



Department of Climate Change, Energy, the Environment and Water
By email: sustainability@environment.nsw.gov.au

24 February 2026

To whom it may concern,

Re: Energy Security Safeguard rule change consultation

Thank you for providing the opportunity to provide feedback to the Energy Security Safeguard rule change consultation paper.

The EEC is the peak body for energy management and energy efficiency in Australia. Our members include technology suppliers, energy service providers, major energy users, governments, education providers and NGOs.

The Energy Security Safeguard has played a critical role in driving energy performance improvements in NSW. We welcome the consideration of important rule changes and measures outlined in this consultation paper. As argued by the EEC in our submission to the 2025 PDRS and ESS statutory reviews and to the current associated policy review, there is a pressing need to rapidly reduce emissions from fossil fuels while optimising energy use to support higher levels of variable renewables and electrification. Demand management and energy efficiency are essential for a cost-effective, equitable, and orderly transition to net zero.

Comments on selected questions and consultation topics are as follows.

1.1) PDRS residential and small business battery installations

The proposed approach to allow the stacking of BESS1 incentives in PDRS with Commonwealth CHBP rebates through Exempt Energy Programs under certain circumstances for target households and buildings is appropriate.

Households or government entities receiving a stacked benefit with CHBP for battery costs should be required to participate in a VPP to access this incentive, and for households not entitled to receive this stacked incentive current incentives to participate in a VPP should be retained.

Complementary policy and programs should focus on opportunities to leverage these incentives to deliver energy cost reductions for groups that have faced barriers to upgrades, such as low-income households, public and community housing residents, renters, regional households and apartment residents.

Such an approach should be accompanied by annual reviews of scheme targets, as proposed in the policy consultation paper. Monitoring and evaluation of certificate markets and uptake of new stacked battery activities is particularly important in the context of a reduced PDRS target in the 2026-27 year.

1.2) Insulation

EEC welcomes the indication provided in the consultation paper that incentives for insulation will be considered in 2026 and look forward to engaging with this consultation process.

1.3) Onboarding to VPPs

The proposal to remove the requirement for solar to be installed onsite for the BESS2 activity is appropriate as a response to evolving energy tariffs and the specific needs of many apartment buildings where solar is impractical.

1.4) Air conditioning activities

We welcome the proposed inclusion of multi-split and large air conditioning systems for incentives in the ESS and PDRS.

A long-term approach to determining eligible products and capacity for incentives should ideally be built on a national product register, developed by the Commonwealth in cooperation with state and territory governments.

1.6) PDRS Commercial heat pump hot water heaters

Development of a project-based measurement method for thermal storage is an appropriate measure for commercial heat pump hot water systems, noting that the WH1 activity has already been suspended. Thermal storage is likely to have an important role in enabling greater demand optimisation.

1.7) ESS: commercial heat pump water heaters activities

We acknowledge the intention of altering conversion factors for larger heat pump hot water systems to avoid potential incentives to install oversized systems.

We encourage consideration of measures to mitigate the risk that changed conversion factors may disincentivise larger systems over 10kW in favour of smaller systems not subject to the proposed 0.7 conversion factor, even in circumstances where larger systems are appropriate.

Consideration may also be given to alignment with recent changes to a comparable activity in the Victorian Energy Upgrades program (section 44), with a view to maximising alignment across schemes.

1.8) Fuel switching

The proposed measure is appropriate to ensure that fuel switching activities are incentivised in the context of a decarbonising electricity system; the requirement that activities must result in no net increase in greenhouse gas emissions should be retained.

Thank you for your consideration of our comments. This submission addresses only selected features of the consultation paper; lack of comment on any issue does not indicate an EEC position. For further information or to discuss any aspect of the consultation and programs, please email Jeremy.Sung@eec.org.au.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Jeremy Sung", is positioned below the closing text.

Jeremy Sung
Head of Policy
Energy Efficiency Council