VEET Business Impact Assessment - Modelling fatally flawed

The results of the modelling for the Business Impact Statement are fanciful and at odds with a suite of recent similar analyses that concluded that supporting energy efficiency would deliver economic benefits.

Our assessment of the Business Impact Assessment (BIA) and associated modelling shows that there has been a systemic understatement of the benefits of energy efficiency and an overstatement of the costs.

Understating the benefits of energy efficiency

- The government has assumed that the impact of the energy savings measures ceases after the life of the measure and that energy users go back to their previous inefficient ways. This shows a complete lack of understanding how the scheme and the market operate. In the case of lighting – the energy efficient globe may last for 10 years but the fitting that it is housed in will last more than 20 years and the abatement will be ongoing. Also customers tend to replace like activities with like.
- The modelling has understated the energy reduction benefits of energy efficiency – particularly lighting – where the VEET scheme artificially limits the number of hours for commercial lighting to 3000 hours per annum. There are many facilities such as retail, hospitality and car parks etc where energy is saved for a lot more hours per annum.
- The modelling has not included the cost savings (both equipment and time) of electricity customers not having to continually replace inefficient light globes (for example). Efficient light globes last much longer than inefficient ones and do not need to be replaced as often.
- No benefit for reducing greenhouse gas emissions has been included when there is a Commonwealth Government commitment to reduce greenhouse emissions by 5% by 2020. This will involve undertaking activities that will have an economic impact. The consultants have stated that they assessed this at the European carbon price and it made no difference to their conclusions. The European carbon price is significantly lower than the expected cost of achieving emissions reductions under the emissions reduction fund.
- The modelling incredulously assumes that energy efficiency does not lead to any delay of any electricity investments in generation or network businesses, this is absurd.
- The modelling recognises that energy efficiency reduces the wholesale electricity price which will be paid by all electricity consumers across the National Electricity Market states – however it does not include the benefits that consumers in other states receive.
- The Victorian government uses the existence of the Commonwealth EEO program as justification for no action on energy efficiency – the Commonwealth Government has scrapped the program in the last budget.

Overstating the costs of energy efficiency and the VEET scheme

- While the government has not released its detailed assumptions about the costs of specific activities under the scheme, it is clear that they have significantly over-estimated the costs, or used out-of date numbers. This is clear when we consider that the assumptions made for commercial lighting over the three years (2015-2017). Even under the highest scenario (Option 3) where certificate prices were approximately $50 only 2.4 million commercial lighting certificates are assumed to be created over the three year period (1.6 million under Option 1). Under the NSW scheme more than 3.0 million commercial lighting certificates were created in 2013 alone at a certificate price of less than one-third that assumed by the Victorian government.
- The certificate prices assumed in the modelling are excessive in light of experience in NSW and the cost that it assumes that customers pay under the scheme is thus overstated.

Energy Efficiency Certificate Creation Association Inc
161 Victoria Parade Collingwood 3068