



energy savings
Industry Association

**ESIA Submission:
NSW Government
Energy Savings Scheme and Peak Demand
Reduction Scheme Statutory Reviews 2025
Draft Reports Consultation**

11 June 2025

Submitted to Department of Climate Change, Energy, Environment and Water
New South Wales Government, energysecurity@environment.nsw.gov.au

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Table of Contents

1.	Introduction	3
2.	Overarching comment in the ESIA responses	4
2.1	For the ESS and PDRS	4
3.	Consultation questions and ESIA responses	4
3.1	For the ESS.....	4
3.2	For the PDRS.....	6

1. Introduction

The Energy Savings Industry Association (ESIA) welcomes the opportunity to provide this submission to the New South Wales Government for the **NSW Energy Savings Scheme and Peak Demand Reduction Scheme Statutory Reviews 2025 DRAFT Reports** which commenced on **22 May 2025**. This consultation is being managed by the **Department of Climate Change, Energy, Environment and Water, New South Wales Government**.

The ESIA has referred to:

- <https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/energy-security-safeguard/review-and-reform>
- ESS <https://www.energy.nsw.gov.au/sites/default/files/2025-05/NSW-ESS-Draft-statutory-review-report.pdf>
- PDRS PDF: <https://www.energy.nsw.gov.au/sites/default/files/2025-05/DOC25-PDRS-Draft-statutory-review-report.pdf>

Next steps and purpose

The third statutory review report of the ESS and the first statutory review of the PDRS are both due to be tabled in the NSW Parliament by 30 June 2025.

About ESIA

The Energy Savings Industry Association (ESIA) is the peak national, independent association representing and self-regulating businesses that are accredited to create and trade in energy efficiency certificates in market-based energy savings schemes in Australia. These activities underpin the energy savings schemes which facilitate the installation of energy efficient products and services to households and businesses. Members represent most of the energy efficiency certificate creation market in Australia. Schemes are established in Vic, NSW, SA and ACT. Members also include product and service suppliers to accredited providers under the schemes. As well, the ESIA represents member interests in national and state initiatives that include energy efficiency and demand reduction, such as the Federal Government's Carbon Farming Initiative energy efficiency methods and the NSW Peak Demand Reduction Scheme.

Further engagement

We welcome the opportunity to discuss this submission further, please contact the ESIA Executive Director at comns@esia.asn.au.

This submission can be made public.

2. Overarching comment in the ESIA responses

2.1 For the ESS and PDRS

The ESIA has not had sufficient time and resources to closely scrutinise the finer details of either of the two draft statutory reports for the ESS and PDRS, therefore this submission is very light touch.

ESIA welcomes some stand out draft high level findings that:

- both schemes:
 - continue to have valid objectives and design as market-based certificate schemes.
 - could better support national action on emissions abatement as well as reliability risks as part of the energy transition.
 - can deliver more benefits via broader reforms under consideration later in 2025.
- the ESS has some challenges with new activities and a growing ESC surplus that may require further government action to address.
- the PDRS:
 - design may need a change to address that NSW winter peak demand is growing (the scheme currently reduces summer peak demand only).
 - cost of creating PRCs has not been researched yet and it will be important to include in future reviews. (ESIA members that are ACPs could assist in targeted consultation in the near term on this matter, e.g. ACPs accredited for BESS 1 activity paused on 1 June 2025.)

Regarding the draft reports Figures and the use of colours for bar and pie charts, as these graphics are quick go-to touchpoints, it would be helpful to use consistent key colours by type e.g. of fuel or technology (e.g for ESS report pp PDRS report pp 16 & 23 and for ESS and PDRS reports pp 14,18 & 10 respectively).

3. Consultation questions and ESIA responses

3.1 For the ESS

Refer to the **ESS** Draft statutory review report, Section 1.1.2, p7, at <https://www.energy.nsw.gov.au/sites/default/files/2025-05/NSW-ESS-Draft-statutory-review-report.pdf>

1. Are there **any other matters or evidence** that should be considered in determining whether **ESS objectives are being met and remain valid**? Please set out your response against the scheme objectives.

The ESIA welcomes the draft findings that all NSW ESS scheme objectives remain valid.

2. Are there **any other matters or evidence** that should be considered in determining whether **scheme design remains appropriate**?

- The ESIA questions Section 4.1.1 evidence of the draft report, p23, supported by Appendix A: Modelling methodology, p39:

4.1.1 The ESS has made emissions abatement available at a lower cost

The ESS is a cost-effective means of reducing emissions. As shown in Figure 8, the ESS is estimated to have resulted in cumulative emissions reductions of 13.3 MtCO₂-e in the national electricity market (NEM) and 8.6 MtCO₂-e in NSW between 2019 and 2023. This translates to an average abatement cost of around \$2/tCO₂-e over the same period, which is seven times lower than the abatement cost that would be achieved by a renewable solar or wind project with equivalent emissions reductions.²²

Specifically, ‘... translating to an average abatement cost of around \$2/tCO₂-e: ...’ is a highly significant finding worthy of promotion broadly. It would be useful to see more of the assumptions made to arrive at this figure, including the annualised cost of the ESS.

It is well known - including according to the McKinsey cost curve - that energy efficiency such as appliance upgrades, delivers lower cost abatement than, say, a wind farm projects which may take 10 years to build.

This is supported by considering the average cost over the 2019-2023 period for Commonwealth RET LGCs (\$40) compared to NSW ESS ESCs (\$29). The ESIA finds a 25% difference, not a 700% difference. We appreciate that the draft report analysis looks at broader findings, not directly based on certificate prices. However, it is a significant variation in findings.

It seems the figure missing in the report may be the annualised cost of ESS administration outside of ESC values. Or alternatively, the assumptions made as part of the electricity system modelling, especially around what would have been the consumption levels had NSW ESS upgrades not occurred over the period.

- The ESIA suggests the NSW government consider evidence regarding changing the gas factor, including providing a long-term framework for changing the factor at reasonable and perhaps more regular intervals. This will provide industry with more certainty on the direction of the scheme in the short-to-longer term. The ESIA appreciates the challenges involved, including positioning the scheme as an energy efficiency versus emissions reduction mechanism.
- The ESIA welcomes the draft’s adjustments for in the modelling, p39, including the department’s downward adjustment of energy savings from IPART annual reports due to changes to heat pump hot water and refrigerated display cabinet activities. Such adjustments acknowledge the need for scheme design that is more responsive to ongoing reasonable tweaks required, such as to activity baselines and/or guardrails, that result in genuine energy savings without triggering far more significant unintended consequences. This requires investment in the department’s skills and time to engage most effectively with industry on an ongoing basis.
- The ESIA reiterates that scheme design needs to specifically accommodate a trigger to adjust the targets up, or down, when certain hurdles are reached. Such a

trigger exists but has not been able to be used at all, including in the last two periods, as the time it would take to mobilise has always outweighed waiting for the next five-year review. This element of scheme design needs addressing, especially give the current oversupply of ESCs which has resulted in drastically reduced activity and an ESC price ‘in the gutter’ at around \$10-15 in recent months. Apart from the lost opportunity to deliver lowest cost abatement upgrades for NSW, this situation forces businesses to pivot to other business opportunities with significant opportunity cost as they let go of highly skilled and trained staff that may not return to the sector.

3.2 For the PDRS

Refer to the **PDRS** Draft statutory review report, Section 1.1.2, p6, at <https://www.energy.nsw.gov.au/sites/default/files/2025-05/DOC25-PDRS-Draft-statutory-review-report.pdf>

1. Are there **any other matters or evidence** that should be considered in determining whether **PDRS objectives are being met and remain valid**? Please set out your response against the scheme objectives.

The ESIA welcomes the draft findings that all NSW PDRS scheme objectives remain valid.

2. Are there **any other matters or evidence** that should be considered in determining whether **scheme design remains appropriate**?
 - Only yesterday, 10 June 2025, the NSW Government announced an indefinite pause to activity BESS 1 batteries from 1 July given commencement of the Commonwealth government’s Cheaper Home Batteries program from 1 July. The NSW government has indicated there may be public consultation at some point in the future to explore recommencement of BESS 1 incentives and stackability or not of both programs’ incentives (BESS 1 & 2). This abrupt pause scenario is a major challenge in PDRS scheme design where timing of the launch date and final regulations of another program have not been clarified in the short time frame available (from 3 May 2025 federal election to 1 July) and so resulting in the NSW government pausing an activity at extremely short notice of less than three weeks. (10-30 June).

This pause immediately significantly impacted those businesses including PDRS certificate creators (ACPs) and software vendors that have spent hundreds of thousands of dollars in human resources, planning, development, testing, training and reasonable risk mitigation since well before the activity commencement back on 1 November 2024. The majority of PRCs registered and created, or yet to be created, are by ESIA-member businesses that have also been the primary movers to mobilise this innovative nation-leading activity. Those businesses have invested in good faith including their time working with the PDRS and other regulators to fine tune the activity and experience for key stakeholders including customers, solutions provider businesses, licensed installers, DNSPs and the scheme and

associated regulators. Those same ACP businesses have likely in the past 24 hours been scrambling to make good their forward contracts for PRCs. This includes buying back forward contracts at significantly higher prices given that as soon as the pause was announced, the PRC price increased by as much as 30%. This significantly elevated risk of return on their sunk investment since the activity was first committed has shattered confidence in participation across the sector.

Major risks still need to be addressed in PDRS scheme design including transparency across schemes of upgrades that have taken place and incentives provided. In the current instance, the fact that it cannot be verified that STCS under the federal program have been created or not at a site for an eligible battery installation, means that it is not possible to ensure that dual creation has not occurred or cannot possibly occur in the future with PRC creation. Until such time as this is addressed, the risk of rapid activity pauses under the PDRS will continue to be a major risk factor especially for ACPs.

For more information regarding this submission, please email ESIA Executive Director, comns@esia.asn.au