

Energy Efficiency (Cost of Living) Improvement (Priority Household Target) Determination 2016

Disallowable instrument DI2016 - 63

made under the

Energy Efficiency (Cost of Living) Improvement Act 2012, s9 (Priority household target)

EXPLANATORY STATEMENT

Introduction

This explanatory statement relates to the *Energy Efficiency (Cost of Living) Improvement (Priority Household Target) Determination 2016* as presented to the Legislative Assembly. It has been prepared in order to assist the reader of the disallowable instrument and to help inform debate on it. It does not form part of the disallowable instrument and has not been endorsed by the Assembly.

The Statement must be read in conjunction with the disallowable instrument. It is not, and is not meant to be, a comprehensive description of the disallowable instrument. What is said about a provision is not to be taken as an authoritative guide to the meaning of a provision, this being a task for the courts.

Overview

The purpose of the disallowable instrument is to set a priority household target (PHT) under the *Energy Efficiency (Cost of Living) Improvement Act 2012* (the Act). The Act establishes a retailer efficiency obligation scheme known as the Energy Efficiency Improvement Scheme (EEIS). It includes a range of targets which are based on greenhouse gas emissions associated with electricity sales. EEIS targets include:

- An Energy Savings Target establishing the total reduction in greenhouse gas emissions to be achieved by retailers, expressed as a percentage of their total electricity sales. From 2016 until 2020 this is set at 8.6 per cent.
- The PHT for the total reduction in greenhouse gas emissions to be achieved in priority households, expressed as a percentage of the retailer's energy savings obligation.

Energy Savings Targets are achieved by retailers delivering eligible activities under the EEIS. These activities include installing energy efficient light globes, draught seals, efficient water heaters and other items that save energy while maintaining quality of life.

Only larger, tier 1 retailers are required to achieve the Energy Savings Target and the PHT. Smaller tier 2 retailers can meet their obligation by paying a Retailer Energy Savings Contribution. The Act defines a tier 1 retailer as a national energy retail law retailer that, in the previous compliance period had, at any time during that period, at least 5,000 customers in the ACT, and sold at least 500,000MWh of electricity to customers in the ACT.

Priority households are intended to be those lower income households who can benefit most from energy efficiency, but are least able to make improvements without additional assistance. Priority households are defined in the Act's dictionary as a residential premises in which one person who lives at the premises –

- (a) is a recipient of an ACT Government energy concession; or
- (b) holds a Commonwealth pensioner concession card or health care card; or
- (c) holds a Department of Veterans Affairs pensioner concession card, TPI gold repatriation health care card, war widows repatriation health care card or gold repatriation health care card; or
- (d) is within a class of people prescribed by regulation.

The policy objective of increasing “opportunities for priority households to reduce energy use and cost” is established in section 6(d) of the Act. Section 8 of the Act requires the Minister to determine the PHT. Section 8 of the Act requires Tier 1 retailers to achieve a PHT for the total reduction in greenhouse gas emissions achieved in priority households for each compliance period. The disallowable instrument determines the PHT to be 20 per cent. The disallowable instrument meets the policy objective by ensuring that a proportion of savings are achieved in priority households.

The appropriateness of the 20 per cent level for the PHT has been confirmed in several ways.

- A 2014 review (the EEIS Review) of the operation of the EEIS¹ showed that the previous PHT of 25 per cent was consistently being achieved. However this has been a stretch target, which was only met in 2015 through the carry-over surplus achieved in previous years.
- In modelling the EEIS extension to 31 December 2020 and published in the scheme extension Regulatory Impact Statement², all household costs and

¹ Jacobs Group (Australia) Pty Limited (2014) *Energy Efficiency Improvement Scheme Review*.
http://www.environment.act.gov.au/_data/assets/pdf_file/0003/642315/ACT-EEIS-Review-Final-Report.pdf

² ACT Government Environment and Planning Directorate (2015) *Energy Efficiency Improvement Scheme: Setting Key Parameters to 2020. Regulatory Impact Statement*.

benefits assume a 20 per cent priority household target for the period 2016 to 2020. This modelling showed that the net present value of the EEIS is maximised with all targets, including the 20 per cent PHT, set at their current rates.

- The scheme extension Regulatory Impact Statement indicated that the PHT would continue to be subject to annual review, which is why it is only being determined until the end of 2017 at this stage.

Consultation was undertaken with contracted installers, small business, academic institutions and the Minister for the Environment towards the EEIS Review. The review confirmed that participating households are saving an average of \$318 per year, and a total of \$1,614 over the life of activities. To date, over 16,690 priority households have benefited from EEIS savings.

Consultation on the proposal for a 20 per cent PHT in 2017 was undertaken with the tier 1 retailer ActewAGL, the ACT Council of Social Services, Housing ACT and St Vincent de Paul. All of this consultation supports the consensus position that PHT remains a policy priority, and that 20 per cent is a reasonable level.

The determination does not affect any human right set out in the *Human Rights Act 2004*. With regard to the terms of reference of the Standing Committee on Justice and Community Safety (Legislative Scrutiny Role), the determination does not have any impact.

Outline of the provisions

Section 1- Name of instrument

This section names the instrument.

Section 2 - Commencement

This section provides for the commencement of the instrument.

Section 3 – Determination of the Priority Household Target

By this section, the Minister determines the Priority Household Target at 20 per cent for 2017.

http://www.environment.act.gov.au/_data/assets/pdf_file/0006/735990/Attachment-C-Regulatory-Impact-Statement-EEIS-Parameters-to-2020-FINAL.pdf .