

Suite 201 T: + 61 3 9929 4100
18 Kavanagh Street F: + 61 3 9929 4101
Southbank VIC 3006 E: info@cleanenergycouncil.org.au
Australia www.cleanenergycouncil.org.au
ABN: 84 127 102 443



4 May 2009

Energy Saver Incentive
Energy Sector Development
Department of Primary Industries
GPO Box 4440
Melbourne 3001

By email: energysaverincentive@dpi.vic.gov.au

Dear Sir / Madam,

Response to Notice of Intention to declare a zero discount factor for installation of ceiling insulation under the Victorian Energy Efficiency Trading Scheme (VEET)

The Clean Energy Council (CEC) is the peak body representing Australia's clean energy and energy efficiency industries.

Its priorities are to:

- create the optimal conditions to stimulate investment in the development and deployment of Australia's clean energy technologies
- develop effective legislation and regulation to reduce energy demand through efficiency
- work to reduce costs and remove barriers to accessing clean energy.

The CEC welcomes the opportunity to respond to the proposed Notice of Intention (NOI) by the Victorian Energy Minister, the Hon. Peter Batchelor MP, to declare a zero discount factor for installation of ceiling insulation under the Victorian Energy Efficiency Trading Scheme (VEET).

The CEC acknowledges that the declaration in the NOI aims to rectify the 'double counting' of emissions reduction certificates from improved insulation installations as a result of the introduction of the Federal Government's Energy Efficient Homes Package.

However, the CEC has identified a number of issues with this proposal.

1. The current proposal will remove all forms of insulation from VEET eligibility, failing to accommodate situations where the federal rebate would not apply. This could include additional insulation installations and upgrades. Excluding these options from the VEET scheme fails to recognise valuable energy efficiency options that contribute to reaching the VEET target.

2. Industry has already invested resources to target insulation under VEET which will not be able to be recovered if insulation is removed. It was expected that insulation would contribute around 17.5 per cent of the overall energy savings target for the first three years of VEET. Modelling assumptions for VEET from the Victorian Department of Primary Industry (DPI) estimates that there are approximately 11,930 households (per annum) who would take up installations under VEET. The Department also estimates that each of these households would generate 40 certificates.

The sudden removal of insulation from the scheme has significant impacts on many participants and represents a serious regulatory risk. As a result of this fear of unrecoverable sunk costs industry (both liable entities and service providers) will be more reluctant to commit economic investment and resources required to meet the target at least cost.

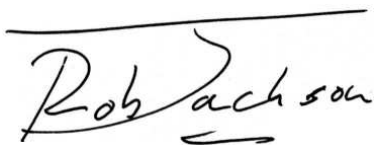
The unilateral removal of insulation will lead to an increased cost to deliver the target both in the short and longer terms.

The CEC would like the opportunity to work with the government to find a solution to ensure that VEET delivers long term energy savings while minimising the 'double counting' problem. Until such a solution is found all types of insulation should remain eligible for support under VEET.

We acknowledge the Victorian Government's participation in the Council of Australian Governments (COAG) sub-group energy discussions and continue to encourage them to work towards a nationally co-ordinated energy efficiency policy.

If you are seeking clarification on any of the issues raised in this paper, please do not hesitate to contact me on (03) 9929 4105 or rjackson@cleanenergycouncil.org.au.

Yours sincerely

A handwritten signature in black ink that reads "Rob Jackson". The signature is written in a cursive style with a horizontal line above the name and a small flourish below the "son" part.

Rob Jackson
General Manager Policy