



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

Mark Feather  
Executive Director  
Energy Sector Development Branch  
Department of Economic Development, Jobs, Transport and Resources  
Level 10, 121 Exhibition Street  
MELBOURNE 3000

Online: [www.energyandresources.vic.gov.au](http://www.energyandresources.vic.gov.au)

18<sup>th</sup> May 2015

Dear Mr Feather,

**Re: Review of the Victorian Energy Efficiency Target (VEET) scheme**

The Eastern Alliance for Greenhouse Action (EAGA) welcomes the opportunity to respond to the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) Issues Paper relating to the Victorian Energy Efficiency Target (VEET) 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

EAGA 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 VEET program. We therefore urge the Government to consider the following responses to the questions posed in the issues paper:

***1. What should the new VEET target be?***

The scheme should adopt an ambitious and robust target that provides strong support for VEET subsidised programs and the greatest long term certainty for market participants. EAGA's experience

in the delivery of our *Live Green with LESS* program is a prime example of how a failure in the VEET market resulted in the premature suspension of a Council lead initiative. Between November 2012 and July 2013, the *Live Green with LESS* project helped over 1400 households across the region to reduce their energy consumption and save money through the installation of VEEC subsidised products. However, the program became financially unviable for EAGA's project partner, Lower Energy Supplies and Services, to continue service delivery when the certificate price slumped to approximately half of the value at the time of the program's inception.

It was broadly accepted that the over-supply of certificates from standby power control devices were the reason why the target was being 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. Consequently, EAGA supports the highest proposed target of 6.2 million tonnes CO<sub>2</sub>-e per year for five years.

***6. Should the VEET scheme be amended to better ensure support for low income households?***

Rather than amendments to the scheme itself, EAGA supports the establishment of appropriate complimentary measures that can facilitate greater uptake of energy efficiency in disadvantaged segments of the community. A suite of existing council lead programs (such as those funded through the Federal Government's Low Income Energy Efficiency Program) have demonstrated that this is best achieved by leveraging existing engagement channels, such as council home and community care services. Capacity building for those working in the sector would be a welcomed and targeted value-added approach to fast tracking support for low income households. The development of the State's Energy Efficiency and Productivity plan provides the ideal mechanism for the implementation of such complementary interventions.

***8. Please suggest up to five activities that should be prioritised for revision or introduction to the VEET scheme.***

During the consultation workshop (April 16<sup>th</sup> 2015), DEDJTR indicated that Project Based Assessments (PBA) will be included in the program in 2017. Whilst EAGA supports harmonising the program with the NSW Energy Saving Scheme (ESS) through the inclusion of PBAs, we urge the Government to implement the change immediately, rather than delaying this opportunity for another +1.5 years. This will be critical for councils who are currently planning public lighting replacement programs who might otherwise benefit from the availability of PBAs. Emissions from the region's 56,084 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 some of the Alliance's members are currently undertaking or planning street light retrofit programs, it is estimated between 3,020 and 6,471 additional lights could be replaced in the region if these projects could capture a VEEC subsidy.<sup>1</sup> Such incentives are expected to be critical for fast tracking the deployment of efficient lighting on the Victoria's main roads.

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<sup>1</sup> Based on analysis by Ironbark Sustainability. Assumes VEEC price between \$14 - \$30, deemed over 10 years

In addition, four of EAGA's councils are currently planning to undertake a joint energy performance contracting (EPC) program. EAGA therefore strongly supports a project based assessment approach that includes EPCs and allows for forward creation of certificates which can generate additional up-front funds for a project to help offset some of the capital costs. This would allow more energy efficiency measures to be implemented and bundled into a holistic EPC solution.

Long term, consistent support for street lighting and building energy efficiency will assist Councils to keep downward pressure on rates. Whilst EAGA recognises that some costs of the VEET may be passed through to end users by retailers, the overall long term benefits of reducing demand outweigh this potential increase.

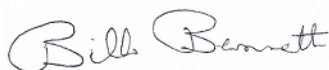
**9. Please suggest up to three changes which should be made to improve the VEET scheme.**

EAGA recommends the establishment of a VEET Providers binding Code of Conduct, similar to that developed for the solar PV industry.<sup>2</sup> As a trusted source of information, councils are often approached by community members who are concerned about 'door knockers' or seeking further assurance regarding the legitimacy or quality of a particular VEET offer. Establishing a code of conduct would assist consumers make more informed decisions, ensure market participants are operating ethically and develop greater confidence in the sector.

Additionally, inclusion of a product in the VEET program should reflect high performance and quality of the product. Inclusion of underperforming products and providers in this program reflects poorly on the energy efficiency industry and the State Government.

EAGA is willing to work with the State Government and the DEDJTR team to ensure that consistent and robust approaches to energy efficiency are adopted. This includes working collaboratively to implement programs that unlock the energy savings available to households, businesses and Councils.

Kind regards,



Cr Bill Bennett  
Executive Chair  
Eastern Alliance for Greenhouse Action  
Councillor, City of Whitehorse



<sup>2</sup> <http://www.solaraccreditation.com.au/retailers.html>