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Office of Energy and Climate Change
NSW Treasury

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via email

Dear Office of Energy and Climate Change

Submission on the ESS Rule Change Consultation

The Independent Pricing and Regulatory Tribunal (IPART) is the Scheme Administrator and Scheme Regulator of the NSW Energy Savings Scheme (ESS). As the Scheme Administrator we welcome the opportunity to make a submission in relation to the 2022-2023 Energy Savings Scheme Rule (the **Rule**) Change.

In general, we support the proposed changes to the ESS Rule to add more incentives to switch to new fuels including biofuel, biogas and solar powered irrigation as this change will expand consumer options for energy efficiency outcomes. We are also supportive of the updates to the Project Impact Assessment with Measurement and Verification (PIAM&V) method to update definitions and add options to account for non-routine events and adjustments to energy models.

Additionally, the Tribunal thanks the Office of Energy and Climate Change (**OECC**) for the continued collaborative spirit with which they have worked with IPART. We have worked closely with OECC during the development of the Energy Security Safeguard, and the outcome of that collaboration has been the continual improvement of the readability and functionality of the regulatory framework.

We have carefully considered the proposed changes to the ESS Rule and have provided detailed responses to the consultation questions where relevant (see **Appendix A**).

IPART's contact officer for this matter is Dr Lynette Au-Yeung, Principal Analyst, contactable on (02) 9113 7706.

Yours sincerely



Michelle Coco

Executive Director

Appendix A

Consultation Questions

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?

The Office of Energy and Climate Change propose to commence the new version of the ESS Rule in February 2023. To be ready for the changes, IPART will need to update our certificate registration system to meet the data requirements for the new fuel types set out in clause 6.8(f) of the draft ESS Rule. This upgrade must be in place for commencement of the ESS Rule in February 2023. Upgrades take time to plan and implement. The proposed period of 2 months between gazettal and commencement which includes the Christmas shutdown will make implementing these changes in time for commencement challenging but is possible. Delays in the gazettal of the Rule will mean that we will have to manage other system upgrades to ensure that we are ready when the Rule commences.

Question 6 Do you agree with the proposed fuel definitions?

Overall, IPART agrees with the proposed fuel definitions. However, we note that the proposed fuel definitions are not consistently referenced throughout the proposed ESS Rule or in some instances are not properly defined.

Questions 7 to 14 – Clause 5.4 amendments

IPART agrees with the proposed amendments to clause 5.4 to set out activities that are not a Recognised Energy Savings Activity (RESA). However, we recommend simplifying or breaking clause 5.4(n) down into sub-clauses for ease of comprehension, as it isn't clear which qualifiers apply to which statements. For instance, it is not clear whether the supply of a gaseous fuel by a Gas Retailer alone is excluded, or whether it needs to be under a representation by the Gas Retailer.

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

IPART supports the clarification of terms in the PIAM&V method using terms drawn from the International Performance Measurement and Verification Protocol (**IPMVP**), with the following recommendations:

- the definition of "Measurement Boundary" be made a substantive provision of clause 7A rather than a defined term in clause 10.1 because of the importance of this concept in modelling energy savings
- the definition for Modelling Frequency clarifies which energy model it refers to, i.e. Baseline Energy Model or Operating Energy Model.

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- When calculating the Effective Range Adjustment Factor in Equations 7A.2 and 7A.4, the terms *Min* and *Max* are defined in relation to the 'minimum value' and the 'maximum value' of the Effective Range. The drafting is not clear if it refers to the lower and upper limits of the Effective Range calculated according to clause 7A.8(a), or to the measured minimum and maximum values mentioned in clause 7A.8(a).

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

IPART strongly agrees with the introduction of minimum statistical requirements in line with the IPMVP as it ensures consistency with the NRE/A Guide and supports the generation of more robust energy models to calculate energy savings.

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.

IPART does not support reducing the minimum threshold. We consider the Coefficient of Determination to be an important statistical measure of the robustness of a model. Reducing the minimum threshold for the Coefficient of Determination may lead to less robust models, increasing the risk that the number of certificates created may not reflect the actual energy savings from an implementation.

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

IPART is supportive of the NSW Government investigating a more simplified and conservative Persistence Model to be applied to the calculation of energy savings from an Implementation over the forward ESC creation period.

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.

IPART considers that the proposed wording of the note does not make it clear that an ACP may set a new baseline Measurement Period based on a new implementation of the RESA at the site. We suggest the following wording to clarify the purpose of the clause:

"Note: For the purposes of clauses 8.5, 8.6 and 8.7 the Accredited Certificate Provider may set new baseline Measurement Periods using the Implementation Dates from new Implementations at a site to calculate ongoing Energy Savings."

Additional feedback

Consequential outcomes from additional Eligible Fuels for NABERS

NABERS Method 4 calculates Measured Electricity Consumption by taking into account NABERS Electricity and On-site Unaccounted Electricity. This On-site Unaccounted Electricity can be generated from Gas generators fed from on-site biogas sources. As this is a fuel switching activity covered in the proposed Rule change, there may be an opportunity to consider this activity as a fuel switching activity under the Rule rather than Measured Electricity Consumption.