NATIONAL GENERATORS FORUM

Street: Level 11, 60 Marcus Clarke St.,
Postal: GPO Box 1301
Tel: 02 6243 5120
Fax: 02 6243

Manager, E3WG Secretariat
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601
E2WGSecretariat@industry.gov.au

30 September 2007

Dear Sir/Madam

National Framework for Energy Efficiency – Stage 2 – Consultation Paper

The National Generators Forum (NGF) welcomes the opportunity to comment on the National Framework for Energy Efficiency (NFEE), Stage 2, Consultation Paper.

The NGF is the industry body which directly represents the 21 major power generators in Australia's National Electricity Market (NEM). Verve Energy and Griffin Energy in Western Australia are associate members.

The installed capacity of the NGF members was 44,129MW in 2006, with an asset value of more than $40 billion. Annual sales are over 192,000 GWh, with a value of $11.9 billion. This is more than 95 percent of the total Australian market.

Stage 1 achievement

The NGF notes the significant greenhouse gas abatement achievements in the stationary energy sector largely related to improvements in supply and end-use efficiency. These measures are playing a key role in achieving Australia's Kyoto Protocol objectives.

The NGF notes NFEE stage 1 benefits including a $380m/year GDP benefit (although comparatively modest by international standards), 7.8 Mt in annual greenhouse gas savings and 42 PJ per year of energy savings.

Section 5 of the consultation paper provides an outline of phase 1 achievements to date. The achievements listed are very worthwhile, but apart from activities related to appliances and equipment, which have delivered the bulk of demand side benefits, they are comparatively modest and lacking in national cohesiveness and focus.

The MEPS program continues to deliver steady improvement in the efficiency of major appliances and equipment commensurate with international developments and local requirements. The NGF strongly supports the MEPS program, the inclusion of additional appliances and equipment, and the continuous energy efficiency improvement approach with respect to existing products covered by MEPS, consistent with international trends.

Progress in improving the efficiency of residential and commercial buildings can best be described as slow and uncoordinated, with a confusion of very mixed requirements at the various state levels. More is needed to better address the efficiency of new commercial and residential buildings and the upgrade of existing commercial and residential buildings. A fully nationally coordinated approach will deliver the benefits more quickly and at lower cost.

With respect to commercial and industrial activities, the only activity of note is the implementation of the Energy Efficiency Opportunities Act (which was not even part of the original stage 1 program). As well, NGF members continue to deliver steady energy efficiency improvements and greenhouse gas abatement under the Generation Efficiency Standards measure.

Activities in areas of trade and professional training and accreditation, finance sector and government have been largely invisible from a public perspective. While the provision of consumer information on energy efficient appliances and equipment has been advanced, a fresh approach is needed to better address consumer information in the age of information overload, particularly at the point of sale.

The NGF notes the continuation of many of the stage 1 activities and the potential for strengthening these activities.

Stage 2 initiatives

The NGF also notes the proposed new measures for stage 2 of the NFEE program. Most of the additional measures can also be described as modest, lacking in coordination and national consistency. Some of the proposals will require careful development as perverse outcomes are quite possible.

For instance, the incandescent lighting phase-out strategy was hastily construed at the federal government level without state commitment and without a full and proper assessment of the consequences. It is now obvious that the Australian market is being flooded by cheap sub-standard CFLs and this may well result in a significant consumer backlash due to high failure rates and poor light rendition. The currently preferred replacement by halogen down-lights is likely to significantly increase, and not decrease, household electricity use. The advent of efficient household and commercial LEDs is probably more than 10 years away.

AS noted above, NGF fossil fuel generators are members of the Generation Efficiency Standards program. This program has a number of constructive design features that assist in taking a holistic approach to efficiency improvements.

At present, generators are not subject to the Energy Efficiency Opportunities Act, although this may change in the future. Like the GES measure, the EEO measure will sensitise businesses to energy efficiency and greenhouse abatement and business is expected to take advantage of cost-effective actions identified as part of the audit process.

However, the NGF does not support the vaguely worded proposal requiring the uptake of energy efficiency measures with a three year payback period or less. Experience with a similar Victorian EPA measure demonstrates that such a simple single objective approach can lead to inefficient and costly business outcomes because the financial context in which the required measures would take

place have not been fully considered. These include generation or process downtime, poor use of capital resources within business, and the potential for increase business risk due to uncertain technologies.

The NGF believes that mandating energy efficiency action will at the very least require a holistic assessment of the issues involved, including overall business efficiency.

Although the NGF supports the expansion of MEPS to other electrical and gas appliances and equipment, a more careful assessment of least-cost opportunities may be warranted. For instance, the household sector stationary energy use is only 21% of the total, with the commercial sector making up 12% and the industrial sector 67%. A greater focus on improving the efficiency of industrial plant and equipment is likely to deliver greater benefits that excessive focus on the household sector.

The NGF supports the development and implementation of national HVAC high efficiency strategy with its potential to improve the efficiency of heating, ventilation and air-conditioning of commercial buildings by up to 20%.

The NGF notes the development of a national water heater strategy. Although water heating accounts for 30% of household energy use, it accounts for only 6% of total stationary energy use. The NGF is concerned about the simplistic approach being taken to phasing out electric storage hot water systems without a fuller understanding of the issues and consequences, including the impact on peak and off-peak electricity use, electricity costs and prices and water use.

The NGF would welcome an opportunity to discuss the issues related to electric storage water heaters in some detail with government officials, suppliers and consumers. The NGF would like to recommend that a stakeholders group should be established to discuss the issues and impacts of this proposed measure.

Yours sincerely

John Boshier
Executive Director