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Lodged via email: sustainability@environment.nsw.gov.au

Clean Energy Council Submission to NSW Energy Savings Scheme Consultation Paper

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback to NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) Energy Savings Scheme (ESS) Consultation Paper.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as a range of stakeholders in the National Electricity Market (NEM), to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

Last year, the CEC released its *Consumer Energy Resources Roadmap*¹. This document highlighted that effective policies empowering consumers to self-generate, manage their energy consumption, and support the broader grid could deliver \$22.4 billion in benefits to all consumers. These benefits are twofold: they provide direct savings to households and businesses by reducing their overall energy costs, while also benefiting the wider energy system through improved network utilisation, which ultimately lowers costs for all energy users.

The CEC's Roadmap outlines policy themes and includes 16 recommendations, one of which specifically calls for the implementation of a nationally based energy productivity scheme. The purpose of such a scheme is to encourage the adoption of Consumer Energy Resources (CER) products and services as part of the electrification of homes and businesses. Furthermore, it aims to leverage operational efficiencies by harmonising various certificate-based energy efficiency schemes already in place, such as the ESS.

¹ [powering-homes-empowering-people-cer-roadmap.pdf](#)

In this context, we support changes that aim to align the Victoria Energy Upgrade (VEU) program with ESS. Harmonising energy efficiency certificate schemes is essential to ensure efficient, least-cost outcomes for consumers. By incorporating the best features from various schemes, it enables market flexibility, encourages competition, and enhances transparency. This creates a liquid certificate market, driving innovation, reducing costs, and fostering sustainable energy transitions while safeguarding consumer interests.

As the energy landscape evolves, it is important for the ESS program to keep up with consumer preferences. The Consultation Paper notes an objective of the engagement is to update the program by adding new technologies and making enhancements to maintain the integrity. As such, the CEC makes the following recommendations as part of the consultation for the consideration by DCCEEW.

New technology

New technology

The CEC recommends that the ESS consider capturing solar PV hot water diverters and real time water heating demand response.

Solar hot water diverters are devices that use excess solar energy generated from rooftop solar systems to heat water, reducing household reliance on grid electricity. They work by directing surplus solar power to an electric hot water system during peak sunlight hours. This helps reduce electricity cost for consumers and also assists the electrical distribution network by increasing network PV hosting capacity. This reduces carbon emissions by utilising rooftop and wider network level renewable energy, in line with the objective of ESS. An added benefit of many cloud-based water heating technologies that have two way communication, is that not only can household rooftop PV be considered for household water heating, but the distribution network real time renewable supply can equally be considered. Using demand response water heating coupled with PV water heating, it is possible to significantly assist all households (even ones without rooftop PV) to save electricity costs whilst assisting grid voltage and frequency stability, accelerating the transition to 100% renewables.

However, water heating designs and integration of rooftop PV and grid demand response need to be carefully considered to ensure water heater manufacturer's warranty are maintained and adverse power quality issues are not evident in the wider electrical distribution network. Some water heater manufacturers do not support inline PV/demand response diverters, as they can affect the system's performance and may not comply with the warranty terms. However, there is a growing volume of water heaters entering the market that have been specifically designed to optimise excess rooftop PV, also offering the ability for grid demand response. Hence, the CEC suggests that DCCEEW's Energy Savings Scheme team, work with the industry to address issues associated with warranties and potential adverse impacts of inline diverters such that the real-world benefits of PV and demand response water heating can be realised by the NSW community.

Integrity and consumer protection

The CEC recommends the inclusion of the New Energy Technology Consumer Code (NETCC) for retailers participating in the ESS program².

NETCC is a set of standards designed to protect consumers when purchasing new energy technology products and services and currently has over 1,700 signatories. The industry sees the NETCC as an effective approach to inform consumers about their rights and afford them greater choice and protection. The inclusion of the NETCC under ESS will boost consumer confidence and participation in the ESS.

Specifically, the NETCC sets out rules for fair trading, transparent marketing, and the provision of reliable products and services, which directly aligns with the objective of integrity of the ESS. With the NETCC in place, consumers can be confident that the energy-saving solutions they invest in are of high quality and meet good standards. This can support more accurate and verifiable energy savings. This transparency and accountability will also facilitate better monitoring and enforcement within the ESS.

The NETCC has successfully been included as a requirement in State Government programs, including Victoria's Solar Homes, Tasmania's Energy Saver Loan Scheme, and the ACT's Next Gen Battery Storage Program. Within these schemes, the inclusion of Approved Retailers through the Code has promoted trust for customers participating in the scheme and has ensured high quality products are being installed in households.

Addressing specific questions in the Consultation Paper

Proposal 1: Discontinue the Commercial Lighting Energy Savings Formula (CLESF) calculation method 6 months after the amended Rule is gazetted

Through our member feedback, the CEC supports the proposal to discontinue the CLESF and provide a 6-month transition period to allow the industry to complete existing orders and better manage existing stock.

The CEC supports keeping lighting upgrades for residential customers under the Home Energy Efficiency Retrofits (HEER) program as we do not believe they have been fully exhausted. This means there is still untapped potential for energy savings. Maintaining this activity would continue to provide opportunities for households to take advantage of the activity to reduce energy consumption and lower bills as well as support the liquidity of the program.

² [NETCC | Consumer protection standards for solar, batteries & more](#)

Proposal 2: Discontinue gas boiler installation/replacement activities

The CEC is supportive of the proposed change to discontinue gas boiler installation/replacement activities. This proposal will ensure the updated certificate conversion factors in the ESS does not incentivise additional investments in new gas assets and aligns with commitments outlined in the NSW Consumer Energy Strategy (i.e. Action 9 and 50)³.

Proposal 3: Require ACPs to provide customers with a minimum 5-year whole-of-system product warranty for all heat pump hot water systems eligible for ESS incentives

The CEC supports the proposal to align with the VEU and require ACPs to provide a minimum 5-year warranty requirement on all heat pump hot water systems. Providing consumers with a 5-year warranty on all heat pumps ensures confidence in the product's longevity and performance, promoting trust and therefore uptake of the activity by consumers. It also incentivises industry to deliver quality and reliable systems, while protecting consumers from unexpected repair costs over a reasonable time.

Proposal 4: Suspend eligibility for ESS incentives of Integral Refrigerated Display Cabinets under F1.2 – Replace an existing refrigerated display cabinet

The CEC supports the suspension but recommends that IPART conduct a comprehensive review to identify key concerns. This review should focus on evaluating current practices and identify potential solutions to build confidence in the modelling of savings as well as improved quality of products and suitability of installations.

Proposal 5: Discontinue the Sale of New Appliances (SONA) calculation method 3 months after the amended Rule is gazetted

The CEC does not support the discontinuation of the SONA calculation.

The proposal is based on predominately a 2018 study which is now some seven years old and the awareness of ESS and the economic environment were significantly different back then. With higher awareness of ESS now compared to 2018, the discontinuation could negatively impact consumers, particularly amidst an existing cost-of-living economic environment. The SONA calculation helps balance energy efficiency goals with affordability, ensuring that consumers can access higher energy-efficient appliances without facing financial strain. Removing this calculation may lead to higher upfront costs for consumers, potentially deterring them from upgrading to more efficient models, which could ultimately increase long-term energy expenses.

Proposal 6: Enable NABERS baseline method for schools and retail stores

CEC is supportive of this proposal.

³ [Consumer Energy Strategy | NSW Climate and Energy Action](#)

Heat pump hot water system activities: market state

As the Consultation Paper points out, heat pumps are an important aspect of the scheme with high take up rates. It is important to get right the compliance and consumer protection arrangements to underpin heat pump hot water systems.

The CEC recommends that IPART conduct similar activities as Solar Victoria to improve the quality of heat pump hot water systems. Specifically, in March 2024, Solar Victoria, alongside the Essential Services Commission, the Victorian Building Authority, Energy Safe Victoria, and WorkSafe Victoria, initiated increased site inspections and audits to ensure safe and compliant installations. They identified common issues such as inadequate insulation, improper switchboard wiring, unsafe pressure relief valve terminations, and unsecured water tanks. To address these, Solar Victoria released a hot water audit checklist and technical guidance sheets to aid installers in meeting safety and quality standards⁴.

The CEC also supports the development of a consumer guide that educates consumers on proper maintenance, usage, and troubleshooting to prevent common mistakes that lead to system failures. The consumer guide can be supported by an IPART online resource that can guide consumers through ensuring longevity and efficiency.

Telemarketing and door-knocking campaigns

The CEC notes the potential value of banning telemarketing and doorknocking in NSW to align with the VEU ban.

However, one likely unintended consequence from banning telemarketing and doorknocking is that these sales channels are an effective and low-cost way of raising consumer awareness of the ESS. As such, the CEC recommended that there is an opportunity to use Services NSW high brand awareness and trust to run a well-targeted digital and media campaign to raise awareness about ESS, ensuring consumers have access to necessary information. By utilising Service NSW online platforms, public service announcements, and community outreach, there is an opportunity to maintain consumer protection while promoting ESS. The government can also work with local councils to seek out opportunities in raising the awareness of the scheme to communities.

⁴ [Hot water audit checklist and guidance | solar.vic.gov.au](https://solar.vic.gov.au/hot-water-audit-checklist-and-guidance)

If you have any queries or would like to discuss the submission in more detail, please contact me (christodoulidis@cleanenergycouncil.org.au).

Kind regards,

A handwritten signature in black ink, reading "Christodoulidis". The script is cursive and fluid, with the first letter 'C' being particularly large and stylized.

Con Hristodoulidis
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Clean Energy Council