

27 September 2023

Mr Terry Niemeier  
Director – Program and Market Development - Safeguard  
NSW Office of Energy and Climate Change

Submitted via email: [sustainability@environment.nsw.gov.au](mailto:sustainability@environment.nsw.gov.au)

Dear Mr Niemeier,

**PIAC submission on the Energy Saving Scheme Water heater consultation**

PIAC welcomes the opportunity to respond to the Office of Energy and Climate Change's (OECC) Energy Saving Scheme (ESS) Water heater consultation paper ('the consultation paper').

While we appreciate this is the first part of OECC's ESS consultation, we are disappointed at the limited scope of the consultation being undertaken. We encourage OECC to expand this process or initiate consultation on wider reforms and improvements to the ESS. In particular, there is a need to consider opportunities for the ESS to be better aligned with the NSW Government's strategic responses to energy affordability, consumer energy resource (CER) integration, the flexibility of energy demand in NSW and the need to equitably electrify household energy demand.

PIAC recommends OECC consider wider reform of the ESS as an opportunity to improve targeting of the ESS and better co-ordinate it with measures to support efficiency improvements and electrification for social housing, energy rebate recipients and other households with lower incomes.

We are particularly concerned that proposals to introduce higher co-payments for water heaters would further reduce accessibility of the scheme to households on lower incomes and others experiencing disadvantage.

**Inclusion of gas boosted solar water heaters**

While the consultation paper is narrowly consulting on changes to the baselines and assumptions for water heaters, PIAC notes replacement of gas water heaters with gas-boosted solar water heaters is still included. We strongly disagree with any water heaters utilising gas being included as eligible replacement options. Any retention of gas connected appliances reduces the financial benefit to the household and the long-term emissions reductions impact of the intervention (since the emissions intensity of the electricity system rapidly decreases but

the gas system does not). We recommend this process remove activity D21 as part of updates to baselines for water heaters.

### **Consumer engagement and co-payments**

PIAC strongly disagrees with increasing co-payments for water heaters and rejects the reasoning that increased co-payments will improve consumer 'engagement'. There does not appear to be any validation presented in support of this reasoning in a residential context. The proposed change would make ESS activities less accessible to households with low incomes or experiencing disadvantage. Instead, the ESS should be aligning with best practice in utilising similar schemes to help address economy-wide electrification and energy performance upgrade objectives, through supporting households on lower incomes and other groups experiencing disadvantage.

Reducing 'high pressure sales tactics' and addressing 'low customer engagement with the specifics' would be better achieved through program design and targeting, and improved training and monitoring of participating providers, rather than reducing financial benefits to households.

We strongly recommend OECC reconsider this proposed change. OECC should instead initiate a process for further reform of the ESS to support wider NSW Government priorities and improve ESS contribution to the energy system transition and improvement of household energy efficiency and affordability for those most in need.

### **Continued engagement**

PIAC would welcome the opportunity to discuss these matters further with OECC and other stakeholders.

Yours sincerely

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