Victorian Energy Upgrades
energy.upgrades@deeca.vic.gov.au

May 21 2026

Re: Proposed Victorian Energy Upgrades hydronic heating activity

Thank you for the opportunity to provide a submission to the *proposed Victorian Energy Upgrades hydronic heating activity*.

The EEC is the peak body for energy management in Australia. Our members include technology suppliers, energy service providers, major energy users, governments, education providers and NGOs. Energy efficient products and services are essential for a cost-effective, equitable, and orderly transition to net zero.

Please see below for our responses to the consultation questions.

1. **Do you agree with the proposed introduction of a new hydronic space heating activity?**

The EEC supports the introduction of a new hydronic space heating activity.

Electrifying existing gas hydronic systems presents a strong residential emissions reduction opportunity, given the high thermal loads and long operating hours typical of these systems.

Electrifying Victorian homes will require a range of technological solutions, and this activity represents another important pathway within our broader transition.

2. **Do you agree with the proposed scope of the new hydronic space heating activity? Please provide more detail in your response.**

EEC members broadly support the scope. The EEC heard the following commentary from members:

- The scope should more clearly differentiate between system quality and design sophistication, rather than treating all heat pump hydronic systems as equivalent. Without this differentiation, the activity risks encouraging lowest cost compliance rather than best practice outcomes.
- Ensuring hydronic heat pump retrofit projects incentivised by the VEU are properly designed and installed is critical. These systems are costly and highly specialised, and poor or incompatible installations could undermine confidence in what is still a niche market. Getting the design right from the outset helps protect system performance, safety and the long-term viability of this emerging technology.

Questions 3-5

There is some nuance within our membership in response to these questions. We refer you to individual industry responses for greater insight into these matters.

6. Do you agree with the proposed minimum product warranty requirement of 5-years?

The EEC supports the introduction of a minimum product warranty requirement. The move to a five-year warranty in other programs (such as Solar Victoria's requirements for heat pump hot water systems) has helped lift standards across the market and has been well received by industry stakeholders.

We also heard the view that provisions should include a requirement that providers of eligible product demonstrate proven technical and warranty support capability.

7. Do you agree with the proposed approach to installing heat pumps on to existing hydronic systems? Please detail any further retrofit requirements that should be specified to protect consumers.

Member responses indicate cautious support for this approach, noting there are some technical constraints, and the need to ensure system compatibility is appropriately assessed.

8. Do you agree with the proposed mandatory buffer tank requirement? Yes/No/Unsure

The EEC did not observe member support for a buffer tank requirement.

9. What minimum buffer tank capacity do you believe is suitable for the activity? 0 litres / >80litres / >150 litres / > 250 litres / Other - Please provide more detail in your response.

See response to question 8.

10. Do you agree with the proposed design and installation qualification requirements? Please provide more detail on the type of training and qualification requirements that should (or should not) be set.

The EEC strongly advocates for ensuring that the workforce delivering efficient electrification upgrades is appropriately skilled to deliver safe, high-quality installations. Ensuring that practitioners have the expertise required to complete these upgrades to the expected standard is essential to the success of this activity and the broader transition.

Through consultation with members, we heard the following specific feedback:

- Qualification requirements should place greater emphasis on system understanding, with training prioritising:
    - Low-temperature hydronic system design
    - Weather-compensated control strategies
    - Correct system volume assessment
    - Refrigerant safety awareness

11. Do you agree with the proposed decommissioning and disposal requirements? Please provide more detail in your response.

Safe, permanent decommissioning of gas boilers is appropriate and supported.

12. Do you agree with the proposed mandatory sizing and consumer information requirements? Please explain your answer and provide any examples of information that should be included in the factsheet, including proposed sizing guidance.

Right-sizing appliances is critical to successful home retrofits that maximise household benefits. The EEC supports ensuring consumers have access to practical, user-friendly information that helps them make informed decisions and understand how their systems will perform.

To further inform consumer decision making, an EEC member suggested it may be appropriate to consider an additional requirement for a mandatory thermal assessment of the applicant's home, and heating equipment used.

13. Do you agree with the proposed minimum co-payment requirement of $3,000?

The EEC has heard consistent support for the use of co-payments to help reduce undesirable outcomes in energy efficiency schemes. 75% of the members that engaged with us on this consultation advised that a $3,000 co-payment is appropriate, with the remaining preferencing a $5,000 co-payment.

14. At what value should the minimum co-payment requirement be set? $500 / $1,000 / $3,000 / $5,000 / Other. Please provide more detail in your response.

See response to question 13.

15. Do you agree with the proposed lifetime of 10-years? Please provide more detail in your response.

Members advise that many of these systems last beyond 10-years, however 10-years is an acceptable estimate.

16. Do you agree with the proposed baseline and upgrade calculations? Please provide more detail in your response.

The EEC does not have sufficient in-house technical expertise to provide a view on calculations; however, we note the following from our membership:

- Systems that employ integrated weather-compensated flow temperature control could attract higher incentives, as they demonstrably reduce electricity consumption and emissions over the system lifetime.
- Concern that capacity determination affects the yield, while currently not being tied to a suitability assessment for the given application.

17. Do you agree with the proposed method for rewarding/penalising refrigerant choice? Please provide more detail in your response.

Refrigerants can be a complex and divisive topic among industry stakeholders. Unsurprisingly, EEC member consultation indicates some alignment, and some points of difference within the membership:

- Members broadly agree that refrigerant choice can be a meaningful part of the incentive framework to support long-term climate goals and align with global phase-down pathways.
- There is substantial support for accelerating the shift away from high-GWP refrigerants, whether through a firm GWP limit, stronger penalties, or higher rewards for low-GWP alternatives. The shared intent is to ensure the scheme drives genuine emissions reductions and future-proofs installations.
- Rewarding low-GWP refrigerants is important, but the framework should also recognise integrated safety features, engineered system designs, and technologies that minimise refrigerant charge. In short, incentives should reflect both environmental performance and system architecture, and some flexibility may be warranted to account for this.
- Low-GWP hydronic systems can be more expensive due to additional safety engineering. Therefore, if the goal is to encourage their adoption over other options in the market, incentives need to reflect real-world cost differences to make these systems a viable and attractive choice for consumers.
- Safety and capability are central considerations. While low-GWP refrigerants such as R290 offer clear environmental benefits, members emphasise that safe deployment requires appropriate system design, installer training, licensing coverage and defined safety controls.
- Regardless of the specific GWP threshold or incentive structure, the scheme must ensure installers are qualified to work with the refrigerants and system types being encouraged.
- Government should work closely with industry to develop an approach to refrigerants within the activity.

The Heat Pump Hot Water System Industry Consultative Group (HPHWS ICG)[1] includes a range of experts on hydronic systems, and refrigerants more broadly. Should you wish to discuss this matter within the group, we would welcome the opportunity to arrange a session.

General comment

In further designing this activity, the department may also wish to consider how the VEU treats other technologies that deliver the same service (such as reverse-cycle air conditioners) and ensure that VEEC calculations are applied consistently across different products that achieve equivalent outcomes.

[1] The HPHWS ICG is funded by the governments of Victoria and NSW until September 2026.

Thank you for your consideration of our comments. For further information or to engage on any aspect of this submission, please email Rachael.Wilkinson@eec.org.au.

Sincerely,

Jeremy Sung

Head of Policy

Energy Efficiency Council