

David Blowers
Energy Sector Development Division
Department of State Development, Business and Innovation
GPO Box 4440
MELBOURNE VIC 3001
email: Esi.Review@dpi.vic.gov.au



EAGA
EASTERN ALLIANCE FOR
GREENHOUSE ACTION
Maroondah City Council
Braeside Ave
Ringwood VIC 3134
www.eaga.com.au
Ph: 03 9298 4250
Mob: 0431 133 592

5th July 2013

Dear Mr Blowers,

Re: ESI Issues Paper (June 2013)

The Eastern Alliance for Greenhouse Action (EAGA) welcomes the opportunity to respond to the Department of State Development, Business and Innovation's (DSDBI) Issues Paper relating to the Victorian Energy Saver Incentive (ESI) scheme.

EAGA is a formal Alliance of seven Councils in Melbourne's East, including:

- City of Boroondara
- Knox City Council
- Maroondah City Council
- City of Monash
- City of Stonnington
- City of Whitehorse
- Yarra Ranges Council

The Alliance is committed to delivering mitigation and adaptation projects and advocating for initiatives that promote sustainable, low carbon communities. Our Councils recognise the importance of market based mechanisms in overcoming the barriers to energy efficiency and therefore have a significant interest in the continuation and long term sustainability of the ESI scheme. We therefore urge the Government to consider the following recommendations in revising the regulations that support the scheme:

1. *The scheme should be continued with a robust target and appropriate mix of prescribed activities*

In the absence of the ESI, many of Council's programs and initiatives would not have been implemented. EAGA's experience in the delivery of the *Live Green with LESS* program is a prime example. Over the past six months, the program has helped over 1000 households across the region reduce their energy consumption and save money through the installation of VEEC subsidised products. However, the program has recently been prematurely suspended as it has become financially unviable for EAGA's project partner, Lower Energy Supplies and Services, to continue service delivery in the residential sector.

The justification for the suspension of the program is the low VEEC price. As the VEET target has been achieved for this year, demand for certificates has plummeted and prices have slumped to approximately half of those observed



EAGA

EASTERN ALLIANCE FOR
GREENHOUSE ACTION
Maroondah City Council
Braeside Ave
Ringwood VIC 3134
www.eaga.com.au
Ph: 03 9298 4250
Mob: 0431 133 592

at the program inception in November 2012. It is broadly accepted that the over-supply of certificates from standby power control devices are the reason why the target has been met with such ease. This demonstrates that while white certificate schemes are critical for facilitating the delivery of energy efficiency programs for households and businesses, unless a robust target is set (supported by an appropriate mix of certificate generating activities) the ongoing financial sustainability of market participants will be at risk.

2. Consistent, ongoing support for street lights is critical for Councils and rate payers

EAGA applauds the State Government for the recent legislative amendments enabling street lights to be included in the ESI. Emissions from the region's 53,223 street lights represent 40% of the combined footprint of EAGA's members, however accessing the necessary capital required to replace the region's street lights with energy efficient alternatives remains a key challenge of EAGA's Councils.

Whilst a few of the Alliance's members are currently undertaking or planning retrofit programs, it is estimated between 6,600 and 14,250 additional lights could be replaced in the region if these projects could capture a VEEC subsidy¹. The benefits of subsidised street lights replacements are self-evident in NSW where Richmond Valley and Clarence Valley Councils have recently undertaken bulk street light retrofits that would have not otherwise taken place in the absence of the NSW Energy Saving Scheme (ESS).

Importantly, the continuation of the ESI provides the Victorian State Government with the opportunity to fulfil their 2010 election commitment to assist Councils and ratepayers reduce their electricity costs. It also provides an ideal mechanism for the Government to supplant the support for street light replacements that it withdrew through the cancellation of the *Green Light Plan* in 2012.

Long term, consistent support for street lighting energy efficiency will assist Councils to keep downward pressure on rates. Whilst EAGA recognises that some costs of the ESI may be passed through to end users by retailers, the overall benefits of reducing demand outweigh this potential increase. A recent report released via the AEMO National Electricity Forecasting Report² in late June 2013, forecasts demand to decrease by 2.4% across the national market. This decrease is attributed to energy efficiency and solar and suggests that few, if any, costly network upgrades will be required in the near future. This should translate to a counteractive downward pressure on energy prices for end users as network costs typically represent the bulk of price increases.

¹ Based on analysis by Ironbark Sustainability. Assumes VEEC price between \$14 - \$30 and T5 replacements

² From AEMC Electricity Price Trends Report: 1 July 2012 – 30 June 2015, Victoria Electricity price trends to FY15, March 2013



EAGA

EASTERN ALLIANCE FOR
GREENHOUSE ACTION
Maroondah City Council
Braeside Ave
Ringwood VIC 3134
www.eaga.com.au
Ph: 03 9298 4250
Mob: 0431 133 592

3. *The ESI is complimentary to other policy measures*

The importance of the ESI as a complimentary measure to the carbon price should not be underestimated. Research published by ClimateWorks Australia identifies that an additional 12 MtCO₂e abatement could be unlocked through ESI programs if implemented nationally³. To date, the carbon price alone has not assisted EAGA's households, businesses and Councils to reduce their energy consumption – this assistance has instead been provided by complimentary programs that operate in concert with the carbon price to more effectively overcome the barriers to energy efficiency. Intelligent program design and smart implementation will be critical for unlocking the full potential of the next phase of the ESI. It is essential that the lessons learned from the ESI to date are incorporated into future iterations of its programs to ensure they best meet the needs of all stakeholders.

The EAGA is willing to work with the State Government and the DSDBI to ensure that consistent and robust approaches to energy efficiency are adopted. This includes working collaboratively to find alternate ways to access finance (such as energy efficiency loans) to unlock the energy savings available to households, businesses and Councils.

Kind regards,

Cr Maria McCarthy
Executive Chair
Eastern Alliance for Greenhouse Action
Councillor, Yarra Ranges Council

³ ClimateWorks Australia, 2011, "Impact of the carbon price package", revised edition.