

Department of Climate Change, Energy, the Environment and Water
Energy Security Safeguard

Peak Demand Reduction Scheme

Rule update

December 2024



Acknowledgment of Country



Department of Climate Change, Energy, the Environment and Water acknowledges the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

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Introduction

The Peak Demand Reduction Scheme (PDRS) is a certificate scheme that aims to reduce peak electricity demand in NSW. Under the PDRS, scheme participants are required to purchase and surrender Peak Reduction Certificates (PRCs) to the NSW Government. PRCs are created when Accredited Certificate Providers (ACPs) complete eligible activities that help households and businesses reduce their peak energy consumption.

The NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) has now made 3 changes to the *Peak Demand Reduction Scheme Rule* (the Rule) in 2024.

The first change, [Peak Demand Reduction Scheme Rule change 2 - May 2024](#), published on 24 May 2024:

- introduced new activities for batteries (BESS 1 and BESS 2)
- updated the calculation methodology for pool pumps and commercial heat pump hot water systems
- removed some inactive activities.

The second change, [Peak Demand Reduction Scheme Rule change 2 update - September 2024](#), published 6 September 2024, includes additional changes to battery warranty conditions.

This third change, *Peak Demand Reduction Scheme (Amendment No. 3) Rule 2024*, effective from 19 December 2024 and replacing all previous versions of the Rule, will incorporate all previous changes and make additional changes detailed in this paper. The purpose of this paper is to explain the additional changes that have been made to the PDRS Rule to:

- make the DER Register requirement easier to comply with
- clarify the PDRS Rule definition of battery energy storage system
- suspend the heat pump water heater activity until further notice.

Policy position

Summary of changes to the PDRS Rule

Changes in the 19 December 2024 version of the Rule are outlined in Table 1.

Activity	Change
BESS1 and BESS2	Amending the requirement for batteries to be recorded on AEMO's Distributed Energy Resources Register.
BESS1	Clarifying the warranty requirement does not apply to hybrid inverters already installed
WH1	Suspending the heat pump water heater activity until further notice.

Table 1 Summary of new activities

BESS1 and BESS2: amending the Distributed Energy Resources Register requirement

In 2019, the Australian Energy Market Operator (AEMO) introduced the Distributed Energy Resources (DER) Register. The DER Register was intended to store information about all small grid-connected generation and storage devices. For solar and residential batteries, this includes details about:

- the National Metering Identifier (NMI)
- capacity
- installer
- phase connections
- frequency protection and voltage protection levels.

Registration on the DER Register is a mandatory requirement. However, low compliance has meant many installers have never registered a battery on the DER Register, despite thousands being installed.

Under the PDRS, batteries are required to be registered before they can obtain incentives. The introduction of this requirement has led to the discovery of issues with processes operated by AEMO and the NSW Network Service Providers (NSPs). These issues include:

- time lag between data submission and listing on the DER Register
- inability to complete registrations

- lack of support for issue resolution.

The requirement for batteries to be registered on the DER Register has been amended to provide a transitional provision for 6 months. This allows ACPs to provide evidence that a registration has been submitted in accordance with the Network Service Provider's process rather than evidence that the registration has been completed. We will continue to work with Network Service Providers to streamline DER Register processes and reduce the administration burden for installers. The transitional arrangement remains aligned with the original policy intent of increasing compliance with mandatory DER Register registrations and increasing DER visibility on networks.

BESS1: Clarifying the warranty requirement does not apply to hybrid inverters already installed

Many homes have a solar system that was installed with a battery-ready hybrid inverter to enable easy retrofitting of a new battery system. Where the inverter was installed prior to battery installation, the warranty remaining may be less than 10 years. The warranty requirement has been clarified to specify that it only applies to the battery being installed on the implementation date.

WH1: Suspending the heat pump water heater activity until further notice

In May 2024, the heat pump water heater activity (WH1) was changed to put a cap on systems being installed in businesses to those with a volumetric tank capacity above 425 L. This change removed the ability of ACPs to potentially claim incentives under the Energy Savings Scheme (ESS), PDRS and Commonwealth Small-Scale Renewable Energy Scheme for a single implementation. The combined incentives from these 3 schemes were more than the amount required to encourage the uptake of heat pump water heaters. In some cases, the incentive exceeded the cost of installation, resulting in pressuring sales tactics and an increase in installations where the replacement system was not fit for purpose.

The move to implement a cap on the volumetric tank capacity has been successful in eliminating the replacement of small water heaters with large heat pump water heaters in the small business space. Products are now being registered with systems sized between 425 L and 475 L with thermal energy capacities normally seen in smaller systems, which would circumvent the previous rule change. This has highlighted that further action needs to be taken. We have made the decision to suspend the activity while investigating options to drive better outcomes for consumers. The equivalent heat pump water heater activity in the ESS remains active for businesses that are looking to upgrade their hot water system.



For more information

To learn more about the Peak Demand Reduction Scheme or Energy Security Safeguard, please visit or contact us by email:

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