11 June 2025

NSW Department of Climate Change, Energy, the Environment and Water

Submitted via: energysecurity@environment.nsw.gov.au

2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews

The Australian Financial Markets Association (AFMA) is responding the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) consultation on the 2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to asset managers, and industry service providers. AFMA also represents a large number of energy firms, many of whom are the key participants in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS).

Key Points

- **AFMA agrees that the ESS and PDRS have functioned efficiently**
- **The ESS surplus and decreasing price, signals a successful market**
- **Stacking has been important to the economics of the PDRS**

1. Energy Savings Scheme (ESS)

AFMA agrees with the suggestion that the ESS could be expanded to support a wider range of technologies. As AFMA highlighted in its submission to the ESS Rule and Regulation Change 2025 submission,[1] we encourage the government to prioritise developing new scalable and durable methodologies to safeguard its continued success and longevity through to 2050. Ensuring scalable and durable methodologies will avoid issues that have arisen in the Victorian Energy Upgrades Program since the retirement of the commercial lighting methodology.

With regard to concerns raised by the Department on a growing surplus of Energy Savings Certificates (ESCs) in section 6.1.2, AFMA takes a different perspective than the one presented in the paper. We consider that low prices combined with a surplus of certificates demonstrates the scheme's success. A high volume of certificates highlights continued confidence and demand in the product. Likewise, as the price of certificates continues to trend down, this also signals a well-functioning market that is delivering the lowest cost solutions to customers.

2. Peak Demand Reduction Scheme (PDRS)

[1] https://www.afma.com.au/policy/submissions/2025/r17-25-nsw-dcceew-energy-savings-scheme-rule-and-r.pdf?ext=.pdf

Section 2.1.3 of the paper raises concerns that stacking presents challenges to identify PDRS impact. While AFMA appreciates this concern however, we caution against compromising the ability to stack incentives. AFMA understands that the ability to stack has been important to the schemes' economics for participants. As the paper highlights, the combined impact of ESCs and Peak Reduction Certificates (PRCs) encouraged significant uptake of commercial heat pump water heaters in the state. AFMA requests that this not be compromised and assesses that as the scheme matures further, this will largely self-correct.

We also note the recent rule change suspending the eligibility of battery installations for the PRC scheme that was made outside of this consultation on the basis that Commonwealth policy was now supporting battery installations. We again caution that preventing certificate stacking may reduce the supply of certificates and increase their cost.

AFMA Recommendations

i. Prioritise the development of new methodologies and expansion into new technologies

ii. Do not compromise incentive stacking

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

Monica Young

Policy Manager

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NSW Government

Department of Climate Change, Energy, the Environment and Water

Submitted via email: energysecurity@environment.nsw.gov.au

11 June 2025

2025 ESS and PDRS statutory reviews

AGL Energy (AGL) welcomes the opportunity to provide feedback on the *2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews* draft reports.

AGL recognises the important role of both the NSW Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) in achieving the Energy Security Safeguard objectives of ensuring the energy system is "more reliable, affordable and sustainable"[1]. As a liable entity within both schemes, AGL has proudly met its targets every year since the schemes' inception and is committed to its ongoing role in decarbonisation and supporting a more reliable and affordable energy system.

AGL broadly agrees with the outcomes of the reviews, and that the objectives of the schemes remain largely relevant.

We provide the following feedback on further matters for consideration within the reviews and future reforms:

- **Electrification:** As raised in our 2024 submission[2], AGL suggests the complementary objective of 'electrification' for consideration in the ESS.
- **Incentive stacking:** Incentive stacking across various schemes, and the impact on the PDRS, needs greater consideration and clarification. For example, impacts of stacking subsidies for batteries, as part of the new Cheaper Home Batteries Program, under both the Small-scale Renewable Energy Scheme (SRES) and the PDRS, will need to be clarified for industry and consumers.
- **Product end-of-life:** We urge the government to consider end-of-life management of products, particularly the disposal of batteries to reduce risks to consumers and the environment.
- **Consumer protection:** We recommend further consideration of consumer protection within the schemes' objectives. This encompasses product quality, warranties, installation, maintenance and after-sale support (i.e. product recalls etc).
    a. We support minimum standards for product quality and installation
    b. AGL is supportive of efforts to ensure that installers of CER are adequately trained to undertake relevant activities with an utmost focus on safety (for both the installer and the consumer) as well as quality. This training needs to be targeted and responsive to the specific activities undertaken by the CER provider, noting that a 'one size fits all' approach is not fit for purpose. NSW's Consumer Energy Strategy[3] outlines action to address training gaps and provide supports for energy saving technology installers, which AGL supports.
    c. We support collecting data on product performance and lifespan to verify savings and improve standards.

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[1] https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/energy-security-safeguard
[2] ESS & PDRS 2024 submission
[3] NSW's Consumer Energy Strategy, 2024, pg. 68

d. We support minimum warranty timeframes for products (such as heat pump water heaters) to improve reliability and consistency (see also our submission to Victorian Energy Upgrades Electrification Co-Payment and Warranty Requirements consultation[4]). In particular, there will need to be line of sight for batteries that require repair/recycling under warranty.

e. Increased transparency is needed around how technical specifications are developed and enforced. There is the opportunity to harmonise these requirements across jurisdictions and schemes so there is a level of standardisation around compliance.

- **Equity and accessibility:** As noted in the ESS statutory review draft report, regional areas typically experience higher electricity prices and challenges in accessing the scheme. Targeted supports for different customer cohorts, such as rural, low-income households and renters, may be necessary to achieve more equitable outcomes and ensure that all consumers benefit from the schemes.
- **Stronger engagement and communication:** Stronger and earlier industry engagement is vital to ensure that installers, as well as consumers, see value in scheme participation. We recommend that the government focus on supply chain development, improvement and satisfaction to improve outcomes for consumers. In addition, it is essential that information and program changes are shared promptly with scheme participants to avoid adverse impacts and uphold scheme integrity.
- **National coordination:** The ESS statutory review draft report mentions that 'Objective 2(b): complement national action to lower the cost of emissions reductions' remains valid but should complement NSW climate change policies. It's unclear whether other related national policies, such as the CER Roadmap, have been considered in the review. We recommend explicit consideration of related policies such as these. In addition, coordination at a national level should extend to the PDRS.

We look forward to further engagement on the outcomes of the statutory reviews and broader reforms to the ESS and PDRS.

Should you have any questions in relation to this submission, please contact Casey Barkla-Jones at cbarkla@agl.com.au.

Yours sincerely,

AGL Energy

About AGL

Proudly Australian since 1837, AGL delivers around 4.5 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. AGL operates the largest electricity generation portfolio in Australia of any ASX-listed company, with a total operated generation capacity[5] of 7,982 MW as of 30 June 2024. Since 2006, AGL has invested billions of dollars in the construction and delivery of over 2 GW of renewable and firming capacity in the National Electricity Market.

We support Australia's ambition to achieve net zero by 2050 and recognise the large part that we must play in the transition to a low carbon economy. Our 2022 Climate Transition Action Plan outlines AGL's ambition for decarbonisation, including targets for new firming and renewable assets, and commitments to repurpose our large thermal generation sites into integrated industrial energy hubs.

[4] See: AGL submission to the VEU Electrification Co-Payment and Warranty Requirements consultation, April 2024
[5] FY24 installed capacity is the AEMO registered capacity, also taking into account the three 25MW upgrades to the Bayswater Power Station Units 4, 2 and 3 in FY20, FY22 and FY23 respectively.

electric future
sustainability services

11 June 2025

Department of Climate Change, Energy, Environment and Water
energysecurity@environment.nsw.gov.au

Energy Savings Scheme and Peak Demand Reduction Scheme Statutory Reviews 2025-Draft Reports Consultation

Dear DCCEEW team,

Electric Future Sustainability Services (EFSS) welcomes the opportunity to comment on the statutory review consultation for ESS and PDRS.

Response to the Consultation Questions

1. ESS

1. **Are there any other matters or evidence that should be considered in determining whether ESS objectives are being met and remain valid? Please set out your response against the scheme objectives.**

Answer: *EFSS supports the draft findings.*

2. **Are there any other matters or evidence that should be considered in determining whether scheme design remains appropriate?**

Answer: *No comments*

2. PDRS

1. **Are there any other matters or evidence that should be considered in determining whether PDRS objectives are being met and remain valid? Please set out your response against the scheme objectives.**

Answer: *EFSS supports the draft findings.*

2. **Are there any other matters or evidence that should be considered in determining whether scheme design remains appropriate?**

Answer: Only yesterday, 10 June 2025, the NSW Government announced an indefinite pause to activity BESS 1 batteries from 1 July given commencement of the Commonwealth Cheaper Home Batteries program from 1 July. The NSW government has indicated there may be public consultation at some point in the future to explore recommencement of BESS 1 incentives and stackability or not of both programs' incentives. This abrupt pause scenario is a major challenge in PDRS scheme design where timing of the launch date and final regulations of another program have not been clarified in the short time frame available (from 3 May 2025 federal

election to 1 July) and so resulting in the NSW government pausing an activity at extremely short notice of less than three weeks. (10-30 June).

This pause immediately significantly impacted those businesses including ACPs and software vendors that have spent hundreds of thousands of dollars in human resources, planning, development, testing, training and reasonable risk mitigation. The majority of PRCs registered and created, or yet to be created, are by ESIA-member businesses that have also been the primary movers to mobilise this innovative activity. Those businesses have invested in good faith including their time working with the PDRS and other regulators to fine tune the activity and experience for key stakeholders including customers, solutions provider businesses, licensed installers, DNPs and the scheme and associated regulators. Those same ACP businesses have likely in the past 24 hours been scrambling to make good their forward contracts for PRCs. This includes buying back forward contracts at significantly higher prices given that as soon as the pause was announced, the PRC price increased by as much as 30%. This significantly elevated risk of return on their sunk investment since the activity was first committed has shattered confidence in participation.

Furthermore, this abrupt decision shows the lack of respect and collaboration by the NSW Government. In addition to the impact that the scheme has made on the industry following the announcement 6 months prior to the scheme starting and the endless hurdles industry had to manage, we are now back to the starting point with no hope of having a positive outcome.

A good scheme design starts with a deep understanding of the industry that has been supporting the schemes for over a decade. Good design includes the good management and inclusion of participants when major changes and decisions are required. Until such time as this is addressed, the risk of rapid activity pauses under the PDRS will continue to be a major risk factor for ACPs and the broader industry.

Kind Regards,

Mahsa Sistani
Chief Operating Officer
Electric Future Sustainability Services

energy savings
Industry Association

ESIA Submission:

NSW Government
Energy Savings Scheme and Peak Demand Reduction Scheme Statutory Reviews 2025 Draft Reports Consultation

11 June 2025

Submitted to Department of Climate Change, Energy, Environment and Water
New South Wales Government, energysecurity@environment.nsw.gov.au

Energy Savings Industry Association
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1. Introduction

The Energy Savings Industry Association (ESIA) welcomes the opportunity to provide this submission to the New South Wales Government for the **NSW Energy Savings Scheme and Peak Deman Reduction Scheme Statutory Reviews 2025 DRAFT Reports** which commenced on **22 May 2025**. This consultation is being managed by the **Department of Climate Change, Energy, Environment and Water, New South Wales Government**.

The ESIA has referred to:

- https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/energy-security-safeguard/review-and-reform
- ESS https://www.energy.nsw.gov.au/sites/default/files/2025-05/NSW-ESS-Draft-statutory-review-report.pdf
- PDRS PDF: https://www.energy.nsw.gov.au/sites/default/files/2025-05/DOC25-PDRS-Draft-statutory-review-report.pdf

Next steps and purpose

The third statutory review report of the ESS and the first statutory review of the PDRS are both due to be tabled in the NSW Parliament by 30 June 2025.

About ESIA

The Energy Savings Industry Association (ESIA) is the peak national, independent association representing and self-regulating businesses that are accredited to create and trade in energy efficiency certificates in market-based energy savings schemes in Australia. These activities underpin the energy savings schemes which facilitate the installation of energy efficient products and services to households and businesses. Members represent most of the energy efficiency certificate creation market in Australia. Schemes are established in Vic, NSW, SA and ACT. Members also include product and service suppliers to accredited providers under the schemes. As well, the ESIA represents member interests in national and state initiatives that include energy efficiency and demand reduction, such as the Federal Government's Carbon Farming Initiative energy efficiency methods and the NSW Peak Demand Reduction Scheme.

Further engagement

We welcome the opportunity to discuss this submission further, please contact the ESIA Executive Director at comns@esia.asn.au.

This submission can be made public.

2. Overarching comment in the ESIA responses

2.1 For the ESS and PDRS

The ESIA has not had sufficient time and resources to closely scrutinise the finer details of either of the two draft statutory reports for the ESS and PDRS, therefore this submission is very light touch.

ESIA welcomes some stand out draft high level findings that:

- both schemes:
    - continue to have valid objectives and design as market-based certificate schemes.
    - could better support national action on emissions abatement as well as reliability risks as part of the energy transition.
    - can deliver more benefits via broader reforms under consideration later in 2025.
- the ESS has some challenges with new activities and a growing ESC surplus that may require further government action to address.
- the PDRS:
    - design may need a change to address that NSW winter peak demand is growing (the scheme currently reduces summer peak demand only).
    - cost of creating PRCs has not been researched yet and it will be important to include in future reviews. (ESIA members that are ACPs could assist in targeted consultation in the near term on this matter, e.g. ACPs accredited for BESS 1 activity paused on 1 June 2025.)

Regarding the draft reports Figures and the use of colours for bar and pie charts, as these graphics are quick go-to touchpoints, it would be helpful to use consistent key colours by type e.g. of fuel or technology (e.g for ESS report pp PDRS report pp 16 & 23 and for ESS and PDRS reports pp 14,18 & 10 respectively).

3. Consultation questions and ESIA responses

3.1 For the ESS

Refer to the **ESS** Draft statutory review report, Section 1.1.2, p7, at https://www.energy.nsw.gov.au/sites/default/files/2025-05/NSW-ESS-Draft-statutory-review-report.pdf

1. Are there **any other matters or evidence** that should be considered in determining whether **ESS objectives are being met and remain valid?** Please set out your response against the scheme objectives.

The ESIA welcomes the draft findings that all NSW ESS scheme objectives remain valid.

2. Are there **any other matters or evidence** that should be considered in determining whether **scheme design remains appropriate**?

- The ESIA questions Section 4.1.1 evidence of the draft report, p23, supported by Appendix A: Modelling methodology, p39:

> **4.1.1 The ESS has made emissions abatement available at a lower cost**
>
> The ESS is a cost-effective means of reducing emissions. As shown in Figure 8, the ESS is estimated to have resulted in cumulative emissions reductions of 13.3 $MtCO_2$-e in the national electricity market (NEM) and 8.6 $MtCO_2$-e in NSW between 2019 and 2023. This translates to an average abatement cost of around \$2/tCO_2-e over the same period, which is seven times lower than the abatement cost that would be achieved by a renewable solar or wind project with equivalent emissions reductions.[22]

  Specifically, '… translating to an average abatement cost of around \$2/tCO2-e: …' is a highly significant finding worthy of promotion broadly. It would be useful to see more of the assumptions made to arrive at this figure, including the annualised cost of the ESS.

  It is well known - including according to the McKinsey cost curve - that energy efficiency such as appliance upgrades, delivers lower cost abatement than, say, a wind farm projects which may take 10 years to build.

  This is supported by considering the average cost over the 2019-2023 period for Commonwealth RET LGCs (\$40) compared to NSW ESS ESCs (\$29). The ESIA finds a 25% difference, not a 700% difference. We appreciate that the draft report analysis looks at broader findings, not directly based on certificate prices. However, it is a significant variation in findings.

  It seems the figure missing in the report may be the annualised cost of ESS administration outside of ESC values. Or alternatively, the assumptions made as part of the electricity system modelling, especially around what would have been the consumption levels had NSW ESS upgrades not occurred over the period.

- The ESIA suggests the NSW government consider evidence regarding changing the gas factor, including providing a long-term framework for changing the factor at reasonable and perhaps more regular intervals. This will provide industry with more certainty on the direction of the scheme in the short-to-longer term. The ESIA appreciates the challenges involved, including positioning the scheme as an energy efficiency versus emissions reduction mechanism.

- The ESIA welcomes the draft's adjustments for in the modelling, p39, including the department's downward adjustment of energy savings from IPART annual reports due to changes to heat pump hot water and refrigerated display cabinet activities. Such adjustments acknowledge the need for scheme design that is more responsive to ongoing reasonable tweaks required, such as to activity baselines and/or guardrails, that result in genuine energy savings without triggering far more significant unintended consequences. This requires investment in the department's skills and time to engage most effectively with industry on an ongoing basis.

- The ESIA reiterates that scheme design needs to specifically accommodate a trigger to adjust the targets up, or down, when certain hurdles are reached. Such a

trigger exists but has not been able to be used at all, including in the last two periods, as the time it would take to mobilise has always outweighed waiting for the next five-year review. This element of scheme design needs addressing, especially give the current oversupply of ESCs which has resulted in drastically reduced activity and an ESC price 'in the gutter' at around $10-15 in recent months. Apart from the lost opportunity to deliver lowest cost abatement upgrades for NSW, this situation forces businesses to pivot to other business opportunities with significant opportunity cost as they let go of highly skilled and trained staff that may not return to the sector.

3.2 For the PDRS

Refer to the **PDRS** Draft statutory review report, Section 1.1.2, p6, at https://www.energy.nsw.gov.au/sites/default/files/2025-05/DOC25-PDRS-Draft-statutory-review-report.pdf

1. Are there **any other matters or evidence** that should be considered in determining whether **PDRS objectives are being met and remain valid**? Please set out your response against the scheme objectives.

   The ESIA welcomes the draft findings that all NSW PDRS scheme objectives remain valid.

2. Are there **any other matters or evidence** that should be considered in determining whether **scheme design remains appropriate**?

   - Only yesterday, 10 June 2025, the NSW Government announced an indefinite pause to activity BESS 1 batteries from 1 July given commencement of the Commonwealth government's Cheaper Home Batteries program from 1 July. The NSW government has indicated there may be public consultation at some point in the future to explore recommencement of BESS 1 incentives and stackability or not of both programs' incentives (BESS 1 & 2). This abrupt pause scenario is a major challenge in PDRS scheme design where timing of the launch date and final regulations of another program have not been clarified in the short time frame available (from 3 May 2025 federal election to 1 July) and so resulting in the NSW government pausing an activity at extremely short notice of less than three weeks. (10-30 June).

     This pause immediately significantly impacted those businesses including PDRS certificate creators (ACPs) and software vendors that have spent hundreds of thousands of dollars in human resources, planning, development, testing, training and reasonable risk mitigation since well before the activity commencement back on 1 November 2024. The majority of PRCs registered and created, or yet to be created, are by ESIA-member businesses that have also been the primary movers to mobilise this innovative nation-leading activity. Those businesses have invested in good faith including their time working with the PDRS and other regulators to fine tune the activity and experience for key stakeholders including customers, solutions provider businesses, licensed installers, DNSPs and the scheme and

associated regulators. Those same ACP businesses have likely in the past 24 hours been scrambling to make good their forward contracts for PRCs. This includes buying back forward contracts at significantly higher prices given that as soon as the pause was announced, the PRC price increased by as much as 30%. This significantly elevated risk of return on their sunk investment since the activity was first committed has shattered confidence in participation across the sector.

Major risks still need to be addressed in PDRS scheme design including transparency across schemes of upgrades that have taken place and incentives provided. In the current instance, the fact that it cannot be verified that STCS under the federal program have been created or not at a site for an eligible battery installation, means that it is not possible to ensure that dual creation has not occurred or cannot possibly occur in the future with PRC creation. Until such time as this is addressed, the risk of rapid activity pauses under the PDRS will continue to be a major risk factor especially for ACPs.

For more information regarding this submission, please email ESIA Executive Director, comns@esia.asn.au

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9 June 2025

Mr David Fredericks
Secretary
Department of Climate Change, Energy, the Environment and Water
Email to energysecurity@environment.nsw.gov.au

Dear Mr Fredericks

Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews 2025

Ergon Energy Queensland (EEQ) welcomes the opportunity to submit to the Department of Climate Change, Energy, the Environment and Water's (the Department's) *Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews 2025 - daft statutory review report*.

EEQ acknowledges that the Peak Demand Reduction Scheme (PDRS) seeks to improve network reliability by reducing peak demand in summer by requiring Scheme Participants (mainly electricity retailers) to surrender a certain number of Peak Reduction Certificates (PRCs) each year. Similarly, The NSW Energy Savings Scheme (ESS) works by creating financial incentives funded mainly by electricity retailers which aims to reduce energy consumption in NSW.

As the Department is aware, EEQ supplies electricity to ~400 small customers located in New South Wales (NSW). These customers are connected via the Queensland distribution network which crosses the border at Tenterfield. We note our NSW customer base receives subsidised retail tariff prices set for regional Queensland by the Queensland Competition Authority and is consequently, settled in Queensland.

Retailers calculate their liability under the PDRS based on the 20-week settlement run data from AEMO for the relevant ESS and PDRS periods for energy consumed in NSW. Given this, EEQ's settlement data received from AEMO consistently reflects zero-megawatt hour market purchases in NSW.[1] Further, liable acquisitions for the period between 2:30pm and 8:30pm AEST on the four peak days of the PDRS compliance period means EEQ must rely on a bespoke calculation to estimate the market purchases associated with the supply of electricity to a small number of NSW customers connected to the Queensland distribution network. Given EEQ's NSW customer base is settled in Queensland amongst other market purchases for the supply of electricity to Queensland customers, EEQ must rely on metering data to estimate its ESS liable acquisitions. This approach raises concerns

[1] Appendix 1

related to data integrity, accurateness of reported liability, inflated scheme liable demand and means the cost to comply with and report against each scheme exceeds the cost to supply our NSW customer base.

Given the small number of customers EEQ has in NSW together with the fact these customers are supplied via the Queensland network and settled in the Queensland market, EEQ recommends to the Department that market purchases for electricity supplied to NSW customers which is sourced from the Queensland distribution network be exempted from both the ESS and PDRS schemes. These customers have no impact on the NSW network (during peak events or otherwise) and fall outside the objectives of both schemes.

Should the Department wish to discuss this submission, please contact Andrea Wold, Manager Retail Policy, Compliance & Assurance via email andrea.wold@energyq.com.au to arrange a time to discuss.

Kind regards

Marissa Giacomantonio
General Manager Commercial Services

Telephone: 0437 342 319
Email: marissa.giacomantonio@energyq.com.au

Appendix 1

IPART Energy Sustainability Schemes

2023-24 Compliance Period

PDRS »

2023-24 PDRS Market Purchase Data

9 August 2024

Prepare your 2023-24 PDRS Individual Liable Demand now

This summary is provided to assist with your reporting obligations under the NSW Peak Demand Reduction Scheme (PDRS) for the 2023-24 compliance period (1 November 2023 – 31 March 2024).

Scheme participant	Ergon Energy Queensland Pty Ltd
ACN	ACN 121 177 802
Participant ID(s)	Not Applicable
Market purchases (MWh)	**0.000**

The **Market purchases (MWh)** figure represents your total gross electricity purchase from the market operator (AEMO) for the period 14:30 – 20:30 AEST on the four peak days of the 2023-24 PDRS compliance period.* If your market purchases are non-zero, a detailed breakdown of your market acquisitions by Participant ID (PID) is attached with this document for information.

What should you do next?

Calculate your liable acquisitions: Verify your market purchases against the AEMO data provided and determine any other liable acquisitions or exemptions

Complete your *Declaration of Liable Acquisitions*: Download and complete the *Declaration of Liable Acquisitions* template

Engage an auditor: If required, engage an auditor to audit the inputs to your *Declaration of Liable Acquisitions*

Lodge your PDRS Individual Liable Demand: Login to TESSA and lodge your Individual Liable Demand by **15 November 2024**

Please refer to the *Compliance Guide – Scheme Participants* for further guidance on your reporting and audit requirements, and instructions for completing your *Declaration of Liable Acquisitions*.

* Market purchases (MWh) is your gross electricity purchase from the market (XGENERGY) plus an allocation of unaccounted for energy (UFEA). It is equal to XGENERGY - UFEA based on conventions used to report XGENERGY and UFEA in AEMO's SETCPDATA table.

Progressive Green PTY LTD T/A Flow Power
ABN 27 130 175 343

NSW Peak Demand Reduction Scheme

Draft statutory review report

Flow Power submission

June 2025

Ground Floor, 109 Burwood Rd, Hawthorn, VIC 3122 hello@flowpower.com.au 1300 08 06 08 flowpower.com.au

About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that equip customers with greater information, visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Comments on draft statutory review report

Thank you for the opportunity to provide a submission on the draft statutory review of the PDRS.

We agree with the draft report's conclusion that the PDRS objectives remain valid. We also support the NSW Government's consideration of ways in which the scheme can be improved, including through adding new activities, including winter peaks, and extending peak windows.

As the draft report shows, the majority of PRCs created to date have been in relation to the commercial heat pump and refrigeration activities. While the scheme has added new activities and amended some existing ones, we agree with the report's conclusion that significant peak demand reduction opportunities remain. In our view, the largest untapped source of peak demand reduction opportunities in NSW is in the C&I sector. We have set out two potential opportunities below.

Opportunity 1: C&I batteries

One of the largest, mostly untapped, opportunities in NSW is the installation of batteries at commercial and industrial sites.

Residential and small business customers in NSW have access to multiple incentives to help overcome financial barriers to battery uptake. Specifically, the BESS1 and BESS2 activities in the PDRS provide incentives for residential and small business customers to install a battery and connect it to a VPP, and Federal Labor's *Cheaper Home Batteries program* will provide an additional installation incentive through the SRES. On the other end of the spectrum, grid-scale battery projects are variously supported through NSW Roadmap initiatives in combination with the federal Capacity Investment Scheme.

There are no explicit incentive programs for commercial and industrial battery uptake. Consequently, C&I battery investment in NSW is lagging and payback periods are longer than businesses typically accept.

However, the C&I sector is, overall, highly capable and incentivised to use batteries to respond to market signals that help drive peak demand reductions. The primary purpose of C&I batteries is to support the customer's own energy objectives, e.g. to reduce costs, maximise use of onsite solar and support reliability. These objectives align with grid reliability needs on a day-to-day basis and in critical grid events - charge when grid supply is abundant and prices are low, discharge or self-consume when grid supply is tight and prices are high.

To unlock the considerable potential for the C&I sector to contribute to peak demand reductions in NSW, we recommend that the NSW Government implement a new PDRS activity to support investment in C&I BESS. One way to do this would be to expand eligibility for the BESS1 and BESS2 activities to large customers and increase the upper capacity threshold to align with typical battery sizes for C&I customers (we suggest up to 500kWh). Alternatively, a new, singular activity could be created for C&I battery installation and market participation.

Opportunity 2: C&I demand response

We support the NSW Government's intention to include a C&I demand response activity in the PDRS. We also acknowledge the considerable amount of work that went into the development of the proposed WARM activity.

The WARM activity proposed to require participation in the WDRM. However, there are several well documented challenges with the WDRM. Further, the AEMC's review of the WDRM and the implementation of the Integrating Price Responsive Resources (IPRR) rule change have created considerable uncertainty about the future of the WDRM.

Given these challenges, we encourage the NSW Government to consider C&I demand response pathways that do not involve the use of the WDRM. Doing so would be consistent with the direction of the NEM Review, which is exploring ways to incentivise behind the meter demand response activities to participate in central dispatch, including through the IPRR mechanism.

We encourage the NSW Government to develop an activity that rewards C&I customers who can:

- demonstrate they have a retail arrangement that encourages reductions in energy use in peak periods, such as exposure to the spot price for electricity
- demonstrate the capability to reduce demand on call, before each peak demand period
- in future, demonstrate registration in AEMO's demand side participation portal and/or are registered under the IPRR mechanism's dispatch mode.

We would welcome the opportunity to work with the NSW Government to develop these two activities.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy and Corporate Affairs Manager

Flow Power

11 June 2025

NSW Department of Climate Change, Energy, the Environment and Water

Submitted Via email: energysecuroty@environment.nsw.gov.au

Dear Sir / Madam,

Re: Stanwell Corporation: 2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory review submission

Stanwell Corporation Limited (Stanwell) appreciates the opportunity to provide feedback to the NSW Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW) *2025 Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) statutory review.*

Stanwell is Queensland's leading provider of electricity and energy solutions to the National Electricity Market (NEM), and large energy users along the eastern seaboard of Australia. With over 40 years of continuous operations, Stanwell maintains a reliable supply of power from two of the most efficient and reliable coal-fired power stations in Australia - the Tarong power stations near Kingaroy and Stanwell Power Station near Rockhampton.

Stanwell's experience in working with communities to build, operate and maintain reliable energy generation assets is also being applied to the shift to renewable energy, as we work on a pipeline of renewable energy and storage projects throughout Queensland.

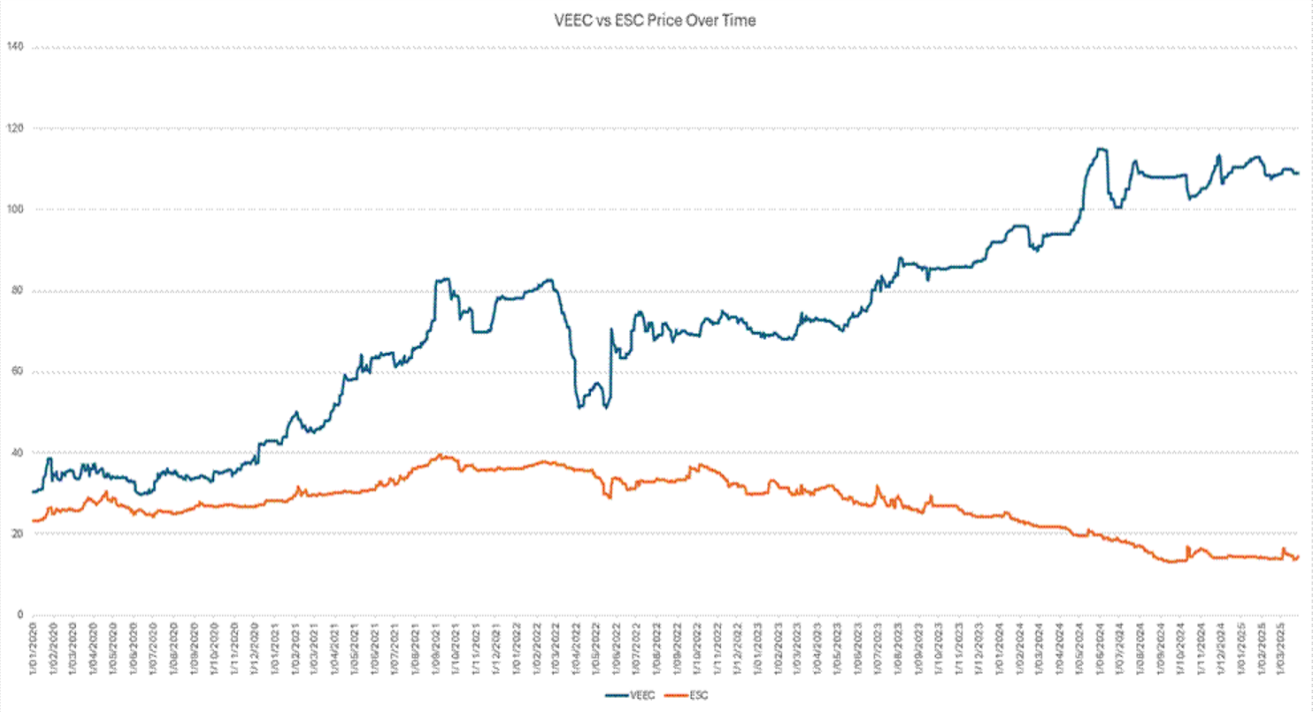
This submission contains the views of Stanwell only and should not be construed as indicative or representative of the views or policy of the Queensland Government.

Stanwell agrees that both the ESS and PDRS have functioned appropriately to date.

1. Energy Savings Scheme (ESS)

Stanwell recently provided feedback to the Victorian Energy Upgrades (VEU) Scheme Review. In our submission we highlighted some structural issues of the VEU, around liquidity and supply, which coincided with the removal of residential and building LED lighting activities on the 1 February 2023. This removed around 25% of total certificate creation, and with no replacement activities to cover this, a lack of liquidity and record high certificate prices occurred (see table 1).

Table 1 VEEC / ESC Spot Prices 3/01/2023 to 1/02/2025



The NSW ESS scheme is now embarking on a similar path, as indicated in the Energy Savings Scheme: Rule and Regulation Change 2025 consultation by:

Proposing to discontinue the Commercial Lighting Energy Savings Formula (CLESF) as "*this proposal aligns the ESS with the VEU*," [1] noting the CLESF provided around 30% of the ESS Certificates (ESCs) creation in 2023.

The integrity of any emissions reduction scheme is important. However, the key to success is to ensure that before CLESF is discontinued, any new alternative activities are sufficiently mature so that ESC price and supply continue to incentivise emissions reduction activities, balanced against minimising the financial impacts on customers' bills.

Rather than finding the "sweet spot", we see this as more about finding the "green spot". We strongly recommend a glide path of 12 months to allow current activities to cease organically and allow businesses to pivot and transition into new activities.

We strongly recommend that the Department consider learnings from the VEU scheme changes, as briefly noted above, and how these learnings could be applied to the proposed ESS reforms to better inform implementation decisions.

2. Peak Demand Reduction Scheme (PDRS)

Another impact to be considered is the financial cost of carrying Peak Demand Reduction Certificates. Certificate prices are currently low; however, as scheme targets and certificate prices increase, this has the potential to be a significant cost to customers, particularly commercial and industrial customers with a significant parcel being held for compliance.

Compliance timelines also impact the costs of carrying certificates. For example, a retail customer may churn at the end of calendar year 2024 and have a PDRS liability for the period 1 November to 31 December 2024. The retailer would need to report on the PDRS liability and surrender in its Annual PDRS Statement on the 12 March 2026 for this period. This would be 15 months or longer after the

[1] Energy Savings Scheme: Rule and Regulation Change 2025 at p.11

liability was accrued, potentially two financial years after occurring, making cost recovery from customers challenging and complicated. Stanwell recommends the Department look further into this as these costs over time will not be immaterial.

Stanwell suggests more PDRS information be available on the website, providing customers an understanding how liability is calculated, providing some comfort of the bill they will receive. This will be important in the coming years as the PDRS target increases significantly due to the incremental targeted increases. Stanwell acknowledges the scheme is still in its early stages and this is something that the Department could look to implement over time.

Conclusion:

Stanwell appreciates the chance to provide feedback on the consultation *2025 Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) statutory review.*

The biggest challenge is getting the balance between emissions reductions to meet the Scheme's objective, ensuring that price incentivises certificate creation, while also ensuring the financial impacts on customers and businesses do not outweigh the benefits of the program.

Stanwell is concerned with the unintended consequences of discontinuing CLESF. The removal of such a significant portion of current ESC supply without sufficiently mature replacement activities, could lead to market liquidity issues and high certificate prices, as evidenced by the VEU scheme.

A minimum transition period of at least 12 months would allow businesses to adapt as new activities come online. While it is important to protect the scheme's integrity and maintain the objectives, it is also important to reiterate that customers should not have to bear the financial brunt of a poorly implemented transition.

The Department needs to be cognisant of the cost of carrying PRCs, which potentially could be more than 15 months prior to surrendering for compliance. These costs are not trivial and will grow as PDRS targets increase. Stanwell suggests more PDRS information be made available on the website, giving customers clear understanding of how their liability is calculated, so that customers are aware of what to expect on their bills for the PDRS.

A cautious and measured approach, as outlined above, will benefit the ESS and PDRS in the long term.

Stanwell welcomes the opportunity to discuss further the matters outlined in this submission. Please don't hesitate to contact Brad Supple, Market Regulation Analyst, via email at Bradley.supple@stanwell.com

Yours sincerely

Lya McTaggart
Acting Manager
Market Policy and Regulatory Strategy
Energy Markets