

# Response to audience questions

3 November 2023

## Responses from the Office of Energy and Climate Change (OECC)

### **Can you please provide longer public consultation times for stakeholders to respond to public consultations? (eg ESS rule changes)**

- We provide a standard four-week period for stakeholders to provide feedback and receive most submissions within this timeframe. Stakeholders can request additional time, if needed, however we do need to ensure that we are able to finalise the rule changes in a timely manner.

### **What new activities are under consideration?**

- There are a number of new activities under consideration. If stakeholders have suggestions and data to provide on potential new activities then they can get in touch via [sustainability@environment.nsw.gov.au](mailto:sustainability@environment.nsw.gov.au).

### **Could you please provide an update on plans for phasing out lighting?**

- The deemed energy savings activities incentivising lighting upgrades will be part of the next ESS Rule change. The ability to include lighting upgrades in metered baseline and project impact assessment with measurement and verification calculations will remain.

### **For the ESS, are there any plans to increase targets or the shortfall penalty price?**

- The next statutory review for the ESS will be tabled in 2025 and the review process will commence in 2024. During this process the government will consider whether any changes to ESS targets or penalty rate are required.
- Under the Electricity Supply Act 1995 there are five conditions under which the Minister may recommend changing the ESS targets. These include because of significant change to the policy or regulatory framework or market conditions in the scheme, or because of an under or over-supply of certificates.
- The Minister may also change the penalty rate based on similar conditions.

### **Is there a plan for addressing concerns over ESC creation volumes over the next 12-18 months – there do not seem to be any new activities on the horizon.**

- ESS activities take time to mature and activity to grow. Improvements made to the project impact assessment with measurement and verification method in early 2023 are now bearing fruit, with a wide range of projects coming through. OECC is open to suggestions for new activities and will seek ideas from stakeholders in 2024.

### **If certificate creation in lighting is consistent and remains strong, does this not contradict the mean time to refurb approach being proposed for the phase out of lighting?**

- 
- No. The mean time to refurbish is tool to describe the turn-over rate of (in this case lighting) upgrades in different building types, or industry sectors. They illustrate the transition from one normal set of practices to another. Using a 10-year refurb cycle in lighting as an example, at the start of the cycle 100% of sodium vapour lights would be replaced with sodium vapour lights. At the end of the cycle, 100% of sodium vapor lights would be replaced by the new LED technology. With limited imports of the old lighting and LEDs as the now dominant lighting technology, each of the refurb cycles is coming to a natural end point. It's a different concept to the availability of upgrades.

**New PDRS rule indicates that all ACs for HVAC1 and HVAC3 must have an integrated internet connection. An Aircon link externally installed should also be considered valid.**

- For demand response of air conditioners under proposed HVAC3, external controllers are considered a valid way to do demand response as long as internet connection and demand response of the air conditioner can be demonstrated. For proposed HVAC1 and 2, the intent is for air conditioners to have the functionality to be remotely controlled in the same way almost all batteries on the market come with that functionality. The additional cost of a third party external controller is a barrier for the average household to get involved in demand response.

**Are replacement of cooktops under consideration?**

- Cooktops are currently not under consideration due to the limited energy savings and peak demand savings available, however we are open to any data that stakeholders can provide that outlines the savings available from high efficiency cooktops.

**How does the battery installation work in residential space?**

- The battery needs to be installed in line with the requirements listed in the PDRS rule, which includes the requirement that the battery is installed in line with the relevant standard by a suitably licenced and accredited person. There are also limitations on the battery capacity, product installed and a requirement that the household needs to have solar installed.

**Clearly insulation is a major issue for the entire country not just NSW. Will regulators start to push hard and ensure something happens?**

- OECC is investigating re-activating the three insulation activities in the ESS Rule. There is plenty of work to be done before this can happen, including the delivery of a Certified Insulation Installer program by the Energy Efficiency Council (EEC), and a review of risk and WH&S policies and procedures.

**Electrification & impact on mining industry. Our demand for copper will rocket in the next 10-20 years. What plans are there to improve energy efficiency in mining sector?**

- Energy savings certificates have already been created for mining jobs through improvements in the energy use per unit of production. The project impact assessment with measurement and verification method is ideal for calculating industrial energy savings in sectors like mining.

**Good to see compressed air in the future considerations. Have you considered cool & freezer rooms for a simpler, deemed activity? Eg bundling EEVs, EC fans, refrigerants etc.**

- No. OECC is open to suggestions for new activities and will seek ideas from stakeholders in 2024.

---

**ESCs replacing Pool Pumps were great until GEMS registry changed Star Rating Criteria recently, now the highest star rating is 6 stars. Will there be any changes on pool pumps for ESC creation 2024?**

- In early 2024, OECC will consult on proposed changes to the ESS pool pump activity. Changes are required as the ESS Rule refers to star ratings in accordance with an outdated standard. The proposed changes are expected to increase the available incentives and make it easier for ACPs to participate.

**If an ACP ceases to exist, will the NSW Govt step in to honour warranty obligations on products like heat pumps?**

- OECC is investigating warranty requirements for products under the ESS. ACPs undergo a rigorous process to become accredited, are audited regularly and have a code of conduct that they must abide to.

**If we have an over incentivised baseline activity currently operating in the program, why are we still waiting to have changes announced and implemented.**

- The rule change transition period needs to balance risk. The timing of the changes to the baselines and co-payments needs to allow ACPs to fulfill existing contracts and provide IPART with sufficient time to make the required administrative changes.

**What is the right balance between protecting commercial interests in delaying rule changes, and ensuring cost effective outcomes for bill payers by correcting clear rule issues (eg over incentives)?**

- A flexible regulatory framework is needed to adapt to evolving situations that require rule changes. Finding the right balance involves collaboration across stakeholders, careful consideration of scheme objectives, market dynamics, and IPART's administrative and regulatory functions.

**What work is being done to make it easier for ACPs to calculate yields for all of the various schemes?**

- The Safeguard Digital team at OECC has developed the Safeguard Estimator, a web-based tool that ACPs can use to estimate how many certificates (ESCs and PRCs) they can generate for an activity carried out through the Energy Savings Scheme and the Peak Demand Reduction Scheme. ACPs can assess the number of certificates that can be generated for different brands and models of equipment and check that they meet eligibility requirements for generating certificates for an activity.
- The Estimator includes the 7 activities that are common across the ESS and PDRS:
  1. HVAC1 (D16): Install a new or replace an existing air conditioner with a high efficiency air conditioner (Residential and small business)
  2. RF1 (C1): Remove a spare refrigerator or freezer (Residential and small business)
  3. SYS2 (D5): Replace an existing pool pump with a high efficiency pool pump (Residential and small business)
  4. HVAC2 (F4): Install a new or replace an existing air conditioner with a high efficiency air conditioner (Commercial)

- 
5. WH1 (F16): Replace hot water boiler/s or water heater/s with one or more air source heat pump water heater system (Commercial)
  6. RF2 (F1): Install a new or replace an existing refrigerated cabinet (Commercial)
  7. SYS1 (F7): Install a new or replace an existing refrigeration or ventilation motor with a high efficiency motor (Commercial)

This enables ACPs that have done or are planning implementations under the ESS to estimate how many PRCs can be generated for the same projects.

- The Estimator also includes 4 ESS-only activities for households and small businesses to replace an existing gas or electric water heater with an air source heat pump or with a solar electric boosted water heater:
  1. D17: Replace an existing electric water heater with an (air source) heat pump water heater
  2. D19: Replace an existing gas water heater with an air source heat pump water heater
  3. D18: Replace an existing electric water heater with a solar (electric boosted) water heater
  4. D20: Replace an existing gas water heater with a solar (electric boosted) water heater
- In the pipeline is the inclusion of the new PDRS activities (BESS1, BESS2, HVAC3 and WARM) which will support ACPs in their uptake of these activities.

**Does the Department plan to undertake an evaluation of the program, including impacts and forecasting?**

- Yes. The next statutory review for the ESS and PDRS is due to be tabled by the Minister in 2025 and the process will commence in 2024. This will include an evaluation of the schemes.

**How is the efficacy of public programs being measured / managed without data (smart meters)?**

- The efficacy of the ESS is measured through the 5-yearly statutory review process that considers the extent to which policy objectives are being met. This process is supported by modelling of the scheme and its impact. The 2020 Final Statutory Review Report is available online at: [https://www.energy.nsw.gov.au/sites/default/files/2022-08/2020\\_06\\_ESS\\_FinalStatutoryReviewReport2020.pdf](https://www.energy.nsw.gov.au/sites/default/files/2022-08/2020_06_ESS_FinalStatutoryReviewReport2020.pdf). This provides more detail on how the scheme was evaluated during the last review.