

23 December 2016

Manager Sustainable Energy Programs
Operations and Programs Branch
NSW Department of Industry, Resources and Energy Division
Sent via email to energysavings.scheme@industry.nsw.gov.au

RE: ESS Rule Change 2016-2017 Consultation Paper

Thank you for the opportunity to comment on the proposed Energy Savings Scheme (ESS) Rule Change 2016-2017 and Consultation Paper ("Consultation Paper"), and for your ongoing efforts to enhance this important and productive policy.

None of the specific proposals in the Consultation Paper have a direct impact on Fridge Buyback. However, **there is one issue of great importance to the effectiveness of ESS that is not discussed in the Consultation Paper and merits further explicit consideration by Government: the ongoing imbalance in supply and demand and resulting depressed price of Energy Savings Certificates (ESCs).**

The ESS is in the **fifth consecutive year of a gross oversupply** of ESCs. As a result, ESC market prices have continued to trade at a fraction of the penalty rate after considering company tax implications, and far less than the marginal cost of electricity supply. Currently, ESCs are at less than 60% of that value. The ongoing low ESC price restricts the extent of innovative energy savings projects offered to consumers to help reduce their energy bills, and diminishes the effectiveness of the ESS.

The NSW Government's 2014 and 2015 ESS revisions took smart and important steps in the right direction, including reigning in the flood of sometimes-questionable commercial lighting projects that had begun in 2012, and increasing the ESS target. However, the ongoing low ESC prices clearly demonstrate that a large gap remains to be addressed. To remedy this situation and more fully deliver on the potential consumer and environmental benefits of the ESS, **the NSW Government should explicitly consider revisions such as raising the ESS target faster and higher than had been adopted in the 2015 Review, until the market price of ESCs is at a much smaller discount relative to the penalty value.**

Next Energy would be pleased to provide further information about its experience in operating the Fridge Buyback program, and about steps to restore the ESS market.

Yours sincerely,

Graham Mawer
Director

Robin Roy
Director

Fridge Buyback Program

Next Energy is an accredited ESS certificate provider through our award-winning Fridge Buyback program, which encourages and enables households to recycle costly, inefficient second fridges and freezers. The effectiveness of the ESS is of great importance to us, to the dozens of local councils that we work with across NSW, and to the households who benefit from our energy saving services. More than 50,000 NSW households have already participated in the Fridge Buyback program to date.

Removal of old and inefficient fridges and freezers remains one of the easiest and most effective steps that NSW households can take to dramatically cut their electricity bills. About 40% of detached homes in NSW have a second fridge, which is amongst the highest levels in the world. These second fridges are generally old and very poorly performing, using up to three times more energy than a modern one.