energy savings
Industry Association

ESIA Submission:

Victorian Energy Upgrades (VEU) Program Strategic Review Discussion Paper Consultation

Due 10 March 2025 (Extension to 17 March)

Submitted Victorian Energy Upgrades, Department of Energy, Environment & Climate Action (DEECA), energy.upgrades@deeca.vic.gov.au

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1. Introduction

The Energy Savings Industry Association (ESIA) welcomes the opportunity to provide this submission to the **Victorian Energy Upgrades (VEU) Program Strategic Review Discussion Paper Consultation** which commenced on 10 February 2025. This consultation is being managed by the Department of Energy, Environment and Climate Action (DEECA).

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 National Energy Performance Strategy, 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.

The consultation

The ESIA referred to the RIS document at https://engage.vic.gov.au/victorian-energy-upgrades-program-strategic-review

Timeline

The webpage states:

- Public survey – 3-22 September 2024
- Research and analysis October - November 2024
- Consultation opened – 2 December 2024
- Discussion paper open for feedback – **10 February – 10 March 2025**
- Feedback collation and analysis – **March - May 2025**
- Government consideration – **Mid-2025**
- Further stages of consultation to be determined following government consideration of proposed program changes – **Mid-2025 onwards**

This submission can be made public. (The ESIA did not respond via the Online Survey).

2. Response to Consultation Questions (21)

2.1 Introduction

1. **What are the big opportunities for the VEU program in the next five years?**

   The VEU is an **'off-budget' Victorian government market-based mechanism** directly addressing underlying policy failure which does not value greenhouse gas emissions reduction.

   The **VEU relieves cost-of-living pressures: saving Victorians energy and money** off their energy bills and the upfront cost of installing more efficient appliances.

   The ESIA welcomes the **Victorian government's 'future thinking' approach** regarding the VEU and the government's broader suite of policy initiatives in relation to energy supply, demand, management and infrastructure investment on both sides of the meter.

   This review recognises the need for a **20-year lens to align with Victoria's 2045 net zero emissions reduction target**, especially now the VEU is committed to be legislated to 2045 (Bill before Parliament during March-April 2025).

   The current **VEU market-based model will continue to serve Victoria well** with liability, creation and surrender of certificates to meet its revised objectives.

   The ESIA advocates that this VEU strategic review is a significant opportunity to **transform the VEU to now include two core objectives:**

   - reduce greenhouse gas emissions; and
   - reduce peak demand.

   The **more extensive list of current VEU objectives could be refreshed** to something like:

   - reduce greenhouse gas emissions;
   - reduce peak demand;
   - drive efficient use of electricity and other fuels;
   - encourage investment, upskilling and employment, and quality technology development in industries that supply goods and services.

   These VEU objectives will deliver **multiple benefits:**

   - greenhouse gas emission reduction;

- peak demand reduction, demand response and load shifting;
- fossil gas reduction;
- wholesale electricity network investment reduction;
- electrification;
- energy efficiency; and
- smart energy management including optimal time-of-use; and
- energy consumer bill reduction.

2. What new activities or products should be incorporated into the program?

A **broad range of eligible activities** for VEEC incentives, both deemed and measurement and verification (M&V), will deliver these objects and multiple benefits for many years to come.

Please refer to ESIA submissions[i], discussion papers and workshop content provided to the Department in recent years. The ESIA welcomes further targeted engagement on the list below.

The ESIA suggests new aspects of some existing activities* and other new activities:

- storage – batteries;
  - and include a batteries with solar PV activities;
- space heating and cooling*;
  - A6 allow and accurately incentivise multiple single reverse cycle air con system (RCAC) installations to replace gas ducted heating;
  - Part 6 to include air conditioners >65kW, or create a new activity;
- water heating*;
  - A3c gas hot water to heat pump (residential) incentive with an activity-specific emission factor to accurately reflect abatement;
  - A44 commercial hot water – change minimum age of existing system from 10 to three years;
  - heat pump water heater with*out* storage e.g. pool and spa heaters, process water heaters, HVAC water heaters etc.
- insulation – thermal shell and weather sealing;
- smart energy management technology;
- streamlined M&V i.e. VEU project based activity (PBA)*;
  - new solar PV sub-method – incorporate direct measurement as a measurement option;
  - gas efficiency method (fossil and renewable) including to support where fossil fuel switching is not a near term option;
  - better support standard upgrade types e.g. HVAC and boiler upgrades with 50% at least of incentives to be awarded upfront;

- liquid chilling packages as established in NSW ESS IHEAB method;
- variable speed drive compressors (VSD);
- remote condensing units with prescribed requirements around refrigerants, modulation, electronic expansion valves, installations etc but not necessarily limited to cool rooms e.g. include glycol/beer chillers;
- lighting*;
    - Super LEDs (super-efficient as ESIA proposed for NSW ESS[ii]);
- smart thermostats;
- optimised home energy assessments*;
- a deemed bundled activity targeting households and small businesses including lighting, weather sealing, insulation, space heating and cooling, ceiling fans, hot water, batteries, smart thermostats and optimised home energy assessments;
    - for residential, use the Scorecard assessment tool and provide incentives based on before and after energy savings;
- energy export – e.g. rooftop solar PV export to the grid;
- sandboxing activity – to explore and trial emerging activity opportunities that could be incorporated into the VEU target; and
- smart charging.

3. What are the biggest challenges with the VEU program as it currently operates?

- It only rewards emissions reduction and energy efficiency.

- The regulatory burden on certificate creators is reasonable in principle, however this would be fairer if the regulator could have clearer line of sight to solution providers and installers so they also could be brought to account for non-compliance with appropriate enforcement.

- The compliance framework would be greatly strengthened with a solution provider register such as the one managed by the Clean Energy Regulator for solar installers.

- Key stakeholders including energy consumers are unlikely to be interested in or understand the multiple benefits of the VEU and the layers of regulation that protect consumers and participants both within and separate to the program.

- More dynamic, agile, transparent, predictable and simpler administration and regulation are needed with ongoing industry engagement and consumer empowerment. The Department's VEU activity development and maintenance processes include currently highly complex Regulations and Specifications and approval process. (Refer to Stages 1-7 https://www.energy.vic.gov.au/victorian-energy-upgrades/installers/industry-market-update-work-program)

- The ESIA advocates for the Victorian government to publish for

general reference, not in the legislation, more consistent definitions of key stakeholders engaging in the VEU. This is needed especially given the general confusion around AP versus solution provider versus installer etc. (See Appendix 1)

2.2 Program purpose and objectives

4.

a. Is the current purpose of the VEET Act fit for a future with increased renewable energy generation and increased electricity demand?

No.

However, if the VEET Act were to remain only focussed on emissions reduction, then time-of-use emissions factors would absolutely need to be incorporated.

If the intent of VEU changes to also support peak demand reduction, then the Act would need to change further.

b. Are there any limiting features to the current VEET Act objects that prevent the entry of new energy efficiency, demand management, and/or electrification-enabling activities into the VEU program?

Yes.

Because the VEET ACT only focusses on reducing emissions and not peak demand reduction, which includes demand response and load shifting – both aspects of demand management.

c. What factors need to be considered by the review when conducting its analysis of the VEET Act purpose and objects?

Evaluate the impact on industry in transitioning in the lead up to any major changes and provide reasonable transition time.

5.

a. How does the current VEEC metric (GHG emissions abated) influence the range of activities incentivised by the VEU program?

The current VEEC metric in principle supports the rollout of activities that reduce greenhouse gas emissions. However, the VEEC metric works integrally with:

- **annual electricity and gas emissions factors** and;
- the various **underlying baseline calculations set for each activity**.

Further, the program also needs:

- **time-of-use emissions factors.**

The factors and calculations need to be reviewed at crucial and predictable times to ensure desirable activity is being appropriately incentivised. This is not the case currently.

b. Do you think a different certificate metric should be used? Why? Please identify any potential risks, challenges or unintended consequences arising from altering the metric.

Whether a different VEU metric should be used will best be proposed once the preferred objectives of the program have been proposed. Only then, can the most suitable metric be chosen.

Theoretically, it may not matter whether the metric is greenhouse gas emissions (CO2-e) as currently or a unit of energy, if it reasonably achieves the refreshed VEU objectives.

Changing the metric simply because no other jurisdiction in Australia or elsewhere uses a CO2-e metric is not a justifiable reason to change it.

If ESIA recommendations for revised objectives are adopted, then the VEU metric could be more nuanced to support peak demand reduction with a kWh savings metric during peak 2-8pm in summer and winter. This could be achieved either within the current VEU model with **two elements and two distinct targets – ghg emissions reduction and peak demand reduction, or as part of a standalone peak demand reduction scheme with its own target**, as per the NSW ESS and PDRS.

Given Victoria's higher demand for fossil gas in winter an incentive during that season is a logical inclusion. Alternatively, an integrated overarching metric could be used as for South Australia's REPS.

Whatever way, the key elements of the VEU need to be fully transparent so that any changes overtime are clear for all stakeholders to engage in consultation and communicate.

c. How might the introduction of one or more VEEC sub-target(s) influence outcomes for consumers?

Equitable access can better supported by introducing the following VEU sub-targets to stimulate more upgrades for low income households, the regions, renters, apartments, social and community housing:

- **priority household target (PHT)** (as per SA and ACT schemes);
- **regional target** supported by a regional factor for postcodes outside of Melbourne (that goes beyond the current regional factor that is in place currently only to reflect system losses).
    - Alternatively, combine a regional target into a PHT. For example, all regional postcodes could all be included in a PHT, or
    - a regional factor of itself may be enough to drive upgrades; and

- **audit target** (as was used in SA REPS) with incentives rewarded only after the audit directly results in eligible upgrades.

Other targets complementary to the VEU target and proposed sub-targets could include:

- batteries target;
- virtual power plant (VPP) target;
- electrification target; and
- energy efficiency target.

Such targets provide a strong signal and quantifiable picture of the rollout opportunity and provide industry with an added layer of confidence to invest in Victoria.

The above four complementary targets were committed in NSW in 2024 as part of the NSW Consumer Energy Strategy and are supported by the NSW ESS and PDRS. (See Appendix 2)

d. What factors should the review consider in assessing benefits and impacts that the introduction of a sub-target(s) would have on the operation of the certificate market?

It is likely that sub-targets within the VEU would result in a tiered VEEC price, as those harder-to-reach markets would attract a higher VEEC price, which would help drive investment.

6. What should the review consider in its assessment of the VEET Act additionality requirements?

VEET Act additionality requirements should be changed as soon as possible to ensure that VEU eligible activities and products for upgrades and new installations are eligible for VEU incentives, even if a regulation is introduced for a phase out or ban, such as for various fossil gas appliances. This is reasonable given the need to deliver on the energy transition as soon as possible.

2.3 Customer experience

7. How can the VEU program help consumers make informed decisions about energy efficiency upgrades?

Via information provided by:

- the Victorian government:
  - e.g. leveraging existing materials on the VEU website for energy consumers with promotional packs provided to stakeholders along the supply chain, elements of which are already occurring. With ongoing adapting to priority marketing techniques of the times e.g. social media channels, especially since the doorknocking and telemarketing ban in 2024.
- obligated electricity and gas retailers:

- i.e. they have the customer data and could be authorised to target marketing, with customer opt in, e.g.
    - using messaging on energy bills and general customer correspondence
    - targeting key audiences e.g. low-income households, renters, homeowners, distressed businesses
    - targeting around key events e.g. peak heat, cold or energy security risk times.

The ESIA advocates for full transparency of government spending on promoting the VEU and seeks ongoing industry engagement to shape campaigns to best reduce industry' own costs to roll out eligible upgrades at lowest cost.

How can APs and installers support customer education?

Many APs and solution providers already provide a primary role in customer education. The level of capital investment in this role is highly sensitive to the return on investment it delivers.

Installers, particularly contractors working for a solution provider (e.g. an air conditioning business) are far less unlikely to be directly involved in customer engagement and may instead only focus on installation on the day.

Installers may be more likely to play a role if they are upskilled and trained in the benefits of the VEU as part of training provided by an AP or solution provider they work with, or as part of formal training as a licensed trade etc.

Again, the level of training provided and who has the time to conduct and pay for the training determines whether it will happen.

More sophisticated APs invest significant capital in training their business partners including solution providers and installers in the machinations of the VEU. The level of investment is always a fine balance, as AP partners (solution provider and installers) likely spread their own risk by engaging with more than one AP. These partners may make virtually no investment themselves in education as they don't bear the ultimate risk of VEEC creation and compliance.

A key risk point for minimal customer education is in fact where the AP and solution provider and installer are one and the same business. It can cut both ways: it may be exemplary education or virtually none.

8.

a. How can the VEU program ensure it is easy for consumers to recognise and understand VEU program discounts and benefits?

Update the VEU infographic and case study video so stakeholders can easily embed them into their own marketing and education campaigns. Test this concept with key stakeholders including solution providers, installers, APs and obligated parties.

b. What changes should be considered to increase transparency on the value of savings on offer?

Perhaps none.

The ESIA recommends strongly against the Victorian government establishing requirements for a set percentage of the VEEC price being passed through on the invoice to the energy consumer.

Instead, the focus should be on the net amount on the invoice to the customer, and a line item indicating the VEEC incentive passed through.

While the VEEC value can reasonably be included as a line item, there is no way that this price is constant. This is because the VEU is a market-based scheme with a spot price - the price on the day the invoice is raised - and a forward price. The forward price varies constantly and even significantly over time. The VEEC price is largely dependent on the market at work enabling obligated parties and certificate creators and traders to buy and sell certificates into the market where obligated parties ultimately buy their annually obligated quota.

Therefore, the customer's invoice includes a VEEC component reflective of what that solution provider has secured in the VEEC market and the portion of which they can pass onto the customer whilst retaining a reasonable margin based on the cost of doing business and a profit margin.

The cost of doing business comprises the solution provider's business model and reflects the pricing and margins determined along the supply chain up to that point. Ultimately, if any provider along the supply chain up to the solution provider can't offer a competitive price, they won't get ongoing business.

Like any market, there are high and low margin operators with value proposition differentiation based on fundamentals like quick turnaround, extra service, bulk or bespoke solutions, streamlined marketing techniques etc.

If the VEU regulator were to be required to regulate the VEEC amount on the invoice, it is NOT the case that this would result in more transparency on the value of VEEC savings on offer.

> Example 1
>
> An air conditioning solutions provider (Company A), to spread their own business risk, has entered more than one contractual arrangement with some AP businesses. With each AP business, company has managed to secure VEEC forward contracts with at least two difference price points over the next two months. This enables Company A to offer its air conditioning customers a VEEC value at an average of those price points for the next two months.

Meanwhile, even though the VEEC spot price is moving around over that two-month period, Company A can continue to offer the price it has established is lowest risk for their business and attractive to their customer.

Example 2

An equipment provider has determined that if their product can attract a certain number of VEECs, then they can confidently negotiate contracts with their buyer networks (likely to include a mix of wholesale networks and major solution providers). Those buyers will determine what price point they can on sell the equipment which is market competitive. If there is a change in the number of VEECs a piece of equipment attracts (e.g. a change in the VEECA Specifications), then the solution provider may still price the VEEC price on their invoice to a customer based on the value they have established as part of a forward contract, or they may not. The point is the value of the VEEC can ultimately be different from invoice to invoice for all the above reasons.

c. Are there examples from other schemes or jurisdictions that demonstrate effective mechanisms for price transparency?

- The Commonwealth's Renewable Energy Target (RET). For example, the Small-scale Renewable Energy Scheme (SRES), provides in financial incentives – Sustainable Technology Certificates (STCs). The main difference between the SRES and VEU is that the STC price has historically remained constant around $40/STC.

9. How can the VEU program ensure clear and effective avenues for customer recourse when a product or installation fails to meet expectations?

- Ensure in the documentation received by the customer that information is provided listing who to call in case of a problem. For some installations, this may include several entities such as:
    - solution provider (business name);
    - installer (person licensed that did the upgrade);
    - equipment manufacturer;
    - AP (if known);
    - ESC; and
    - Victorian Building Authority.
- Ensure all key VEU stakeholders are aware of this list as the primary 'source or truth' which would likely be on the ESC website.
- Ensure all stakeholders are aware that the list is supported by a body of work by the Victorian government to streamline communication, education and training about this list.

- Note, the ESIA has been advocating for some years for information regarding the 'spaghetti bowl of regulation' to be made publicly available that simplifies navigation of regulation and avenues for customer recourse, as well as all parts of the supply chain having the same visibility to this information.

  Regarding hot water heat pump technology, this body of work was prioritised in the Roadmap for heat pump hot water systems in Australia for residential heat pump solutions, and the ESIA is an ongoing contributor. (https://www.eec.org.au/policy-advocacy/projects/Roadmap-for-Heat-Pump-Hot-Water-Systems-in-Australia-2024)

10.

a. Who is currently missing out on VEU program opportunities, and why?

Low-income households, vulnerable energy consumers and renters. The reasons are well documented in the VEU Targets Setting RIS.

b. How can the VEU program better address barriers faced by consumer groups such as vulnerable households, culturally and linguistically diverse communities, renters, and low-income families to access the program?

Refer to Q5c answer.

11. How can the VEU program increase participation from business customers?

- Action the VEU Large Energy User exemption framework and allow early opt-in. (Refer to previous ESIA submissions.)
- Streamline the VEU Project-based Activity method. (Refer to ESIA Discussion Paper - NSW ESS Streamlining PIAM&V - 28 Sept 2021)
- Introduce Behind-the-meter solar. (Refer to ESIA Discussion Paper - Proposed new PBA sub-method Solar PV - 12 May 2021)
- Under the Victorian Government Building Electrification RIS, include existing commercial buildings.

12. What is the role of the VEU program supporting businesses to reduce gas consumption where electrical alternatives are not yet technically feasible?

The VEU should provide VEECs for gas efficiency methods where electrification is not a viable option in the near term.

2.4 VEEC market design and program flexibility

13. Should any changes be made to the ESC's powers to ensure VEECs are assessed adequately and effectively? If so, how should ESC powers be changed?

The ESC should have greater powers to pursue solution providers and installers, other than just APs.

14. **What kind of market conditions create opportunities for VEEC traders to operate effectively?**

    Transparency and liquidity – largest numbers of buyers and seller of VEECs.

15. **How does the time delay between installation of an energy efficiency upgrade and the registration of corresponding VEEC affect the discount that customers receive through the program?**

    APs must bear the burden of the value of the VEECs for that period. This financial burden can reduce the final passthrough cost as the AP is paying for that capital risk.

    Potentially, faster VEEC approvals by the ESC could result in more incentive being passed through to end customers.

16. **How would changes to the requirements for banking and borrowing impact the certificate market?**

    -

17. **How can the VEU program improve its responsiveness when setting and amending requirements for prescribed activities, and better adapt to changes in the market?**

    Establish a VEU markets team in a similar style to the Clean Energy Regulator's Renewable Energy Target markets team that is industry-needs focussed.

    Engage in ongoing two-way targeted consultation with industry.

2.5 Accredited persons, aggregators, installers and products

18.

    a. **Are the requirements to become an AP reasonable and proportionate? If not, what improvements could be made?**

       Requirements including recent modifications and streamlining to onboard APs by the ESC has been appreciated by ESIA members including re-accreditation streamlining which continues to be an iterative process.

       However, the AP accreditation task remains onerous and costly and is a major barrier to entry especially for smaller businesses.

       Greater scrutiny should be given to the requirements to open a VEEC account. Barriers to entry for this introduced in recent years by the ESC may have reduced applicant and onboarding interest, which may well have avoided an unnecessary drain on ESC resources.

       Regarding transparency on AP activity, the NSW ESS and PDRS have an independent audit framework and audit limits for every certificate created by their AP equivalent (an ACP). The VEU now has an independent audit

framework with assurance audits which commenced in late 2024 staggered across APs and with delayed rollout so far during 2025. It is yet to be determined how adequate this initiative will be, coupled with continuing random risk-based samples of audits on VEU upgrades. Some APS have found the VEU approach is more onerous than the NSW approach, so this area will continue to need further attention to find an optimal approach.

b. Should the VEU program have different requirements for APs who conduct product installations and APs who do not?

No, not in the legislation.

Any different requirements documented elsewhere should have a reasonable basis and consider that business models evolve over time – from integrated AP/solution providers/equipment suppliers and separate businesses etc.

19.

a. What customer risks are associated with the aggregator model and how could these be addressed?

The aggregator business model may well *reduce* customer risk in comparison to the integrated AP-solution-provider model.

AP aggregator businesses are integral to the delivery model of the VEU program as they:

- **generally have broader perspectives and insight on the range of activities being delivered under the VEU and their interrelationship**, in comparison to APs that create for only one or a few activities.
- **provide proactive engagement including education, training and promotion of the VEU and it benefits** with most VEU key stakeholders including all touchpoints along the supply chain (Refer to Appendix 1 list).

  This engagement is constantly finetuned as the aggregator business becomes more established and helps its networks leverage aggregator insights and the unique value-add of each type of stakeholder.
- **underpin VEU incentive compliance and assurance and provide expertise** in a highly complex and highly regulated environment.
- **inject innovation, competition and sophisticated feedback** to the Department and the program regulator and other relevant regulators to enhance the program.

- **provide cash flow and finance solutions and bear the cost or carry and risk** for solutions provider and installers for which they create certificates.

Recent ESC code of conduct, annual AP accreditation and assurance audits should significantly reduce non-fit-and-proper persons, as well as stronger whistleblower pathways.

More information may be appropriate about how APs participate and key points in general terms about how they determine the level of incentive they pass on directly to customers. Stakeholders (including end customers) need to understand that the incentive enables the AP and solutions provider to provide a commercially viable solution to the end customer. Therefore, passing the entire amount through to the end customer it is not a reasonable benchmark as the AP must factor in the costs of bearing risk including employing and training people, marketing and having the capital to fund financing the incentives. There can be significant time delays between an AP paying the installer when they hand over the rights to create and trade certificates to the AP and the AP monetising the created and registered certificates.

Of genuine concern are APs and solution providers that may not pass through reasonable monetary benefits to stakeholders in a timely manner and as contracted.

b. What factors influence the decision of installers to work with aggregators instead of becoming APs themselves?

Risk, complexity, time required including for education and training of employees and contractors, establishing and maintaining internal systems including software that integrates seamlessly for customer experience and regulatory requirements (including for record keeping and document authentication etc).

c. Are the current requirements for APs sufficient to guarantee strong customer outcomes through the aggregator model?

Refer to answer to 19a.

The regulator has a key role to ensure current requirements for APs provide strong customer outcomes. This includes the ESC having greater focus on major risk scenarios e.g.

- where the solutions provider and AP are the same business as there is no scrutiny by an independent AP.
- where the nature of the installation requires no licensed practitioner (e.g. weather sealing).

- where solution providers / installers have certain patterns of partnership with APs.

Both the regulator and the Department need to respond more promptly when concerns are raised regarding alleged 'bad actors' in the program. Just as the ESC needs skill sets to chase fraud at scale (much like the Australian Tax Office), DEECA needs the skills to respond where modelling assumptions and baseline calculations result in at-scale opportunities out of line with scheme intent where 'bad actors' tend to emerge.

d. If not, what changes to the program should be considered?

History repeatedly demonstrates that even the most compliant APs at times have been unable to detect systematic fraud by solutions providers and installers. This is the case in similar schemes elsewhere in Australia and overseas.

A program change would be to introduce a VEU scheme participant register which includes all parties that deliver services under the VEU including lead generation and sales businesses, solutions providers, installers, APs and traders including brokers. (Noting the VEEC Registry includes APs and only solutions providers that are APs.)

A more transparent approach could be integrated like:

- Solar Accreditation Australia for solar and batteries for the Clean Energy Regulator (refer to https://saaustralia.com.au/about-accreditation/); and
- Solar Victoria (refer to https://www.solar.vic.gov.au/solar-victoria-enforcing-consumer-protections-energy-efficient-hot-water-system-installations)

Greater whistleblower pathways and protections are needed for APs and solutions providers. These parties need to be confident of the process and anonymity.

20. What has been the experience of product manufacturers seeking to make their products available through the VEU program?

Product suppliers or non-traditional brands have recently experienced a delay in product approvals which is perceived to be unreasonable. Some ESIA members have raised concern that this may be due to a lack of understanding by the ESC of the product development and sourcing markets as well as limited skills in considering the legitimacy or relevance of independent lab reports.

This is compounded by the same challenges that are likely a part of the Commonwealth GEMS register management process for products.

There is opportunity to address this with the formation of a product technology advisory committee where government, regulators and industry keep abreast of

emerging trends including opportunities and risks specific to the VEU. An example is the recent formation as part of the Industry Consultative Group – Products in late 2024: https://www.eec.org.au/policy-advocacy/projects/Roadmap-for-Heat-Pump-Hot-Water-Systems-in-Australia-2024.

21. Are there any other issues or opportunities for the VEU program not covered in this discussion paper that you would like to raise?

Product assessment needs more rigor and to be more efficient e.g. random check testing and better support integration from GEMS, closer scrutiny of products by independent sources i.e. the ESC cannot be expected to have this level of experience across all activity types.

'Buyer beware' will remain crucial for all stakeholders when engaging in the VEU as is the case in any market where consumers buy goods and services – both in and outside of such programs.

The VEU operates in the real world – the benefits of the program far outweigh the levels of complaints, and historically these have tracked well below the norm outside of such a program, as evidenced in annual reports to the Minister by the ESC. This information needs to be reinforced to key stakeholders, especially to politicians where a very low level of complaints and disproportionately amplified and unreasonably undermine the integrity of the program.

3. Appendix

3.1 ESIA calls for clearer VEU stakeholder definitions: AP, solution provider, installer, lead generator, trader etc

The ESIA continues to advocate for clearer stakeholder definitions in relation to the VEU on an ongoing basis. Consistency is needed from both the Department and the regulator (DEECA and ESC) to reflect a shared understanding of how the VEEC market operates.

VEU key participant stakeholders include, but are not limited to:

- end customer
- product research and developer
- product manufacturer
- product supplier
- product wholesaler
- product sales to end consumer
- product retailer
- lead generator / marketer
- solution provider
- installer
- Accredited Person (AP)
- certificate trader
- certificate broker
- energy retailer (obligated party)

When the VEET ACT was first drafted, it was considered that APs would be the solution providers – the businesses that do upgrades, either using their own licensed trades and/or suitably trained employees and/or network of contractors.

Instead, separate business models have also been established that create VEECs for solution providers. While these scheme-regulator-accredited AP businesses are referred to as 'aggregators' – for aggregating the creation and trading of certificates for multiple solution providers – in fact there are only a very small portion of AP businesses that solely 'aggregate' VEECs.

The current range of business models exists due to market forces that determine the most cost-effective and commercially viable way for the market to deliver. To date, solution providers have generally preferred to focus on their solution design and installation skillset, rather than navigate the complexities of VEEC creation and trading that comes with significant capital investment, highly responsive IT capability, human resource expertise and overarching risk.

A more recent shift which may increase is the entry of old and new energy retailers that are providing integrated supply and demand solutions, including a VEEC liability and the ability to provide solutions and create certificates.

3.2 NSW Consumer Energy Strategy targets supporting NSW ESS and PDRS

The NSW Consumer Energy Strategy includes targets that are supported by the NSW ESS and PDRS. See Except below.

Table 1: Actions the NSW Consumer energy Strategy that will help us achieve our targets, p30, September 2024. https://www.energy.nsw.gov.au/sites/default/files/2024-09/NSW_Consumer_Energy_Strategy_2024.pdf.

Table 1: Actions in the NSW Consumer Energy Strategy that will help us achieve our targets

Targets	Actions in this strategy to help us achieve these targets
1 million NSW households and small businesses having access to rooftop solar and battery systems by 2035 and 1.5 million by 2050	• Introduce a new Home Energy Saver program to encourage investment in activities that reduce bills and emissions. • Introduce new incentives for households and businesses to install batteries through our Peak Demand Reduction Scheme (PDRS). • Deliver new $30 million Solar for Apartment Residents program to help apartment residents reduce their bills by investing in solar energy.
3,400 MW of virtual power plant participation by 2035 and 10,000 MW by 2050	• Introduce new incentives for households and businesses to join VPPs through our PDRS. • Pilot the roll-out of solar and battery VPPs with selected social housing households.
Achieving 100% compliance with safety standards for energy saving technologies	• Boost compliance with technical and safety standards by increasing the number of electrical safety inspectors. • Introduce a new digital smart compliance system to support monitoring and compliance with a range of standards. • Introduce new support for industry training and investigate new credentials to respond to training gaps. • Reviewing the NSW electricity and gas safety framework.
Energy efficiency target	• Introduce a new Home Energy Saver program to encourage investment in activities that reduce bills and emissions. • Introducing voluntary disclosure of home energy performance ratings at the point of sale or lease in 2025. • Reviewing the voluntary rating scheme to inform when to transition to a mandatory scheme. • Investigate introducing minimum energy efficiency performance standards for rental housing, starting with pilots. • Review the ESS and PDRS by 2025 and consider options to enhance the schemes to help deliver the NSW Consumer Energy Strategy targets and objectives including home and small business efficiency upgrades. • Make energy efficiency upgrades to approximately 24,000 social housing homes.
Electrification target	• Introduce a new Home Energy Saver program to encourage investment in activities that reduce bills and emissions. • Review the ESS and PDRS by 2025 and consider options to enhance the schemes to help deliver the NSW Consumer Energy Strategy targets and objectives including electrification upgrades. • Pilot the roll-out of electrification with selected social housing households. • Develop a NSW Gas Decarbonisation Roadmap.

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

[i] https://esia.asn.au/publications/submissions

[ii] ESIA Feedback NSW ESS Targeted Consultation Workshop – Lighting in the ESS, 29 Sept 2023. Available upon request.