

energy savings
Industry Association

# ESIA Submission:

## NSW Government
## Energy Security Safeguard
## IPART – PDRS Method Guide

1 July 2024 (Extended to 4 July)

Submitted to Independent Pricing and Regulatory Tribunal (IPART)
New South Wales Government, essregulator@ipart.nsw.gov.au

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# 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 Security Safeguard Consultation: PDRS Method Guide** which commenced on **17 June 2024**. This consultation is being managed by the Independent Pricing and Regulatory Tribunal (IPART).

The ESIA has referred to https://www.energysustainabilityschemes.nsw.gov.au/current-consultations:

- https://www.energysustainabilityschemes.nsw.gov.au/sites/default/files/cm9_documents/PDRS-Method-Guide-Consultation-Consultation-Paper-June-2024.PDF;
- https://www.energysustainabilityschemes.nsw.gov.au/sites/default/files/cm9_documents/PDRS-Method-Guide-Consultation-Draft-PDRS-Method-Guide-June-2024.PDF; and
- https://www.energysustainabilityschemes.nsw.gov.au/sites/default/files/cm9_documents/PDRS-Method-Guide-Consultation-Draft-BESS2-Nomination-Specification-June-2024.PDF.

**Next steps**

IPART seeks feedback on an updated PDRS Method Guide to reflect upcoming changes to the PDRS Rule, including the introduction of new battery activities BESS1 and BESS2 and changes to all implementations from 1 August 2024. IPART is keen to understand better how these changes might impact businesses engaged in the PDRS and whether they will be practical to implement.

**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. Other matters for IPART to consider

1. **The IPART timeline for consultation, response and activity commencement on 1 August 2024 is very ambitious.** It is crucial that IPART enforces timelines.

2. **Can IPART provide guidance on the requirement to evidence home building compensation (HBC) cover?** In NSW, home building projects jobs over $20,000 (including GST) require home building compensation (HBC) cover. Projects including batteries, especially when bundled with other works including solar can frequently exceed $20,000. Will ACPs need to evidence HBC cover as part of the claim, or is ensuring that the contractor is listed as an approved broker of icare HBCF (the sole provider of HBC) sufficient?

   Guidance would be useful on whether the full value of the project exceeds $20,000, or the cost paid by the homeowner (thus any PRC/STC incentives are deducted from the full price). It is important to consider that pricing may be manipulated to get under $20,000.

3. **Can IPART provide transparency on warranty requirements for components of the job?** For example, there are typically warranty requirements of 10 years for the battery and five years for the invertor. Would this scenario be deemed as eligible?

4. **Can IPART clarify how ACPs meet the requirements for authorised representatives**, especially for Activity Definition BESS2. Given the typical VPP customer is an energy retailer - who will have a wide range of employees offering the solution to potential customers, ensuring each of these representatives are appropriately trained will be a complicated and likely excessive exercise.

5. **Can IPART clarify if the existing battery register managed by the CEC/SAA will be used**, or if a more specific sub-set register will be provided as not all the larger register items will be eligible.

   It is important for ACPs that IPART does due diligence on whatever register is used so that such due diligence does not fall back on ACPs. This is what happens under the Victorian Energy Upgrades (VEU) program: the regulator of that program, the Victorian Essential Services Commission (ESC) basically vets the GEMS register and lists products eligible under the VEU. (This saved that state from the challenges experienced in NSW when some products were removed from the GEMS register as they did not meet efficiency requirements of GEMS. The VEU had not included those products on the VEU register and so avoided the challenge IPART faced in announcing removal of NSW ESS-approved products before the announcement from the GEMS register team. This raised confidence concerns for the NSW scheme which could have been avoided.)

6. **For warranties, can IPART accept a less singular view than '70% efficiency after 10 years'**? Many battery manufacturers express warranty not in the term of fixed years, but rather **number of cycles**. This is because cycles over a 10-year period vary depending on the battery manufacturer, and the current proposed warranty requirement will exclude established brands such as Tesla, Sonon and Sungrow. Other manufacturers express their warranty over a 12-year period, thus may fall

short on these key benchmarks due to that approach.

IPART could frame the warranty requirement based on both number of years and an equivalent number of cycles to match how industry currently establishes warranties. This will ensure some established manufacturers that have highly efficient products (but may not be as agile as new entrants) can still have products eligible under the scheme.

It is also important to avoid inadvertently establishing a warranty requirement framework that is nuanced to the scheme that will result in NSW-specific brands and potentially limited businesses able to participate, especially early in the activity where established brands are equally well placed to participate as new entrants.

Notably, batteries should not be penalised that cycle more than the usual 70,000 a day as they are providing more overall efficiency to the site, due to, for example, working with an EV.

Whatever warranty framework is established, it needs to remove as much as possible the warranty decision being the burden of the ACP, which is not the expert in the installation. That decision should rest clearly with the installer.

7. **Can IPART clarify that connecting to demand response will not void the battery warranty as required by the NSW scheme**?

8. **Can IPART clarify that further battery capacity can be added later and still receive an NSW scheme incentive as long as the total stays within the 28kWh cap for the premises**? i.e. not necessarily a totally 'new' installation. This would support common practice where customers start with a small battery and add further capacity once they can either afford it or gain confidence in its value as an investment, or their onsite needs grow. For example:
    - it is currently common for some customers to purchase 10kWh initially + 5kWh later.
    - There are significant numbers of small 1.6kWh batteries installed in NSW and upgrading these is likely a strong pool of opportunity given the customer is already on the electrification pathway and invested.

      (Note: this possibility likely needs to go through and NSW ESS Rule change process to get into the PDRS.)

# 3. Responses to consultation questions

### 3 IPART approach to the Method Guide

9. **Do you support the approach we have taken? [to the Method Guide]**

Yes. Generally, it does not appear to be onerous. However, there may be simpler specific requirements already well established by the battery sector and other incentive programs for solar and energy efficiency jobs that could be copied. This would help keep things simpler for all stakeholders.

We note that SAA (formerly CEC) compliance is the crucial reference point.

The ESIA recommends that IPART, rather than just stating installers need to be 'appropriately qualified', instead also clearly and specifically communicate that available and well-established training and guidance material exists. And that these must be undertaken and adhered to. That is, through authorised Registered Training Organisations (RTOs) by already appropriately qualified trades including but not limited to master electricians. It may be worth communicating that this training includes more than that required as part of AS3000, including additional items such as labelling, lithium fire risk and appropriate inflammable wall types and battery positioning such as brick and not timber wall cladding and not placing batteries in locations that pose a risk to habitable rooms.

Such communication is especially important given new entrants are attracted to participate in this activity and SAA compliance is complex (e.g. the requirements for several stickers and labels to be applied to different physical parts of the equipment such as multiple stickers for the invertor alone.)

The ESIA suggests that IPART consider an information session be provided in collaboration with SAA tailored to the ESS program needs. The ESIA can provide ACP input to ensure such a session is usefully developed with an understanding of ACP interests and expertise, including those members already well familiar with solar, battery and energy efficiency installations.

Other aspects that could be covered as well as those mentioned above include required accreditation for typical multiple installations including, for example, a solar, battery, heat pump (hot water and/or air conditioning) upgrade. For example, in a multi-faceted installation, an individual may have only one or all required accreditations for each component of the upgrade. Therefore, evidence requirements will need to enable the accreditation of each qualified person on the job to be provided.

We note that the burden to verify these requirements will continue to fall upon the ACP.

Examples of established requirements for solar that could be applied to batteries include the requirements for solar installer 'selfie' photos on site, dated and geotagged to be eligible to claim SRES STCs.

**Financing Clarity needed**

IPART needs to clearly communicate to the market what financing arrangements are allowed and base any changes that it chooses to make for the battery activity on proven requirements under other schemes.

For example, the ESS currently requires that ESCs and PRCs are not released until it is proven that the energy consumer has paid their copayment amount and that there is a contract in place for financing. This can get messy if it is after the first finance payment. However, for the same job, a credit card payment is acceptable.

Where a battery is part of a Virtual Power Plant (VPP) contract under a leasing

arrangement (i.e. the homeowner does not own the battery), it needs to be made clear what financing documentation is required by which party for the certificates to be monetised. I.e. who would be the capacity host to nominate the certificates?

The solar and battery sectors have developed a range of complex business models for financing. It is important to ensure these can continue where appropriate to not stymy the market, but also to continue to protect customers from unsuitable financing models.

10. **Would you prefer a single Method Guide covering all previous versions of the Rule?**

Yes. One source of truth is helpful, even though it covers a range of activities that not all stakeholders will refer to. It is also likely to be easier for regulators to update consistently, and for regulators of other programs to refer to and potentially emulate.

## 4 Method Guide Requirements

### 4.1 Monthly implementation data requirement

11. **Do you see any issues or problems with the requirement to provide BESS1 and BESS2 implementation data to us by the 15th day of the following calendar month?**

There are some concerns:

- I.e. this is likely to be a significant problem for aggregators that have large supply chains as jobs can come in many weeks after implementation, therefore information may not be able to be provided by that time.

ESIA recommendations generally:

- It would help to understand why IPART is proposing this requirement in terms of it deviating from other activities' similar requirements.

  i.e. if it is to enable IPART to follow up quickly with a complaint, then perhaps at least some level of transparency could be provided by the ACP that would enable IPART to link the job directly with the ACP before the job has been registered. (Noting that if a job hasn't been registered it may be due to incomplete information from the ACP.)

12. **Is the timing for providing the data practical to implement?**

It is not a reasonable requirement for photo evidence, for example, within seven (7) days as this may not provide time for such evidence to be processed by the ACP (i.e. desktop audited).

Suggestions:

- align date requirements with other activities i.e. preferably the last day of the next month ie e.g.30$^{th}$ or 31$^{st}$, not the 15$^{th}$. HEER requirement sets a precedent on this approach. (Refer to Requirement 5.139 of that method.)

- Make the requirement seven (7) days after registration.

13. **Do you see any issues or problems with the requirement to have and keep photographic evidence that implementations meet requirements by the upload date?**

    Yes, there are foreseeable issues and problems. Photographs may not easily capture the key elements of jobs, especially more complicated ones in unusual settings.

    ESIA suggestions:
    - There may be better already established and required types of evidence that surpass, but don't negate the need for, photographic evidence. i.e.:
        - Under the SRES: a site map is required for battery installations including cable routes etc. and that must be stored in the cable box once the job is completed.
        - Under the SA REES: it was a common requirement to be made by the installer to state that the job met AS1680 on the Completed Electrical Works certificate (COC).
    - It would be more helpful to industry if IPART is more specific in the requirements absolutely needed, and already well established elsewhere, instead of a list and 'and' or' options.

14. **Please provide details or examples where possible**

    -

### 4.2 Requirement to provide evidence on request

15. **Do you see any issues or problems with the requirement to provide evidence within 7 days if requested?**

    No, just treat it like the early nomination form.

16. **Please provide details or examples where possible.**

    -

### 4.3 Fact sheet requirements

17. Do you see any issues or problems with the requirement to provide fact sheets to BESS1 and BESS2 consumers?

    No.

18. Is the proposed timing for providing the fact sheet practical to implement?

    Yes.

19. How could you provide the fact sheet to consumers?

- A fact sheet could be provided to customers as part of the proposal for services – i.e. early in the engagement process. The fact sheet could be embedded in a digital proposal document easily.
- Requirements could align with Solar Victoria requirements for solar and hot water heat pumps.
- The Nomination form can verify that a fact sheet has been provided.

**20.** What records could be kept as evidence that fact sheet requirements have been met?

A record of the proposal document and completed nomination form.

**21.** Please provide details or examples where possible.

-

## 5 Capacity holder nomination requirements

**22.** Do you see any issues or problems with the proposed nomination specification?

- Allow a pre-filled text box i.e. due to system limitations this is sometimes the only option for some ACPs.
- Flexibility would be helpful which doesn't require two forms to be filled in.

**23.** How would you meet the requirements in the BESS2 Nomination Specification?

-

**24.** What format would you likely implement for your contract?

-

**25.** Do you see any issues or problems complying with the Method Guide Representative Requirements for DRAs?

-

**26.** How could these issues or problems be overcome?

-

**27.** Please provide details or examples where possible.

-

## 6 Evidence requirements

### 6.1 BESS1- and BESS2-specific eligibility requirements

**28.** Are the examples in the Method Guide practical?

-

**29.** Do you see any issues or problems with the proposed examples?

-

**30.** Are there other ways you could evidence that requirements have been met?

-

**31.** Please provide details or examples where possible.

-

### 6.2 Equipment requirements

**32.** Are the examples in the Method Guide practical?

-

**33.** Do you see any issues or problems with the proposed examples?

-

**34.** Are there other ways you could evidence that requirements have been met?

-

**35.** For BESS1, would a declaration signed by the customer (after implementation) confirming installation details and their satisfaction with the installation be useful for evidencing requirements have been met?

-

**36.** Do you see any issues with introducing this requirement?

-

**37.** How would you evidence the BESS2 Life Support requirement?

-

**38.** How would you evidence that EUE is internet connectable and controllable by a DRA?

-

**39.** Please provide details or examples where possible.

-

### 6.3 Implementation requirements

**40.** Are the elements of AS/NZS 5239 we have focused on appropriate?

-

**41.** Should we include other elements of AS/NZS 5239?

-

**42.** Are the evidence requirements in the Method Guide relating to AS/NZS 5239 practical for you and your installers to meet?

-

**43.** If you are already installing batteries, what are your current systems and processes to ensure installations are meeting AS/NZS 5139 and what records do you currently keep?

-

**44.** For other BESS1 and BESS2 implementation requirements, are the examples in the Method Guide practical?

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**45.** Do you see any issues or problems with the proposed examples?

-

**46.** Are there other ways you could evidence that requirements have been met?

-

**47.** Please provide details or examples where possible.

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### 6.3 [General]

Do you have any other feedback on the Method Guide? Please provide details or examples where possible.

- Will control of distributed energy resources (DER) waive the warranty?
- To help meet the BESS requirement it would be useful for IPART to publish an estimated 10yr cycle i.e. that is equivalent to two cycles per day.

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