



Manager, Demand Side Policy, Victorian Energy Upgrades Branch
Department of Energy, Environment and Climate Action
Submitted via email to: energy.upgrades@deeca.vic.gov.au

30 January 2025

Re: Victorian Energy Upgrades 2026-27 Targets Regulatory Impact Statement

Thank you for the opportunity to comment on the Victorian Energy Upgrades (VEU) 2026-27 Targets Regulatory Impact State (RIS).

The Energy Efficiency Council (EEC) is Australia's peak body for energy management, electrification, and decarbonisation with a membership of businesses, universities and governments working to guide Australia on the path to an efficient, prosperous net zero economy. Of relevance to this consultation, our membership includes both liable energy retailers and Accredited Providers (APs) under the VEU.

The EEC supports the Department of Energy Environment, and Climate Action's (DEECA) preferred target option of Option 2 – setting the 2026 and 2027 targets to 5 and 6 million VEECs respectively. This option provides appears to strike the right balance between ambition and risk.

The VEU has been one of the most successful demand-side energy policies in Victoria, and a key driver of the state's improvements in energy performance over the last decade. In the coming decade, the EEC expects the VEU will continue to play a pivotal role in helping Victoria achieve its ambitious emissions reduction goals, while delivering more comfortable homes and productive businesses.

Given the VEU's centrality to achieving Victoria's energy and climate goals, it is important that the VEU targets are ambitious. Ambitious targets will drive the level of activity necessary to improve the energy performance of millions of Victorian homes and businesses and support a thriving market for energy services.

While Option 3 provides the highest level of ambition, the analysis presented in the RIS suggests that this comes with a 'considerably high level of risk'. These risks include higher energy costs for consumers, who ultimately pay for the scheme through their bills. While Option 2 appears to strike the right balance between ambition and risk in the short-term, the EEC urges the Victorian Government to ratchet up ambition in the years after 2027, which should allow for policy changes flowing from Solar Victoria's strategic review of the VEU to take effect.

As a market-based mechanism, one of the VEU's strengths is that it identifies energy performance opportunities at least cost. This also means the certificate price is expected to be dynamic, shifting upwards as the lowest cost opportunities

are exhausted, and down again as APs respond by undertaking more activities in response to high certificate prices.

However, in recent years VEEC prices have remained stubbornly high, yet activities have not increased in response. This is partly due to long-standing issues with the design of the scheme, some of which the EEC has raised for several years, including:

- the reduction in the electricity emissions factor. A reduction in the electricity emissions factor will reduce the number of VEECs created per electricity-saving measure, almost invariably increasing the VEEC price (an issue explicitly acknowledged in the RIS and the proposal to fix the factor at current levels for 2026 and 2027); and
- limited low-cost opportunities to generate VEECs. This has been particularly driven by the reduction in the incentives for lighting retrofits without the introduction of other low-cost measures.

Possible remedies for these issues include:

- the introduction of new activities, and re-introduction of dormant activities such as thermal insulation upgrades;
- improvements to existing activities, including streamlining the administration of project-based methods;
- new ways of marketing the scheme, including better engaging bricks and mortar retailers to promote it; and
- replacing the current GHG emissions metric with new energy-based metrics that also account for the time at which energy is consumed.

The EEC understands several of these ideas are under consideration as part of the current strategic review. We look forward to continuing to collaborate closely with DEECA and Solar Victoria on ways to improve the VEU to deliver Victoria's climate and energy policy goals, and the best outcomes for Victorian energy consumers.

For further information, please contact me on jeremy.sung@eec.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jeremy Sung". The signature is stylized and fluid, with a prominent loop at the end.

Jeremy Sung
Head of Policy
Energy Efficiency Council