

**Victorian Environment and Natural Resources Committee
Inquiry into the Energy Services Industry**

TRUenergy Submission

About TRUenergy

TRUenergy supplies gas and electricity to more than 1.1 million residential and business retail customers throughout Australia. It has a significant portfolio of industrial and commercial customers, and assets including a gas storage facility at Iona near Port Campbell (Victoria) and power stations at Yallourn (Victoria) and Torrens Island (South Australia).

TRUenergy was formed in 2005 and combines the businesses that formally operated as Yallourn Energy, AusPower and the energy business component of TXU (the TXU distribution business is now a separate entity owned by Singapore Power under the name SP AusNet). TRUenergy is owned by CLP Australia Holdings Pty Ltd, a wholly owned subsidiary of CLP Power Asia.

The TRUenergy vision is to be the leading integrated energy business in Australia.

Yallourn Power Station is the third largest generator in Victoria. This 1450MW power station supplies 22% of Victoria's electricity and 8% of national market needs. The adjacent brown coal mine is the largest open cut coalmine in Australia with reserves to meet the projected needs of the power station to 2032. There are over 220 people employed directly at Yallourn, with more than 200 people in supplier and contractor roles.

The 1280MW Torrens Island Power Station is under a 99-year lease and is the largest gas-fired power station in Australia. It is Australia's single largest end-user of natural gas and meets around 25% of South Australia's energy needs.

In addition to these generators at Yallourn and Torrens Island, a major gas-fired power station is also being developed near Wollongong in New South Wales.

General Comment:

1. TRUenergy notes and agrees with the inference stated in the preamble to the Terms of Reference that energy efficiency services need to be commercial. A corollary of this premise is that providers of these services are able to identify and recommend to consumers cost effective actions for them to improve the efficiency of their energy use, whilst earning a suitable return for the study and service behind the recommendations. For energy users this outcome is not artificially confined to state / territory boundaries and must be directly linked to the prices consumers pay for energy and potential cost savings available from avoided energy use. A national approach would be most efficient.
2. However, TRUenergy does not agree with the premise included that a 'healthy and competitive energy efficiency services sector is a prerequisite for an efficient, low emissions economy'. On the contrary, TRUenergy suggests that a healthy

and competitive energy supply market is a pre-requisite for a competitive energy services industry. A cost reflective energy supply market would be most efficient.

3. TRUenergy therefore believes that the focus of this inquiry into the energy services sector should be referenced solidly against (i) the key commercial drivers and limitations to competition in the sector, and (ii) the wider context of the Victorian and national energy supply industry, and associated national, state and territory policy framework for energy efficiency services and emissions reduction. TRUenergy believes that as the states and territories progressively accept a national energy market approach these jurisdictions should, to avoid introducing further inefficiencies, actively and strongly support a national approach toward to greater energy efficiency and greenhouse gas emissions reduction.
4. TRUenergy expects that a commercial and competitive energy services sector should rely upon commercial drivers to deliver energy efficiency gains, demand side and greater use of renewable energy.
5. Policy support, however, should be available for dealing with barriers to the performance of the sector delivering energy efficiency services where these barriers cannot be overcome by the competitive market, such as with the provision of information and building and appliance energy standards.

TRUenergy experience

1. TRUenergy facilitates energy efficiency advisory services to customers, including:
 - provision of information related to customer energy consumption;
 - referral service for customers to engage suitably qualified industry experts to assess energy use patterns and opportunities for efficiency gains;
 - advice on interpretation and understanding consumption patterns;
 - full design, construction, operation and maintenance service for facilities in customer premises for compressed natural gas for vehicle use (with cost effective outcomes that also reduce greenhouse gas emissions – from fuel switching).
2. TRUenergy believes that the decisions to take action within a customer's premises to improve energy efficiency, implement demand side management and make greater use of renewable energy in the built environment must ultimately be with the customer.
3. It is TRUenergy's experience with energy services companies that they are competent and able to successfully identify efficiency improvements within customer premises. Any perceived limitation to the take-up, by customers, of recommendations is driven by whether the economics of the opportunity are favourable, and not constrained by skill limitations available to identify the opportunities.
4. However it is possible that many customers do not have sufficient knowledge to know whether there is potential value in seeking advice.
5. We have observed an emerging trend where it appears difficult for energy services companies to retain their skill base due to the absence of sufficient commercial opportunities and demand for services.

Specific comments against the Terms of Reference questions

1. *the progress made to date in developing the energy efficiency services industry in Victoria , including its market size and characteristics, profitability, capacity and composition;*

It is TRUenergy's experience with energy services companies that they are competent and able to successfully identify efficiency improvements within customer premises. The range of services requested is adequately met. Any perceived limitation to the take-up, by customers, of recommendations is driven by whether the economics of the opportunity are favourable to the customer, and not constrained by skill limitations available to identify the opportunities.

2. *the range of services and technologies available and the diversity of business models, compared with those in other OECD countries;*

See response under item 1.

3. *the competitiveness of the Victorian energy efficiency services industry in the Australian and international contexts;*

Competitiveness is a function of the costs to provide recommendations for efficiency gains and savings available from implementing the recommendations, including any energy use savings. The relative low cost of energy in Australia is a key factor in this analysis. International comparisons should be referenced to the costs of energy saved.

4. *the main barriers to, and drivers for, the development and uptake of energy efficiency services in the residential, commercial and industrial sectors;*

TRUenergy believes that decisions for action on energy efficiency rest with consumers. For consumers of energy the barriers to action for greater energy efficiency include absence of:

- Awareness in minds of customers that opportunities exist for greater energy efficiency gains. Any energy efficiency awareness promotions/reports provided to the business customer should aim to influence both environmental and line managers, along with finance controllers;
- Acceptance in minds of consumers that energy efficiency experts are available to provide recommendations for cost effective efficiency gains;
- Assurance that recommendations for energy efficiency gains can be cost effective – in the minds of energy consumers. Business customers seek a business case for conservation and will actively chase reductions in energy consumption if such initiatives can achieve a pay back within a reasonable period. Any Energy efficiency assessments and/or reports should focus on actions with short-term payback period (eg. 2 years). A payment by savings schemes would encourage customers to adopt energy conservation practices, eg. should be no need for customers to source funding or endure lengthy approval processes.

5. *the adequacy of training, accreditation and performance guarantee arrangements for the sector, including the appropriateness of*

standards and protocols for performance measurement and identification of skills gaps;

See response under item 1.

6. *measures to promote the energy efficiency services industry, including the production of data on the performance of various technologies and information to identify and facilitate investment in the energy services industry; and*

TRUenergy supports a market-based approach for the energy services industry, including promotion of the sector. However where policy support was considered appropriate then should be underpinned by rigorous demonstration of market failure and transparency.

7. *the roles of State Government and Federal bodies in developing and regulating an energy efficiency services industry, including the impact that a future greenhouse gas emissions trading scheme might have.*

TRUenergy understands that there have been several studies and consultations on energy efficiency and related matters, including Victorian Greenhouse Challenge (dating back to at least to 2003), National Framework for Energy Efficiency, MCE User Participation Working Group, various state based energy efficiency studies, discussion papers, option papers and position papers. The underlying theme arising from these clearly challenges governments to better coordinate their vision and approach towards the energy market, energy efficiency and response to climate change. A nationally coordinated approach to policy and program development for energy efficiency and emissions reduction is essential to ensure an efficient outcome and to avoid inevitable duplication and overlap.

TRUenergy does not support the continuation of the fragmented approach to policy by the national, state and territory governments.

Policy initiatives should allow the market to internalise the costs and benefits of energy efficiency. Jurisdictional regulators should review the scope for (and introduce) effective mechanisms that enable customers and network service providers to capture the network related benefits of energy efficiency (for example the avoidance of congestion).

Jurisdictions should also ensure national coordination & consistency of energy efficiency policy. All jurisdictional-based energy efficiency programs should be connected via a national framework, and ultimately converge toward national uniformity and consistency (if not one set of national programs and agencies).

TRUenergy agrees with the recommendation from earlier work on this topic by the ENRC (Environment and Natural Resources Committee), "Sustainable Communities Report", June 2005, that close cooperation on early environmental program design and development is important to minimise duplication and ensure consistency. This is particularly important to drive low cost services and solutions for customers facilitated by businesses that operate in more than one state or territory. The objective for improved energy efficiency and energy waste avoidance is common nationally.

Regulatory intervention should only be allowed where market failure has been identified and then only where proposed policy measures and programs are properly evaluated to ensure objectives are clear and outcomes are cost effective.

TRUenergy notes that the Victorian Government is already aware of the limited extent that TAFE and university curricula address environmental sustainability in the built environment, and limited existence of accreditation and performance standards for the installation of energy appliances and related fittings.

