NSW ESS Snapshot Report

Impact of Activity Collapse and Regulatory & Compliance Challenges

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09 April 2026

Summary

- Nine ESIA members were interviewed regarding the impacts of the collapse in activity under the NSW Energy Savings Scheme (ESS) from mid 2024 (see Appendix)
- The ACPs interviewed captured eight of the top ten ESC creators in the year prior to the 2024 collapse (62% of total annual certificate generation under the ESS)
- NSW scheme changes triggered a material contraction of industry capability
- Job losses were real, immediate, and concentrated in skilled roles
- The dominant risk is no longer compliance cost, but loss of delivery capacity
- Without near-term stabilisation and longer-term certainty, recovery will be slow and costly

Impact of staffing (direct and indirect)

- Approximately 60–70 direct jobs lost across NSW-exposed businesses, largely in scheme delivery, compliance, and technical roles
- Approximately 10–15 staff redeployed (e.g. to VIC schemes, renewables, VPPs, partner organisations). Mainly possible for larger firms
- Several businesses experienced 50–60% workforce reductions in NSW-facing teams
- Indirect impacts included reduced work for solution providers, sales businesses, software providers, and supply chains with associated job losses (not quantified) typically cascading through related sectors via a multiplier effect
- Loss of scheme-specific expertise, difficult and costly to rebuild
- Market instability has discouraged retention and recruitment of skilled staff

Other impacts on business operations

- Severe revenue contraction in affected activities (30–90% declines reported)
- Stranded investments in systems, apps, training, unsold stock and product launches following abrupt activity withdrawal (millions of dollars collectively)
- Business models destabilised by loss of “base load” activities (notably commercial lighting) leaving just 7 of 9 ACPs to create ESCs for other activities under Home Energy Efficiency Retrofits (HEERs) procurement contracts
- Heightened risk aversion and reduced willingness to invest in new NSW activities
- Long-term viability concerns for scheme-dependent businesses

What would help most (near and long term)

- Near term: rapid reintroduction or substitution of high-volume, scalable activities to stabilise jobs
- Short-term market stimulus (e.g. targeted multipliers, controlled incentive re-entry)
- Clear, written guidance on eligibility and evidence requirements (e.g. multi-splits, new builds)
- Adjustment to the gas conversion factor to improve commercial viability of electrification activities
- Agreed transition periods for any future rule or activity changes
- Longer term: greater policy certainty and credible forward planning (2–5 year horizon)
- Scheme design better aligned to real delivery costs and grid needs

Key challenges with regulator

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- Regulator perceived as acting as a “second auditor”, creating unnecessary resource implications for scheme participants
- Changing interpretations without rule changes, creating retrospective compliance risk
- Shifting goal posts, new requirements introduced post-consultation or without notice
- Inconsistent or slow responses to clarification requests
- Heavy-handed enforcement driven by isolated non-compliance elsewhere
- Lack of proportionality between issues identified and regulatory response

Examples

- Air conditioning activities: ongoing ambiguity around new build vs upgrade, multi-split eligibility, and baseline definitions leading to inconsistent outcomes
- Commercial lighting: retrospective fraud findings, tightened interpretations, and rejection of evidence previously accepted under scheme guidance
- BESS: abrupt withdrawal or redesign with minimal notice, stranding systems, staff, and delivery pipelines
- Audit processes: regulator perceived to influence audit scope and conclusions, often with incorrect interpretation of rules
- Evidence and RFIs: additional documentation requested during audits but later rejected, creating retrospective non-compliance risk
- Whole-of-license impacts: isolated installer or project issues triggering broader activity bans, delays, or heightened scrutiny across all operations

Appendix: Slowdown in activities

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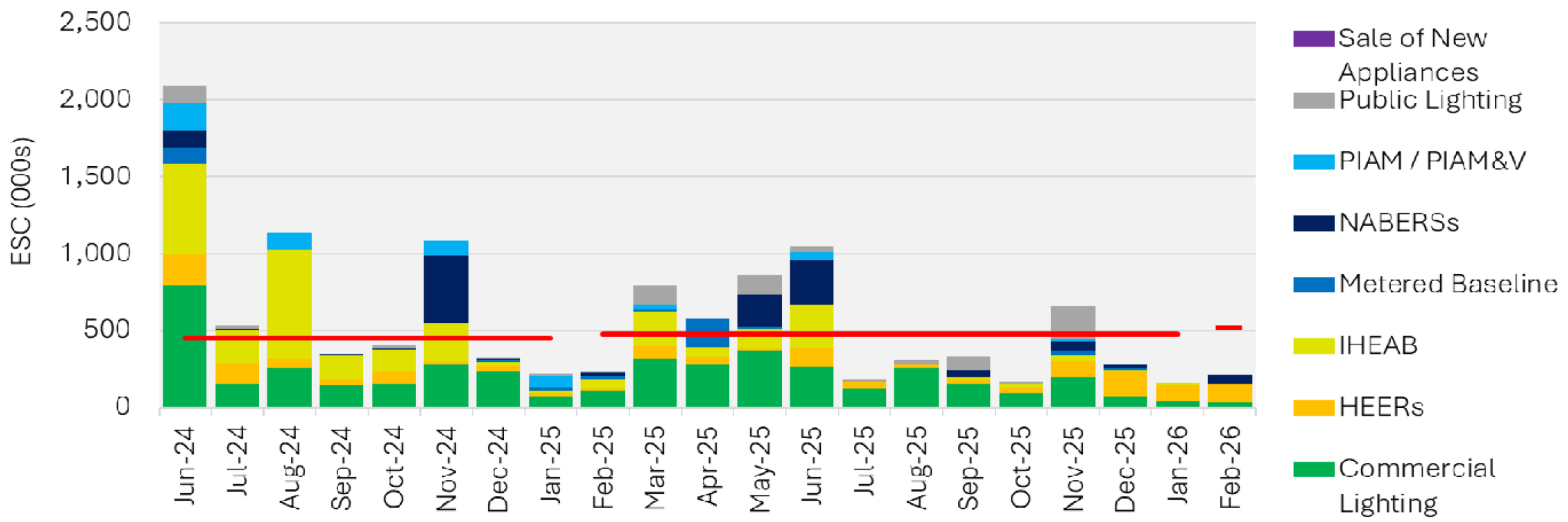
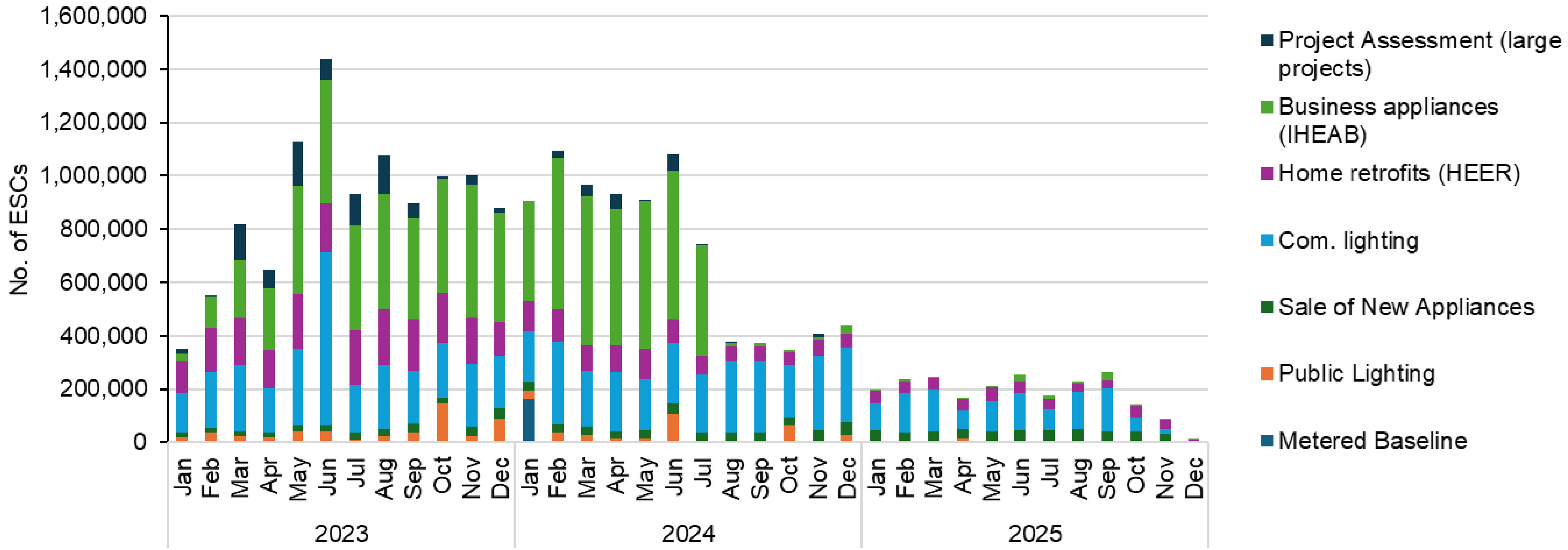
Figure 3.1 Monthly net creation by activity, compared to Target

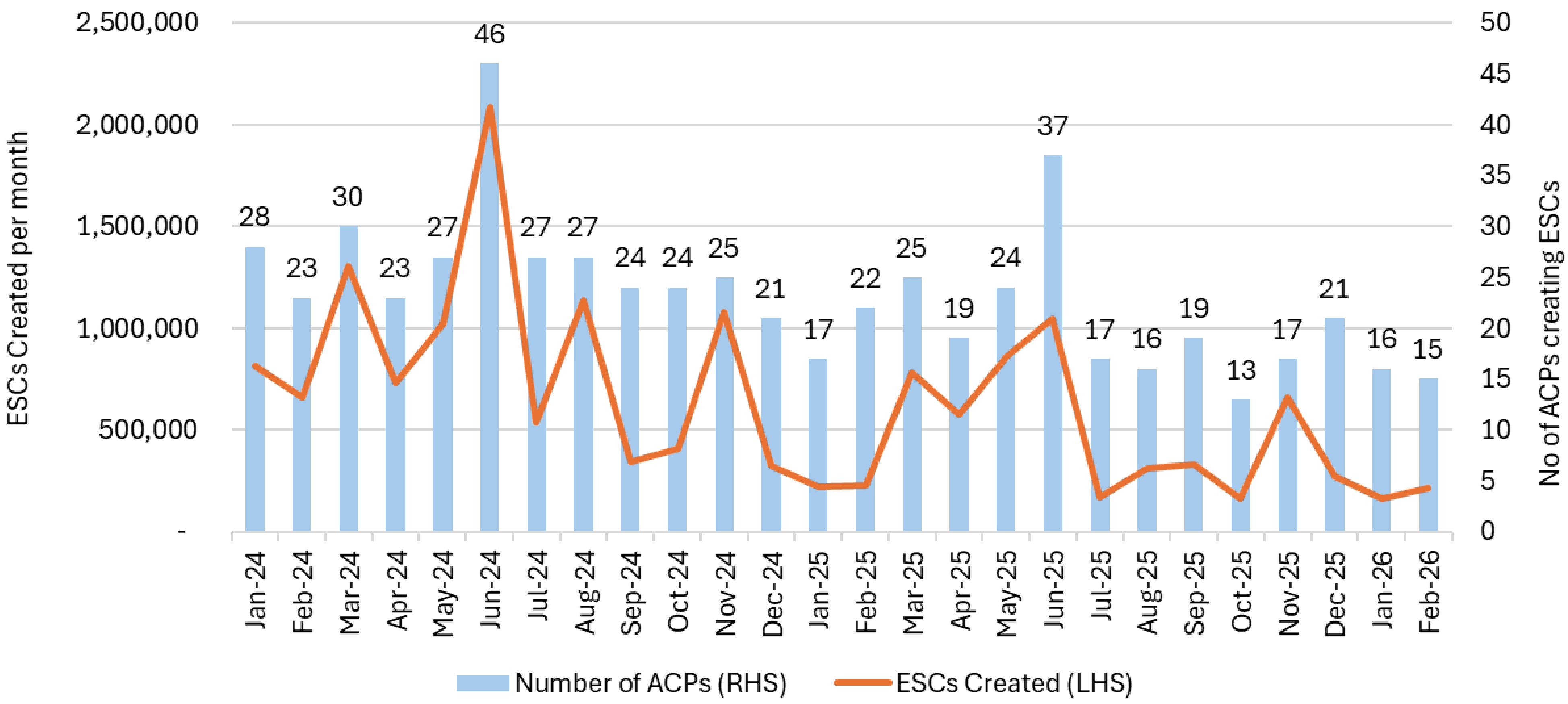


Appendix: Slowdown in installations

Certificates created by month of installation



Appendix: Slowdown in number of ACPs



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