



Energy Retailers Association
of Australia Incorporated

18 April 2007

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

economics.sen@aph.gov.au

Dear Sir/Madam,

Re: National Market Driven Energy Efficiency Target Bill 2007

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comment on the *National Market Driven Energy Efficiency Target Bill 2007* (The Bill) .

The ERAA is an independent association representing 13 retailers of electricity and gas throughout the National Electricity Market (NEM) and the jurisdictional gas markets. The ERAA members collectively provide electricity to 11 million customers in the NEM and are the first point of contact for end-use customers for both gas and electricity.

The ERAA strongly endorses the need to establish policy frameworks that promote the efficient use of energy and provide opportunity to reduce greenhouse gas emissions. Such frameworks must consider the long term in order to provide business with the certainty of being able to achieve returns on their investments.

The ERAA believes the introduction of a National Emissions Trading Scheme (NETS) in 2010 will assist in the objective of reducing greenhouse gas emissions by creating a clear, long-term carbon signal across all sectors of the economy (including energy). The NETS will act as an incentive for consumers to conserve energy and for producers to invest in cleaner energy technologies. The introduction of an explicit market-based carbon signal, complimented by an effective and efficient research and development policy, will help drive the appropriate balance between the economic benefits of energy and protection of the environment.

The ERAA however recognises that NETS is unlikely to fully capture the demand side potential due to various market failures, and thus supports a national energy efficiency strategy. That strategy should be based on the same principles as NETS , reducing emissions at the lowest cost to consumer.

In this regard the Association remains very concerned by the proliferation of State based abatement and energy efficiency schemes as they are complex to administer and lead to additional costs for retailers which must ultimately be passed on to customers. Such schemes include:

- Victorian Renewable Energy Target (VIC)
- Victorian Energy Efficiency Target(VEET) (VIC)
- Greenhouse Gas Abatement Scheme(NSW/ACT)
- New South Wales Renewable Energy Target(NSW)
- 13% Gas Scheme (QLD)
- Residential Energy Efficiency Scheme(REES) (SA)
- Mandatory Renewable Energy Scheme(WA)

As well as these schemes there are numerous policies which are being pursued by both the Commonwealth and the States and Territories, such as the National Framework for Energy Efficiency, the mandatory auditing programs of the largest commercial and industrial users, such as the Commonwealth Energy Efficiency Options, the Queensland Government's Smart Energy Savings Program; the Federal Government's Greenhouse Friendly Program, as well as, the programs by the Victorian Government and Federal Governments to roll out smart meters.

The ERAA therefore supports the establishment of the Strategic Review of Climate Change Policies by the Hon Lindsay Tanner, Minister for Finance and Deregulation and Senator the Hon Penny Wong, Minister for Climate Change and Water. This review will look at whether the current array of schemes, including those such as REES and VEET which are similar to the proposal in the National Market Driven Energy Efficiency Target Bill 2007 are complementary to the NETS.

The ERAA would also draw the Committee's attention to some of the policy developments currently progressing through the Council of Australian Governments (COAG). We note the announcement on 6 March 2008 from Senator the Hon Penny Wong, Minister for Climate Change and Water on the progress of the COAG sub-group tasked with the development of a consolidated national approach to renewable energy. The ERAA understands similar COAG sub-groups have been established for energy efficiency and complementary measures.

Given these reviews the ERAA would support the committee in recommending that the energy efficiency component of the bill not be considered until after these reviews have been concluded. The introduction of another energy efficiency scheme in the current state of flux would simply lead to additional costs for retailers without a sizeable increase in energy efficiency.

To help make customers more conscious about their energy consumption and change their behaviour, the ERAA is of the view that the removal of retail price regulation would play a key role. Price regulation, with its inherent cross-subsidies, distorts efficient market outcomes and prevents appropriate price signals reaching customers, including the carbon price signal that will be provided by NETS. The ERAA believes that the price signals which come with removing price regulation is an essential foundation of any efficient policy approach to influencing customer behavior and consumption.

It is also unclear to the Association as to why the Bill is being inserted into the Amendment of the Renewable Energy (Electricity) Act 2000. The ERAA is of the view that increasing energy efficiency and raising the level of renewable energy are fundamentally different objectives, and while both assist in responding to the challenges of climate change they inevitably require different approaches.

The ERAA recently commissioned Pricewaterhouse Coopers to investigate policy options for delivering residential energy efficiency in the electricity and gas industries. This study will look at the effectiveness of schemes implemented around the world to encourage energy efficiency, and highlight the key elements of the most promising policies. We would be happy to provide a copy to the Committee as soon as it completed

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

Yours sincerely

[Transmitted Electronically]

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia