Appendix A

ATA and CUAC Submission:
Multiple Trading Relationships Rule 2015 – Consultation Paper

Australian Energy Market Commission
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To whom it may concern

The Alternative Technology Association (ATA) and the Consumer Utilities Advocacy Centre (CUAC) welcome the opportunity to provide feedback to the AEMC's Consultation Paper regarding the Multiple Trading Relationships Rule 2015.

We thank the AEMC for preparing a very useful paper and for their endeavours to include consumer advocates in this very important process.

ATA

Founded 35 years ago, the ATA is a National, not-for-profit organisation whose 5,500 members are residential energy consumers.

Through the application of our experience in energy policy and markets to our advocacy and research, and close collaboration with fellow members of the National Energy Consumer Roundtable, the ATA is an important voice for energy consumers Australia-wide.

ATA presents a uniquely two-fold perspective as a consumer advocate: with the continuing support of the Consumer Advocacy Panel (now Energy Consumers Australia) we represent the interests of all small energy consumers in with respect to the promotion of energy affordability and improvements to the NEM, and speak with authority on behalf of the growing portion of the consumer base who have an active interest in demand side participation.

CUAC

CUAC is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences, and needs of energy and water consumers.

Our work is guided by strong principles. Energy and water services are essential for health, wellbeing and social participation. Therefore, we believe that consumer interests – particularly those of low-income, disadvantaged and rural and regional consumers – must be a primary consideration in the development and implementation of energy and water policy and in service provision.

CUAC's advocacy maintains a focus on the principles of affordability, accessibility, fairness, and empowerment through information and education. CUAC supports informed consumer participation in energy and water markets.

We have endeavoured to respond directly herein to the questions posed in the consultation paper, as well as exploring some related matters and providing general comments.

Single Net Meter MTR Model

Much of our response to the Consultation Paper herein relates to our preferred and suggested metering arrangement for the implementation of MTR. Hence an overview of our position in this regard is summarised below.

We agree with the AEMC's assessment that establishing a second connection point will, for cost reasons, generally only be viable for larger customers. We agree with AEMO's assessment that this may also create a barrier to entry of new FRMPs seeking to offer these services. Hence we ask that the AEMC consider the single meter net arrangement, which has lower implementation and establishment costs, so that households can access the benefits of MTR.

We support the AEMC's view that MTR should be available to more services than just electric vehicles (p18). While ATA and CUAC are supportive of the adoption of electric vehicles, we could not support a broad reform such as MTR if it did not deliver benefits that could be accessed by average consumers. Hence we support the single meter net model for households, which can be accessed by households with generation.

ATA and CUAC agree that the complexity and the level of consumer engagement (noted on p25) is a key factor in the uptake of new energy services. For this reason, the single net meter model appears to be the least complicated and is conceptually the most accessible for the greatest number of consumers today. This model is also the least dependent on the presence of software or third parties (other than market participants).

In addition, allowing consumers to shop around for different FRMPs for the energy they export and import could overcome a number of current problems, including:

- Many larger consumers are on long term contracts and find after installing on-site generation that their existing retailer is unwilling to offer a competitive rate for energy sent to the grid;
- Many large and small energy users are supplied by a single retailer under a contract for multiple sites (that are in other regards independent) that does not include a payment for energy sent to the grid. Many schools and councils, for example, are unable to sell the energy they send to the grid today for this reason;
- For the over one million homes in the NEM that have embedded generation today, often it is the case that the retailer/s that offers the most competitive rates for energy sent to the grid also happen to offer significantly less competitive rates for energy purchased from the grid (or vice versa).

It will be easier for all of the above consumers to shop around and obtain the best deal for them if they can contract with different retailers for energy bought and sold without being required to establish a second connection point. Lowering these barriers is likely to increase market participation and strengthen competition.

The single metering arrangement overcomes many of the potential negative effects raised about MTR in households, including the following:

Establishment costs
Under the single net metering model, the cost of a second meter is avoided as any consumer installing generation or storage will be installing a new meter anyway. More detail on lower establishment costs is included in the response to Question 5.1 and 5.2 (and other questions) below.

Life support
The single net metering arrangement does not require any changes to life support arrangements, as the third party FRMP (the entity contracting to purchase the energy sent by the consumer to the grid) will not be able to request disconnection of the primary supply to a home in any case. We note that the same should be true of the subtractive model. In any case, if material risk is believed to be posed to life support customers, a simple solution is to not allow MTR at life support locations.

Hardship arrangements
Hardship arrangements are unlikely to present MTR-specific issues under the net-metering arrangement as the consumer will not make payments to the third party/retailer that is responsible for purchasing generation. Hardship arrangements which involve supply capacity control or any product where there is a risk to safety and health, are however problematic and objectionable.

Responses to Specific Questions in the Consultation Paper

Question 1.1:
Have changes in market conditions or new information since these projects were completed affected the potential benefits and costs of MTR?

We note the information provided regarding the Single Net Metering model in this submission appears not to have been considered by the AEMC in the discussion paper.

Question 1.2:
Are there additional costs and / or benefits associated with MTR that were not identified or assessed by Jacobs SKM in its analysis?

The discussion paper notes the negative net benefits found in most of Jacobs SKM models. In this regard, we note the following:

- The 'costs' in this assessment were obtained by asking incumbent energy businesses, who generally oppose MTR, what their costs to implement MTR system changes would be. From ATA's involvement in this process, we are firmly of the view that the businesses failed outright to substantiate their claims and there was no due diligence applied to the same by AEMO or Jacobs SKM.

- The 'costs' were also estimated with no regard for how they would be reduced by the implementation of associated reforms (such as contestable metering, embedded networks and demand response mechanism) and routine systems upgrades. Any of these factors will materially reduce the actual costs.

- Jacobs SKM's (and the AEMC's) assessment appears not to have considered the single meter net metering option, which will have much lower implementation costs in any case and likely higher benefits (given likely broader uptake).

Given that the above issues amount to a fundamentally flawed approach to understanding the costs of MTR, ATA and CUAC recommend that the Jacobs SKM CBA be disregarded in the context of the proposed rule change. Jacobs' own caveats (noted on p4 of the consultation paper) clearly support this view.

Question 3.1:
Does KPMG's analysis represent a reasonable summary of the services that may be facilitated by MTR? Are there any other services that may be facilitated by MTR?

Subject to appropriate consumer protections, ATA and CUAC support KPMG's assessment that MTR may have a role in allowing benefits for vulnerable/ disadvantaged customers. In our view this is an important test of whether any reform could be consistent with the National Electricity Objective (NEO). As some of the costs for any reform are socialised across all consumers, it is important that benefits of reforms can be accessed as widely as possible.

We agree with the example noted on p21 of the consultation to illustrate where MTR is 'needed' to realise a particular service; and are of the view that a better example of the opportunities that MTR could unlock is those that result from the single net meter model.

We note KPMG's Service #5 could apply for generation, not just storage and #7 could apply equally to many large energy users, not just local councils. There are a number of community energy models that MTR could support, beyond what was noted in the discussion paper. ATA would be happy to provide further detail in this regard.

We agree with KPMG's view that MTR could facilitate more efficient outcomes though more effective capturing of value propositions but find KPMG's assessment that only two of the nine models require MTR to be questionable – perhaps reflecting a narrow technical view of energy trading and services or lack of regard to realities of energy contracts and markets. For example, it is difficult to know how the constraints that consumers face today in accessing Services #1, #6 and #7 could be overcome without MTR given the realities of the energy market.

KPMG's assessment that different MTR options have no specific reliance on metering configurations is incorrect. In particular:

- netting generation and consumption to provide net import and export at a site cannot be done with a parallel metering configuration; and
- separating different loads or circuits cannot be done with a net metering arrangement.

Further, the footnote on p26 states that net metering is similar to parallel metering, and p55 suggests that net metering is 'a subset of parallel metering'. In our view, these statements are incorrect, as net and parallel metering are fundamentally different, each with unique opportunities and limitations.

Noting the above, we question whether KPMG's conclusion that MTR 'would not offer guarantee increased choice and value for consumers' (p24) has been fully informed.

Question 3.2:
Would these new services be more effectively enabled by AEMO's proposed MTR framework than under current arrangements which require a second connection to the distribution network? Would AEMO's proposed MTR framework better enable customers to capture the value associated with the demand response, as opposed to current arrangements?

Yes, AEMO's proposed model is more effective than current arrangements but only for large energy users. AEMO's proposed model does not offer an accessible solution for most small energy users.

The subtractive and parallel models discussed in the consultation paper would be of benefit for large energy users, for whom any additional metering and wiring costs may be justified by the magnitude of benefits of MTR.

The subtractive and parallel models offer little apparent benefit to household energy users, in that there are few applications where benefits appear to outweigh the costs of an additional meter and/or connection.

Hence, we support consideration by the AEMC of a single net meter model to allow residential and other small consumers to access MTR.

Question 4.1:
Does KPMG's analysis effectively describe the ability of these different energy services to capture efficiency benefits along the supply chain?

We share KPMG's view (p23) that the ability to capture value across the whole supply chain is limited by split incentives.

Some of these relate to systemic market failures that have a broader impact than just MTR, such as the lack of demand response in the wholesale energy market. These need to be resolved irrespective of the status of MTR.

Others could be described as the 'downside' of disaggregated energy systems and markets – such as the need for ring fencing arrangements noted by the AEMC on p24. Resolving these matters and introducing MTR would appear to be mutually beneficial.

MTR could be helpful in overcoming the problems that many retailers compete to sell energy to consumers, yet are not interested in buying energy sent to the grid or providing demand response (or other services) at a competitive rate, if at all.

The single net metering option would be more effective than the AEMO models at overcoming the disinclination of retailers to buy and sell energy competitively to households.

Question 5.1:
Are the costs associated with establishing a second connection point likely to deter customers, particularly small customers, from engaging with multiple FRMPs at a premise?

Question 5.2:
Would AEMO's proposed MTR framework significantly reduce direct costs for customers who want to engage with multiple FRMPs? Could AEMO's proposed MTR framework deliver any other direct cost savings for consumers?

Yes, the costs of establishing a second (physical) connection point will deter many small customers from engaging with multiple FRMPs. This issue does not apply to the single net meter model.

We note that the following MTR costs indicated on p28 and p29 do not apply under the single net metering model:

- Network / new meter fees: Only one meter is required for the whole site and this is the standard meter that is installed when a customer installs embedded generation. As such, this is not an additional cost associated with MTR.

- Electrician fees for switchboard preparation/replacement and in-premises wiring. There is a cost for electrical work when a customer installs embedded generation, but there is not an additional cost associated with MTR.

  Where the switchboard requires electrical work because it is otherwise not compliant with the wiring rules, this is a cost of maintaining a safe and compliant electrical installation, not a cost of MTR.

- Network fees for new or upgraded service mains.

The net meter MTR model can be achieved through the use of a single bidirectional meter of the type that millions of homes in the NEM have today. The model proposed on p56 of the discussion paper (i.e. using two meters) is unnecessarily complicated and expensive.

We understand that AEMO's rationale for the use of 2 meters is that meters provided by the DNSP could not separate the two data streams (for import and export) without incurring material system costs.

This rationale is fundamentally flawed as MTR would be rolled out under a contestable metering model where the DNSP would not be required to be the meter provider. That is, MTR services would be offered by meter providers who are able to cost-effectively separate the data streams. All new meters (including those installed for new embedded generation) after contestable metering is introduced will be installed by MCs and have the minimum functionality required for net metering.

We also note that the idea of two settlement points for a single meter is consistent with the multi element metering configuration (p57).

Question 5.3
Are the direct costs of engaging with multiple FRMPs at a premise markedly different for small and large customers under current arrangements? Would AEMO's proposed MTR framework have a more significant impact for small customers than for large customers?

As noted elsewhere in this submission, the costs of any MTR approach that requires a second meter is likely to be a barrier to small consumers taking up MTR.

Question 7.1
What issues could arise for Metering Coordinators as a result of MTR? What issues arise for MTR as a result of the role of Metering Coordinators?

Question 7.2
Should only financially responsible market participants be able to engage with customers through MTR arrangements? If not, what other parties should be allowed to engage through MTR and what benefits would this provide to consumers? What are the implications for the AER's exempt selling guidelines?

Question 7.4
Can multi-element meters be supported by existing AEMO and participant IT and settlement systems? Would a requirement on AEMO and participants to support multi-element meters create costs for participants? What is the extent of these costs?

Single element net meters are not multi-element, but like multi element meters they do have more than one data stream. AEMC notes that they have been advised of substantial costs associated with enabling MTR through multi-element meters.

Many DNPS have built their own systems to associate a meter with only a single NMI, therefore where they are providing the meters they would need to install two meters to achieve separate import and export, or change IT systems, to support single net metering.

While this is a legitimate concern, throughout AEMO's consultation on MTR energy businesses have failed to substantiate the magnitude of these claims – and no credible analysis of these costs appears to have been done by AEMO.

In any case, under single net metering arrangements this issue goes away if the DNSP is not the MC (assuming the MC is a willing '3rd Party' and has systems to support MTR).

Regarding Q7.2, in ATA's view, MTR providers could be MPs, but need not be FRMPs. For example, Demand Response Aggregators and Small Generator Aggregators could be MTR providers.

Unless exempt sellers offer equivalent consumer protections to that of market participants, exempt sellers should not be able to provide MTR services.

Question 8.1
If a customer establishes a second connection point at a premises, will that customer face inefficient fixed DUOS charges? Will this issue be addressed by the new network pricing objective and pricing principles?

Question 8.2
Would the allocation of capacity or demand based charges present particular challenges where multiple FRMPs are present at a premise?

Question 8.3
Would MTR require changes to the frameworks for the billing of network charges and for credit support?

The three questions under 8.1/8.2/8.3 raise matters which are issues of concern under a parallel model or second connection point. These are not of concern under a single net met metering arrangement.

Question 10.1
Should customers be classified as large or small, residential or business, according to consumption at the level of the premises, or according to consumption at individual settlement points?

Question 10.2
Should FRMPs have the ability to reclassify only the settlement points for which they have responsibility, or should they be able to reclassify an entire premises?

Question 10.3
Would these issues be any different where a customer had established multiple trading relationships supported by a second connection point at its premises?

Customers should be classified according to premises-level consumption. This is straight forward under net and subtractive arrangements, where the primary retailer would be responsible for classification, but not parallel arrangements. With a second connection point this is more complicated.

Question 11.1
Will the current tripartite arrangements require adjustment to allow for multiple trading relationships?

Question 11.2
Does this issue only arise under AEMO's proposed MTR framework, or also where a customer has established MTR supported by two connection points?

The presence of an MC will overcome some of the issues noted in the paper.

The portrayal of the shared customer relationship under AEMO's model (Figure 4.6 on p42) appears to be based on the DNSP being the meter provider. Under contestable metering, using the net model, the relationships may be different in that:

- an MC is introduced, who will have a relationship with each retailer/MP and the DNSP;
- the consumer will have a relationship with 2 retailers (or a retailer and another MP) but not the DNSP; and
- the DNSP, if not the MC, will have a relationship with one retailer and an MC, but not a consumer or second retailer.

Question 11.3
Are there any issues related to the coordination of billing cycles between multiple FRMPs at a premise that would need to be addressed in the NERR?

Not in the case of net metering, as there is no subtractive metering or division of DUOS charges required.

Question 12.1
Should DNSPs and FRMPs be able to de-energise a settlement point if this results in the subsequent de-energisation of a "downstream" settlement point?

Yes, it would be impractical to suggest otherwise.

Question 12.2
How is the metering configuration adopted by a consumer relevant to disconnection issues? Do these issues arise only where a subtractive metering configuration is adopted?

Question 12.3
Would the prospect of disconnection of a downstream settlement point deter potential new energy service providers from entering the market? Are additional safeguard mechanisms needed to deal with third party disconnection?

We do not support the idea that all settlement points should be capable of independent disconnection.

Beyond the requirement for isolation for safety reasons, any capacity for disconnection should be by commercial arrangement between the consumer and provider. Where it is impractical or unnecessary to have separate point of disconnection – and the consumer and provider agree not to have a point of disconnection – then one should not be required other than where required for safety reasons.

p44 suggests that customers may be materially impacted by disconnection of downstream devices, however this would not be the case under a net metering model, which uses the same net metering arrangement that over one million households have today.

Under net metering today, disconnecting the main supply results in a disconnection of the generator. This is necessary for safety reasons and is also unavoidable as most grid connect inverters are not designed to operate in an isolated or islanded manner.

Given this arrangement is normal and accepted by consumers and energy businesses today, this need not be any different under a single net meter MTR arrangement.

Question 13.1
How should the risk of disconnection of life support equipment be managed where an MTR arrangement is in place? Are the new requirements proposed by AEMO sufficient to manage this risk?

Question 13.2
Are the risks of disconnection of life support equipment affected by the specific metering configuration used by a consumer to enable MTR? Would the risks of disconnection of life support equipment be any different where MTR was supported by a second connection point?

The single net metering arrangement does not require any changes to life support arrangements, as the third party FRMP (the entity contracting to purchase the energy sent by the consumer to the grid) should not be able to request disconnection of the primary supply to a home in any case. We note that the same should be true of the subtractive model.

In any case, if material risk is believed to be posed to life support customers, a simple solution is to not allow MTR providers to sell services requiring disconnection arrangements to customers on life support.

Question 14.1
Standing offer and deemed customer arrangements 1. If multiple retailers are active at a premise with MTR, should all of these retailers be required to make the standing offer available? If not, which retailer should have this responsibility?

Standing offers should be required of all retailers offering general supply of energy to a property. This is a key consumer protection. But it would be unnecessary, and potentially inhibit innovation, to require standing offers for supplying load to only certain appliances or for energy purchased from consumers. The latter is the role of feed-in tariff policy.

It is appropriate that any standing offers should be available to all consumers (including MTR consumers) however, in the interest of avoiding impacts on existing retailers that result from MTR, retailers making these offers should not be required to offer MTR specific metering services as part of a standing offer.

Question 15.1
Are there potential synergies available from implementing any rule made in response to AEMO's rule change request in co-ordination with any rule made in response to the Demand Response Mechanism rule change? If so, to what extent?

We agree with the AEMC's assessment that other rule changes may complement MTR and lessen the implementation cost thereof. We also share the view that the cost impacts on all consumers must be considered.

It may be prudent to align the implementation of MTR with DRM and/or other reforms where the cost of implementation is reduced, as long as doing so does not unreasonably prevent consumers accessing the benefits of either reform through delays.

Question 15.2
What are the potential timeframes for implementing AEMO's proposed MTR framework? Do stakeholders have any specific suggestions to transitional implementation timeframes?

We support implementing MTR no sooner than contestable metering is introduced, to mitigate cost impacts on businesses and consumers.

We note that as well as reducing implementation costs, under contestable metering, more of the cost of MTR will be borne by participating consumers and their secondary FRMPs, rather than being socialised across a broader consumer base.

Question 15.4
What changes may be needed to the RoLR arrangements to allow for AEMO's proposed MTR framework?

We suggest that it would be unnecessary to require ROLR arrangements for MPs that are only buying energy from consumers (and not selling energy to them), as there would be no impact on the consumer's access to an essential service if that MP ceased to trade.

General Comment on the Consultation Paper

We are of the view that only Market Participants should be able to enter into an MTR relationship with consumers, to ensure that consumer protections are retained under NECF and in Victoria.

p25 notes KPMG's view that the pace of change may create instability for new energy service providers. Our view is that it is the current **lack** of change that appears to present challenges to new entrants to the market.

Thank you again for the opportunity to provide feedback on the Consultation Paper. Please feel free to contact myself (craig@ata.org.au) or Deanna Foong (deanna.foong@cuac.org.au) with any queries.

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Customer Access to Data

Since 2009, Victorian small energy consumers have been paying in the order of $25 to $50 per quarter extra on their energy bills for the Victorian Advanced Metering Infrastructure (AMI) program.

At mid 2015, these costs total around $1,000 for 2.5 Million households and other small users.

From a customer perspective, besides the system operational benefits of remote reading, remote disconnect/re-connect and related services (benefits that are yet to be actually realised by most Victorians), the key benefits of smart meters are:

- better granularity of energy consumption data, allowing for more cost reflective charging; and
- the use of that detailed data for financial benefit (bill reduction) – through retailer switching and optimisation of energy efficiency and other energy management measures, pursued by the consumer directly, or financial counsellors and energy services providers on their behalf.

The latter use is not only important to individual consumers in managing their day-to-day energy use, it is critical in the context of ensuring effective competition in the Victorian energy market.

Victorian retail electricity retail margins - in particular, those of the standing offers in which disadvantaged consumers are overrepresented[1] - remain inexplicably high[2]; around double those of other jurisdictions.

At the same time, a number of energy efficiency, demand management and distributed generation technologies have fallen in cost to below the level of retail tariff rates. The uptake of these is a relatively easy way to drive down costs for Victorian energy users.

Victorian Context

Currently, only 3 of the 5 Victorian distribution network businesses[3] have web-portals where consumers can efficiently and easily access their data. Further, the communications issues experienced in one network means that a substantial number of their customers still cannot access their meter data.

None of the web-portals enable energy services providers to legitimately access the data on the customer's behalf.

As a result more than six years after the AMI program commenced, we estimate that approximately 50% of Victorian energy consumers cannot easily access their meter data – and all consumers are constrained in their ability to grant ready access to a financial counsellor or energy services provider who could help them reduce their energy bills.

AEMO Process

Earlier this decade, MCE/SCER reviewed the potential for developing a NEM-wide data hub for consumers and their representatives to effectively and expediently access their meter data.

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[1] https://www.vinnies.org.au/icms_docs/221190_Victorian_Energy_Prices_July_2015.pdf

2 http://www.esc.vic.gov.au/getattachment/fc947897-7d4f-4772-97c9-959e3baad0db/If-the-retail-energy-market-is-competitive-then-is.pdf

3 Jemena, UED and Ausnet Services

Despite overwhelming support from the consumer sector for a hub to be implemented, and the review finding this outcome to be in keeping with the NEO, MCE/SCER instead directed AEMO (via rule change request to the AEMC) to develop a NEM Rules procedure for customer data access, leaving the responsibility of providing consumers (and their agents) with meter data to the same energy retailers who have remained opposed to consumers having easy access to this data.

AEMO has been tasked with developing this procedure for some time. Consumer organisations have been engaged in the process are frustrated by AEMO's reluctance to support an outcome that meets the National Electricity Objective requirement to promote the long term interest of consumers.

Despite strong submissions from a number of consumer organisations and third party service providers in relation to verification, data formats (both summary and detailed), consumer engagement and the process governing data acquisition, AEMO are headed down a path:

- of minimal intervention, without standardisation of data formats or verification processes;
- that will still result in a highly inefficient and ineffective process in the way that the majority of Victorian consumers and their third party representatives can access their data; and
- that allows energy retailers to continue to hinder consumers access to their AMI data.

After more than six years and around $2.5 billion spent on the AMI program, the final link in the supply chain to allow information flows between consumers and their smart meters, and "unlock" the value of the AMI program for Victorians, will not be resolved by the AEMO process.

Solutions

Victoria's government can, and we believe should, enforce measures that will have minimal costs to industry and significant benefits to consumers, which include:

- Customers or their representatives (i.e. third party energy service providers) be able to access their own meter data from distributors via an automated process;
- Customers be subject to uniform verification processes regardless of the delivery channel (e.g. web portal compared to AEMO process);
- Third party providers be held to the same verification requirements as customers directly.

In practical terms, this would likely entail:

- CitiPower/Powercor building a web portal such as that of Jemena, or a central Victorian data hub be developed[4], providing the "missing link" for ~1.1 million Victorian energy consumers;
- Each distributor enabling third party providers to register via their portals on a customer's behalf, providing the same verification information as if a customer was to register themselves; and
- The format that meter data can be downloaded in is standardised across the five networks.

[4] We understand that the Jemena/UED portal was built for ~$300,000 using Demand Management Incentive Scheme funds. Presumably it would not cost more than this to provide either a central data hub for all Victorian consumers (indeed, Jemena/UED's portal could itself be adopted in Citipower Powercor's network at minimal cost). With ~$2.5 billion spent on the AMI program to date, the benefits of spending even an additional $1 million – the actual cost should be much less - to complete the information supply chain from smart meter to consumer, would clearly outweigh the cost.

Brotherhood of St Laurence
Working for an Australia free of poverty

CUAC
Consumer Utilities Advocacy Centre

VCOSS
Victorian Council of Social Service

ATA

RESPONSE TO THE CONSULTATION ON CEILING INSULATION IN THE VICTORIAN ENERGY EFFICIENCY TARGET SCHEME

This submission is made on behalf of the Brotherhood of St Laurence, Consumer Utilities Advocacy Centre and the Victorian Council of Social Service (VCOSS).

We appreciate the opportunity to comment on the *consultation on ceiling insulation in the Victorian Energy Efficiency Target (VEET) scheme.*

Context

Energy efficiency provides an essential means to secure ongoing reductions in households' energy bills, improve Victorians' health and wellbeing and reduce greenhouse gas emissions. Energy efficiency is particularly important for low income households who spend proportionately more of their income on energy and who often face magnified capital barriers to installing energy efficiency measures in their homes.

The VEET scheme has proven to be effective in increasing the uptake of residential energy efficiency improvements, in particular the uptake of free items in disadvantaged areas (Sullivan & Johnson 2012).

Ceiling insulation is an important part of creating energy efficient homes, particularly for those who are facing poverty and disadvantage who often face difficultly in meeting their energy costs.

Issue

In the VEET scheme energy efficiency upgrades earn scheme credits (VEECS) based on their ability to reduce energy consumption and greenhouse gas emissions. The value for insulation was set to zero following concerns arising from the Commonwealth's Home Insulation Program.

Recommendations

We welcome the revaluation of ceiling insulation in the VEET scheme and anticipate that as a no, or low-cost item, it will address the capital barrier to the installation of insulation that currently exists.

The current VEET scheme can therefore be improved and we submit the following comments in relation to our recommendations to the Department to:

1. ***return the number of VEECs the installation of ceiling insulation earns from zero to a normal value as soon as outstanding safety issues are addressed***
2. ***prioritise support for the Essential Services Commission (ESC) to ensure compliance with the insulation installation guidelines so insulation can be returned to a normal value by 1 July 2016.***

In the following paragraphs, we outline the benefits of insulation, the prevalence of ceiling insulation in Victorian homes and issues that should be addressed as a priority in order to ensure the safety of insulation installation prior to its re-introduction into VEET.

1. INSULATION HAS MULTIPLE BENEFITS

The benefits of insulation have been well documented and include decreased energy consumption and expenditure, improved home comfort and reduced greenhouse gas emissions (see for example Mosher & McGee 2013).

Ceiling insulation works because it reduces summer heat gains within a dwelling by 25 to 35 per cent and reduces winter heat losses by 25 to 35 per cent (Mosher & McGee 2013). This makes homes more energy efficient.

As noted by KPMG (2015), Energy Efficient Strategies (2012) identifies **annual savings of $586** per household, per year from installing ceiling insulation. Sustainability Victoria (2014) identified more modest, but still significant savings.

Ceiling insulation retrofits to R5 level achieve **greenhouse gas emissions savings** in the order of 2 tonnes per household per annum on average in Victoria (EES 2011, p.52).

Insulation has also been shown to contribute to healthier homes

Howden-Chapman et al. (2007), for example, found insulating an existing home:

"led to a significantly warmer, drier indoor environment and resulted in improved self rated health, self reported wheezing, days off school and work, and visits to general practitioners as well as a trend for fewer hospital admissions for respiratory conditions (p.1)."

Ceiling insulation may also be useful in protecting Victorian householders from the impacts of heatwaves.

2. THE PREVALENCE OF CEILING INSULATION IN VICTORIAN HOMES

Around one in five (21%) Victorian households report they do not have ceiling insulation (ABS 2012). A further 14 per cent do not know if they have ceiling insulation. In 2009, 50 per cent of rental properties were uninsulated or effectively uninsulated and a further 27 per cent were inadequately insulated, with insulation of 90 mm or less. Only 11 per cent were deemed to be adequately insulated (EC 2009).

KPMG (2015) estimate there are 98,000 Victorian homes for which ceiling insulation would be cost effective to install.

3. DEALING WITH SAFETY AND RISK

The safety of individual households and workers installing insulation is of the utmost importance to the groups making this submission.

We welcome the "Review of Ceiling Insulation and the Victorian Energy Efficiency Target" (KPMG 2015), commissioned by the Department. As the report notes, a number of measures should be put in place prior to the VEET scheme supporting the installation of insulations. The measures include:

- Requiring installers to undergo specific industry training;
- Requiring skilled ESC audit and compliance teams to conduct spot audits;

- Restricting eligibility to non-conductive insulation only;
- Referencing the most up-to-date Australian Standards; and
- Regular performance reporting.

These measures should be implemented as a priority.

Address ceiling insulation issues without delay

It is essential that the issue of ceiling insulation in the VEET scheme be addressed now and not be further delayed. We note the previous consultant's report from May 2012, which concluded:

"The outcomes of the 'Due Diligence' review are generally in support of the re-introduction of ceiling insulation as a VEEC creation mechanism under the VEET."

It is also worth noting, that even without support from the VEET scheme Victorian households are having insulation retrofitted into their homes. Addressing the training and compliance regime through VEET should help ensure insulation is safer for all Victorian households.

Recommendations:

1. ***Return the number of VEECs insulation earns from zero to a normal value as soon as outstanding safety issues are addressed***
2. ***Prioritise support for the ESC to ensure compliance with the insulation installation guidelines so insulation can be returned to a normal value by 1 July 2016.***

Yours sincerely,

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About the organisations

The Brotherhood of St Laurence (BSL) is an independent non-government organisation with strong community links that has been working to reduce poverty in Australia since the 1930s. Based in Melbourne, but with a national profile, the BSL continues to fight for an Australia free of poverty. We undertake research, service development and delivery, and advocacy with the objective of addressing unmet needs and translating the understandings gained into new policies, new programs and practices for implementation by government and others. <www.bsl.org.au>

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences, and needs of energy and water consumers. <www.cuac.org.au>

The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS members reflect the diversity of the sector and include large charities, peak organisations, small community services, advocacy groups, and individuals interested in social policy. In addition to supporting the sector, VCOSS represents the interests of vulnerable and disadvantaged Victorians in policy debates and advocates for the development of a sustainable, fair and equitable society. <www.vcoss.org.au>

Founded 35 years ago, the ATA is a National, not-for-profit organisation whose 6,000 members are mostly residential energy consumers with an interest in affordable, sustainable energy and resource use. The ATA influences government policy by drawing on their technical expertise and members' experiences. The ATA advocates in government and industry arenas for easy access to sustainable solutions as well as continual improvement of the technology, information and products needed to change the way we live. <www.ata.org.au>

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