit but not sure that 'flexible' is the word. There are even more moving parts with plenty constraints to navigate once an ACP is in NRE-A territory. EC would like to see more clarity on the option versus the obligation to verify savings in accordance with 7A.5B and 7A.5B1. Specifically, under what circumstances, if any, might an ACP be obligated to verify savings in accordance with 7A.5B and 7A.5B1. Further, EC would like to see the OIMP method deemed suitable to exclude OIMPs for which ESCs have not been created.

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

The proposed requirements are not unreasonable, but EC would much rather see consistency with IPMVP literature, noting that the requirements are a departure from said literature. Moreover, the proposed changes lay the foundation for incremental increases in statistical requirements through Method Requirements which the administrator may publish from time to time at its own discretion under clause 7A.16.

In the application guide for Uncertainty Assessment for IPMVP, on page 15 it states among other things:

"There is no universal standard for a minimum acceptable R^2 value, as it highly dependent on the context."

“Models should not be rejected or accepted solely on the basis of R^2 .”

By setting requirements, models could be rejected solely based on R^2 , or one of the other parameters. It would help if the Rule was more firmly grounded in the IPMVP literature, and as such could be relied on by ACPs. The issue we see is that the administrator, in interpreting the Rule, gets to decide at its own discretion when the IPMVP is authoritative and when it is not. This can be problematic at times.

Question 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.

That is a difficult question. It was not a mandatory threshold before and is now proposed to be mandatory, albeit at a lower value. If one was a ‘best practice’ type of threshold, and in return we get a mandatory threshold, did it become more flexible? Probably not.

Question 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.

EC has been satisfied with the determination of Accuracy Factor by the achieved level of uncertainty in the savings estimate. EC is aware of concerns pertaining to terminology, specifically the use of the terms relative precision as it may pertain to an energy model, versus uncertainty as it may pertain to an energy savings estimate. Additional guidance and clarification in this regard may be considered.

Question 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?

EC has been satisfied with the determination of lifetime & decay using the legacy PIAM&V tool published by the ‘OEH’. An update may need to be provided with the inclusion of the new fuel-switching activities.

Question 25: Does the proposed change clarify the calculation of the normalisation method? If not, please provide supporting evidence to justify your response.

No comment.

Question 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.

No comment.

Question 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.

No comment.

Question 28: Do you agree with the proposed Benchmark NABERS Rating Indexes and Annual Rating Adjustments for the warehousing and cold storage sectors? If not, please explain and provide evidence to support your response.

No comment.

Question 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.

No comment.

We trust you will give these responses due consideration.

Sincerely,



Jens Mozer

Technical Director

jens@energyconservation.com.au

0487 443 762