

1 June 2011

Energy Sector Development Division
Department of Primary Industries
By email: energysaverincentive@dpi.vic.gov.au

Re: VEET Prescribed Activities

The Moreland Energy Foundation (MEFL) supports the expansion of the Victorian Energy Efficiency Target (VEET) scheme to SMEs, and welcomes the opportunity to comment on the creation of new activity categories to cover small and medium enterprises.

Background

MEFL is an innovative not-for-profit organisation established by the City of Moreland in 2000 to reduce greenhouse gas emissions. MEFL works within and beyond the Moreland community to implement a range of energy efficiency programs, including behaviour change programs, research and demonstration projects and advice and information services.

According to the Australian Industry Group report 'Energy Shock', Australian retail electricity prices increased by an average of 30 per cent between 2006 and 2010, and could double compared to 2008 levels by 2015. Energy efficiency is one of the best ways to achieve low cost and lasting reductions in household and business energy bills, and the VEET scheme has already cost-effectively reduced Victoria's emissions and cut energy costs for consumers. According to the RIS modelling, an expanded scheme would deliver over \$2.6 billion in benefits to the economy.

Design of energy efficiency programs

In order to effectively and efficiently reduce energy costs for consumers, energy efficiency schemes must be based upon high quality data and a deep and constantly updated understanding of the practical on-the-ground uptake and implementation of energy efficiency measures.

Targeting the behaviour of energy consumers has long been touted as the most effective way to achieve energy efficiency. Strong supporting evidence is now emerging. Randomized, controlled trials conducted by US company OPOWER involving hundreds of thousands of energy customers demonstrate the economic effectiveness of energy efficiency programs that recognise on-the-

ground behavioural factors that influence energy consumers (see attached *Science* article).¹ While these trials targeted the residential sector, in MEFL's experience, SMEs face many of the same issues as households and often respond in similar ways. The trials showed that behavioural programs are often more cost-effective than other energy efficiency programs, and recommended that governments support such programs and incorporate their results into the design of their energy efficiency programs and regulations.

As discussed below, MEFL has experience in undertaking energy efficiency in homes and businesses on the ground, and developing robust data to support these activities.

While energy efficiency businesses undertake some of this work as part of their business development, we recommend that the Government consider supporting independent research into on-the-ground implementation of energy efficiency for the purposes of the VEET scheme. Such support could be considered as part of the process for updating and expanding the list of prescribed activities under the VEET scheme.

MEFL's energy efficiency programs

MEFL runs numerous energy efficiency research and implementation programs in both the residential and the SME sectors. These programs include:

- Research on the costs and benefits of various residential and commercial energy efficiency measures, including trials of new and emerging energy efficiency measures;
- On-the-ground implementation of holistic energy efficiency responses, including retrofitting measures in combination with behaviour change in particular sectors, including low income households.

In our experience, all of the currently prescribed activities for the residential sector are applicable to the SME sector. In particular, we have achieved good results in local businesses with:

- Water heating
- Lighting
- Refrigeration

Additional activities that we are currently testing in one or both of the residential and SME sectors include:

- Wall insulation
- Installation of variable speed drives
- Standby appliances, timers and kill switches
- Installation of high efficiency motors

¹ Hunt Allcott and Sendhil Mullainathan, 'Behavior and Energy Policy', *Science*, Vol 327, 5 March 2010, p 1204.

Case Study – Local liquor store, Pascoe Vale, Vic

MEFL recently undertook a pilot study of an innovative and low cost energy efficiency retrofit for SMEs with drinks fridges. The study was undertaken in a local liquor store.

Preliminary results from the pilot show that the purchase and installation of a digital timer on a two-door fridge can achieve average per year greenhouse gas savings of 2.25 tonnes of CO₂ equivalent, and financial savings for the business of \$200, with payback periods of as little as a month.

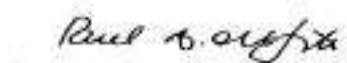
We will be expanding this trial to broaden the scope of the research, establish the acceptance and uptake within the business community of this type of project and ultimately roll it out across Moreland.

Opportunities and further contact

We would welcome the opportunity to discuss the results of this and our other projects further, and potential opportunities to work with the Department to apply our research and on-the-ground implementation capacity to inform the prescription of activities for the purposes of the VEET scheme.

Please do not hesitate to contact our Energy Policy Advocate, Eli Court, on 9385 8529 or via eli@mefl.com.au to discuss.

Yours sincerely



Paul Murfitt
CEO