



Submission by

Alternative Technology Association

on the

***Regulatory Impact Statement for the Victorian Energy
Efficiency Target Regulations***

15th April 2011

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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

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1.0 Introduction

The Alternative Technology Association (ATA) welcomes the opportunity to respond to the Victorian Government's *Regulatory Impact Statement* for the Victorian Energy Efficiency Target (VEET) Regulations.

ATA is a national community-based, not-for-profit organisation representing consumers in the renewable energy and energy efficiency marketplace. The organisation was established in 1980 to empower our community to develop and share sustainable solutions and to promote the uptake of sustainable technologies. The organisation currently provides service to approximately 6,000 members nationally (over 2,500 in Victoria) who are actively engaged with small, medium and large scale renewable energy projects, energy efficiency and the national electricity market.

1.1 ATA Expertise

The ATA are well positioned to comment on the VEET scheme, with our members having been proactively involved with installing and utilising energy efficient products and practices for the past 30 years.

The overwhelming evidence from ATA members during this 30 year period is that end-use energy efficiency is a highly effective tool for reducing cost and greenhouse gas emissions:

- Energy efficiency drives down electricity bills for households and businesses with very short payback periods.
- Energy efficiency delivers a low or no cost environmental outcome by reducing fossil fuel energy consumption.
- Energy efficiency leads to greater consumer awareness of energy management within a building or premise.
- Energy efficiency raises consumer awareness of more sustainable technologies in both the energy and other sectors.
- Energy Efficiency raises consumer awareness of simple and effective behaviour change opportunities that can lead to further significant economic and environmental benefits.

1.2 Policy Context

Electricity prices continue to rise nationally. Nowhere is this more significant than in Victoria, with a multitude of factors contributing to ongoing cost increases:

- Overinvestment in distribution networks, with the five Victorian Distribution Network Service Providers (DNSPs) currently challenging the AER's cost recovery determination for the 2011 – 2015 regulatory reset period;
- Cost blowouts, and the lack of associated benefits being delivered to consumers, under the Victorian Government's Advanced Metering Infrastructure (AMI) roll out;
- Initial costs beginning to flow from the Australian Government's increased investment in renewable energy nationally through the Renewable Energy Target (RET).

Energy efficiency is critical for all households (and in particular low income households – up to 40% of Victorian electricity consumers), and small to medium businesses, to offset these current and future electricity price rises.

In this regard, the ATA notes that the current Victorian Government was elected on a strong ‘cost of living’ platform. No sector in the Australian economy is more important with respect to cost of living than energy, and energy efficiency is the single biggest opportunity any Australian government has to assist consumers to reduce the impacts of rising electricity prices in the short and longer term.

1.3 Importance of VEET

Improving energy efficiency is critical to helping reduce the Victorian economy’s dependence on pollution in a cost effective and economically responsible manner and the VEET scheme has demonstrated success in this area, with a documented 5 Mt CO₂-e already abated.

Recent estimates by *ClimateWorks* demonstrate that strong efforts to improve energy efficiency could reduce Australia’s greenhouse gas emissions by as much as 50 million tonnes CO₂ a year by 2020, at a net saving to the economy of \$5 billion.¹

With smart policies, such as the Energy Saver Incentive, the Victorian Government can help to ensure Victoria gets its fair share of these pollution and financial savings.

Investing in energy efficiency is also important to ease economic adjustment, manage risks (particularly in relation to uncertain long-run carbon and energy prices), boost public confidence, and in some cases – support greater public engagement and action.

The Energy Saver Incentive is also an important tool to help develop Victoria’s emerging clean energy industry, including energy service companies and clean technology providers. These companies have been gearing up for the expansion of the scheme and the introduction of other energy efficiency initiatives, including through the employment of new staff.

A decision not to expand the scheme would undermine the development of these low pollution industries, which have such an important role to play as Victoria transitions to a low pollution economy.

¹ ClimateWorks (2010), *Low Pollution Growth Plan for Australia*, http://www.climateworksaustralia.org/low_carbon_growth_plan.html

2.0 Specific Comment on the RIS

2.1 Target

ATA **strongly supports** the proposal to expand the VEET scheme through a stronger target.

With respect to the 2012 – 2014 target, ATA recommends the government adopt the strongest target under consideration as a minimum (i.e. 5.4 Mt CO₂-e). This is equivalent to doubling the current target.

As noted in the Regulatory Impact Statement, doubling the target would provide the most significant net benefits to Victorian households and businesses, and the economy as a whole. Indeed, based on the modelling undertaken for the RIS, it is estimated that doubling the target would provide a net economic benefit valued at over \$2.6 billion over the period 2011-2030.

ATA would also strongly recommend the Victorian Government consider the modelling associated with a tripling of the scheme's target. Given the evidence of a relatively constant increasing cost – benefit ratio associated with each higher scheme target, ATA believes that a tripling of the scheme could deliver significantly greater benefits to Victorian electricity consumers in a shorter timeframe. With respect to the impact of a target tripling on certificate price, this may be satisfactorily addressed by the expansion on the supply side into the commercial sector.

The key benefit of a higher target is the greater demand for energy savings, which helps to unlock energy efficiency options which may require higher up front capital investments. It is many of these investments however that would deliver the greatest returns on investment. For Victoria to realise its full energy savings potential, the VEET scheme should be aiming to unlock these more substantial opportunities.

2.2 Sector Coverage

ATA also **strongly supports** the proposal to expand the coverage of the VEET scheme to include small and medium enterprises (SMEs).

It is widely recognised that these businesses have significant opportunities for improving their energy efficiency, and many commercial ATA members are testament to this. Given the particular importance of SMEs to the Victorian economy with respect to jobs, expanding VEET to include these businesses will help to reduce their energy bills, and greatly assist with longer term adjustment to a low pollution economy.

2.3 Low Income Households

The 2012 – 2014 period of VEET also provides an opportunity to ensure the program delivers the maximum benefits to low income households. It is well documented that low income households are impacted most by rising energy costs, but are least able to invest in energy efficiency.

There are numerous ways VEET can be used to deliver energy and financial savings to these households, including by the mandatory reservation of certificate creation from investments in low income households, and/or by providing additional financial support to support activities in these households.

2.4 Broader Policy Imperatives and Opportunities

The Victorian Government's VEET scheme aligns well with its commitment to reducing Victoria's greenhouse gas emissions by 20% by the year 2020. There is no easier and cheaper way to deliver greenhouse abatement across the Victorian economy than through energy efficiency.

It is also well documented and understood that whilst carbon pricing is critical to achieving broad sector cuts in greenhouse intensive economic activity, a carbon price alone cannot deliver on the enormous opportunities presented by energy efficiency, both in Victoria and nationally.

This is reflected in the work undertaken in 2010 by the Prime Minister's Taskforce on Energy Efficiency. A key recommendation of this Taskforce was to develop a single, national energy efficiency scheme that built on the successes of the three existing state-based schemes (in Victoria, South Australia and New South Wales).

Given the success of the first phase of VEET, the opportunities for expansion and the significant benefits to electricity consumers that will flow from an expanded scheme, the Victorian Government has a real opportunity to take a leadership role in this policy area, demonstrating existing successes and advocating for a strong energy efficiency policy at a national level.

3.0 Further Contact

Thank you for the opportunity to submit to this review. Should you have any questions regarding the content of this submission, feel free to contact me on (mobile) 0412 254 200 or (tel) 9631 5404.

Yours sincerely,



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