

Peak Demand Reduction Scheme rule changes

This notice provides information on upcoming changes to the Peak Demand Reduction Scheme (PDRS) rule that were not included in the public consultation in October to November 2023.

Summary of changes

These additional PDRS rule changes will remove or restrict eligibility for 3 existing activities that do not meet the intent of the scheme. The changes include:

- amending Activity Definition WH1 to allow only large heat pump hot water heaters that are not eligible for Small-Scale Renewable Energy Scheme (SRES) incentives
- removing Activity Definitions RF1 and SYS1 where no activity has occurred.

Changes to eligibility for WH1 commercial heat pump hot water

Small commercial heat pump water heaters are eligible for incentives under the Energy Savings Scheme (ESS), PDRS and SRES. The Government permitted stacking these incentives based on estimated installed costs of commercial heat pumps.

This has resulted in some heat pumps being offered and installed for no upfront cost under the ESS and the PDRS, which has led to customer concerns over the legitimacy of the scheme and widespread complaints of high-pressure sales tactics that undermine the scheme's reputation.

In response, the government will restrict PDRS commercial heat pump hot water (WH1) activity eligibility to larger heat pumps that are not eligible for SRES incentives.

This will prevent incentive stacking across the 3 different schemes. Instead, large heat pumps can receive ESS and PDRS incentives, while small heat pumps can receive ESS and SRES incentives.

The WH1 activities account for 86% of PDRS certificates to date, leading to a significant certificate surplus from smaller heat pumps. This indicates PDRS incentives are not required to encourage small commercial heat pump upgrades.

Removal of RF1 and SYS1 activities for fridge freezer removal and motors

There has been no uptake of activities RF1 and SYS1 since the PDRS commenced in 2022. Removing these activities focuses the PDRS on activities with greater demand response or shifting potential.

The change will also prevent these dormant activities becoming active and limiting the uptake of future demand response and shifting activities.

Next steps

We are finalising the PDRS rule and position paper for publication in April 2024. The changes in this notice are set to begin on commencement of the PDRS rule, approximately three months after its publication.

For enquiries, please contact sustainability@environment.nsw.gov.au