



**Submission on the  
National Energy Savings Initiative  
Issues Paper**

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## About CHOICE

CHOICE exists to unlock the power of consumers. Our vision is for Australians to be the most savvy and active consumers in the world.

As a social enterprise we do this by providing clear information, advice and support on consumer goods and services; by taking action with consumers against bad practice wherever it may exist; and by fearlessly speaking out to promote consumers' interests - ensuring the consumer voice is heard clearly, loudly and cogently in corporations and in governments.

To find out more about CHOICE's campaign work visit [www.choice.com.au/campaigns](http://www.choice.com.au/campaigns) and subscribe to CHOICE Campaigns Update at [www.choice.com.au/ccu](http://www.choice.com.au/ccu).

## Introduction

CHOICE strongly supports the introduction of a well-designed National Energy Savings Initiative (NESI). With the existence of many non-price barriers to the take up of energy efficiency, a well-designed NESI could make a significant contribution to reducing energy bills and carbon emissions during a time of rising energy prices largely driven by increasing network costs.

A carbon price alone will not ensure that all cost effective opportunities for reducing energy consumption are implemented given barriers such as a lack of information, principal - agent issues or high capital costs.

CHOICE also considers that energy retailers, distribution network service providers and transmission network service providers need to be incentivised so that selling less as opposed to more energy is attractive from a revenue perspective. A well designed NESI can assist in providing these incentives.

## Objectives of a NESI

CHOICE considers that the fundamental test for a well-designed NESI is that the benefits in terms of reduced energy bills outweigh any implementation costs passed through to consumers.

CHOICE considers that the primary objective of a NESI should be to **save energy**. However, the design of the NESI needs to be compatible with other policy frameworks currently in place (for example, minimum energy performance standards) and to be established (for example, the Clean Energy Future package more broadly).

CHOICE considers that the benefits of implementing a NESI need to be greater than its costs. For this reason, CHOICE considers that an objective of the NESI should also be to **reduce peak demand** so that network infrastructure costs are deferred. This should be conducted through the most cost-effective means and may require for example:

- the distribution network service providers and / or transmission networks service providers being liable parties;
- that a certain proportion of the obligation be directed at reducing peak demand; and / or
- that actions to reduce peak demand contribute more so to a liable parties' obligations.

## Designing a NESI

CHOICE considers that a NESI should be designed in a way that harmonises existing state energy efficiency schemes, thereby reducing the overall regulatory burden and reducing costs for consumers.

CHOICE considers that the Working Group should investigate the efficacy of a scheme that encourages liable parties to adopt a more bundled approach to energy efficiency when targeting

households / businesses. This is opposed to an approach where households / businesses are targeted first in relation to light-bulbs, then power stand by controllers for instance.

CHOICE considers that a bundled approach could be more cost-effective as:

- households / businesses do not need to be visited multiple times
- measures that need to be implemented at the same time to be effective from a cost or practical perspective are facilitated
- compliance costs are minimised relating to the costs of verifying and auditing
- the accuracy of measuring direct benefits of a NESI are improved.

CHOICE considers that a whole of house / business approach is also likely to facilitate greater levels of awareness by the occupants of the significant savings that energy efficiency can provide. CHOICE considers that this greater level of awareness is likely to result in greater levels of energy efficiency over the long term than that which can be directly attributed to the NESI.

CHOICE also notes that a whole of house / business approach is more likely to improve the thermal efficiency of a building. CHOICE notes that there is evidence that improving the thermal efficiency of a building is cost effective. The retrofitting project of 15 typical Victorian homes built before the 1990s in Melbourne conducted by Moreland Energy Foundation Limited (MEFL) for Sustainability Victoria found that:

- 'Comprehensive draught sealing, and ceiling, wall and floor insulation delivered the greatest energy and greenhouse gas savings at the lowest cost, as well as the greatest improvements in house energy ratings.'
- 'Overall, 80 % of greenhouse gas reductions from building shell upgrades could be achieved by implementing the wall, ceiling and floor insulation upgrades and comprehensive draught sealing across the 15 houses. Significantly, the insulation and comprehensive draught sealing upgrades only constituted 25 % of the total upgrade cost, averaging, as a package, under \$7,000 per house.'
- 'The application of the building shell upgrades significantly improved the energy rating of all 15 houses, achieving an average energy rating of 4.3 stars' in circumstances where the average energy rating of the 15 existing houses was 1.3 stars prior to the upgrades.<sup>1</sup>

As an example of a scheme that encourages a bundled approach, CHOICE notes that in California, a state-wide program 'Energy Upgrade California' has been established that offers incentive packages to customers to take a "whole house" approach by combining several related improvements at once to increase a home's overall energy efficiency and achieve greater savings.'

There are currently two incentive options available through Energy Upgrade California detailed on its website located at

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[http://www.sustainability.vic.gov.au/resources/documents/Report\\_on\\_On\\_Ground\\_Assessment\\_Pilot\\_study.pdf](http://www.sustainability.vic.gov.au/resources/documents/Report_on_On_Ground_Assessment_Pilot_study.pdf) Page 5, last accessed 5 March 2012.

<http://www.pge.com/myhome/saveenergymoney/energysavingprograms/euca.shtml>. These include:

- Basic Upgrade Package - ‘...up to a \$1,000 incentive when you complete this set package of home upgrades’:
  - Air sealing
  - Attic insulation
  - Duct sealing
  - Hot water pipe insulation
  - Thermostatic control valve
  - Low-flow showerhead (recommended)
  - Combustion safety testing
- Advanced Upgrade Package - ‘...up to \$4,000 in incentives when you complete additional upgrades customized for your home’s needs’. Typical projects in the Advanced Package include:
  - Measures in the Basic Upgrade package plus:
  - High-efficiency furnace
  - Energy-efficient cooling
  - Water heater system
  - Energy-efficient windows
  - Duct replacement
  - Wall insulation
  - Other custom energy-saving measures.

CHOICE considers that the NESI should encapsulate both electricity and mains gas. If mains gas is not included, consumers may switch to mains gas from electricity and then switch back when the cost of mains gas increases significantly, therefore having no effect in the long term. CHOICE notes that the cost of mains gas is estimated to increase significantly to be in line with international prices.

CHOICE considers that the NESI should be initially limited to electricity and mains gas with the expansion to other fuels to be considered at a later stage.

CHOICE considers that the NESI needs to be designed so that households are also direct recipients of actions by liable parties to meet obligations. It may be that parties seeking to meet their obligations find it easier to deal with businesses rather than households. Given that

households contribute significantly more than businesses to increasing levels of peak demand, it is essential that households be direct recipients for there to be decreases in energy bills.

CHOICE considers that the Working Group should investigate designing a NESI that encourages liable parties to engage in actions above any set target where it provides greater benefits than costs to consumers generally.

## Measuring the benefits of a NESI

The Working Group needs to bear in mind that not all benefits can be measured easily. The benefits of a NESI should not be underestimated merely because costs can be more easily measured than benefits.

CHOICE notes that as an example of indirect benefits that result from an energy efficiency scheme, the Victorian Government surveyed participants of the VEET Scheme and found that a significant number had an increased awareness of energy efficiency since taking part in the program (Muirden, A. 2012, 'The Energy Saver Incentive: Learnings From a White Certificate Scheme', *Summer Study on Energy Efficiency & Decentralised Energy*, Sydney, NSW.) CHOICE considers that an increased level of awareness of energy efficiency by those that have participated in a NESI is likely to result in a greater level of savings over time beyond that that can be directly attributed to the NESI.

CHOICE also considers that when measuring the benefits associated with a NESI, it needs to be considered that the level of savings provided to consumers by reduced energy bills will be at least in part spent elsewhere in the economy thereby contributing to economic growth.