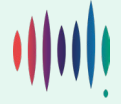


Energy Savings Scheme Rule and Regulation Change 2025

**Submission to the New South Wales
Department of Climate Change,
Energy, the Environment and Water**

DATE: 4/04/2025



Summary of recommendations

Please see below the proposals from the consultation paper that we have chosen to address in this submission.

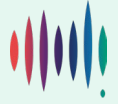
Recommendation	Page details
<p>Recommendation 1: Discontinue gas boiler installation/replacement activities</p> <p>Continuing to incentivise gas boilers installations contradicts electrification goals and exposes consumers to long-term financial risks as gas consumption declines over the years but gas network costs increase. Discontinuation supports emissions reduction, protects vulnerable households, and ensures a fairer transition.</p>	4
<p>Recommendation 2: Enable the ESS NABERS baseline method to calculate energy savings for retail stores</p> <p>Small businesses, especially in the retail sector, face significant barriers to energy upgrades. Enabling the NABERS method for these sectors will help overcome these barriers by providing a simple, credible baseline for energy performance. This change will support emissions reductions, cost savings, and long-term improvements in energy efficiency.</p>	6
<p>Recommendation 3: Mandate a minimum 5-year whole-of-system product and installation warranty for heat pump hot water systems</p> <p>To build consumer confidence in electrification, all ESS-incentivised heat pump systems should include a minimum 5-year warranty covering parts, labour, and installation. This will ensure consumers are protected from performance or installation issues.</p>	7

Introduction

Energy Consumers Australia (ECA) welcomes the opportunity to provide a submission in response to the [consultation paper](#) released by the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) on the proposed changes to the Energy Savings Scheme Rule of 2009 (ESS Rule) and *Electricity Supply (General) Regulation 2014* (ESS Regulation). We understand the proposed changes and updates aim to align the ESS Rule and Regulation with the objectives of the [NSW Energy Security Safeguard](#) (the Safeguard).

We represent all residential and small business energy users, and advocate for a future Australian energy system that works for, and benefits, all households and small businesses who use it, and one in which no one is left behind on the journey to net zero.

We see strong alignment between the opportunities within the proposed changes for the 2025 ESS Rule and the objectives outlined in our [3-year plan](#), and we trust our recommendations and evidence will support the ESS in ensuring that households and small businesses can manage their energy consumption effectively and access affordable, reliable, and clean energy.



Our position on the NSW Energy Savings Scheme (ESS)

Following the 2020 review of the ESS, the NSW Government committed to increasing the energy savings target of the scheme by 0.5% each year from 2022, reaching 13% of electricity sales of obligated energy retailers and large energy users by 2030 (remaining at that proportion until 2050). The ESS is NSW's largest energy-efficiency program and is one of the key programs for NSW to achieve net zero emissions by 2050.

Aligning the ESS Rule and Regulation with the Safeguard is critical in developing a coherent narrative for all consumers and the energy industry with respect to NSW's greatest opportunities for decarbonisation. It's also an important way of building trust through certainty in policy. Households and businesses that implement energy-saving and peak demand reduction projects are expected to save an additional \$3.6 billion on their energy bills between 2022 and 2040.¹ This initiative not only reinforces the importance of reducing energy consumption, but also significantly promotes the need for achieving long-term sustainability, while creating tangible benefits for NSW energy consumers.

However, Australia continues to lag, compared to other developed nations, when it comes to the energy efficiency of our existing housing stock. Older Australian homes, built before the introduction of minimum energy performance requirements, perform very poorly with respect to energy efficiency, resulting in high energy bills and poor thermal comfort for many households.

As noted by the International Energy Agency in its 2024 Energy Efficiency Report, "*policy action to improve efficiency is the single best approach to simultaneously achieve sustained energy intensity gains, reduce costs for consumers and enhance access to energy services.*"²

Now is a critical time to ensure households and small businesses can improve energy efficiency, lower costs, and manage their energy needs sustainably and equitably in the long term.

ECA's research has found that 86% of NSW households consider making houses more energy efficient to be extremely or very important for reducing emissions. Cost-of-living pressures and climate change adaptation are driving further change. More people than ever are struggling with energy bills, as it was also reported that 92% of people in NSW are concerned about cost of living.³ This is also reflected in the Energy & Water Ombudsman NSW Annual 2023-24 Report, stating that 28,067 complaints were received in the 2024 financial year, a 57% increase from the previous year. Electricity retail complaints were the key contributor of this increase, with cost-of-living stress and higher energy prices the underlying cause.⁴ To support an equitable and cost-effective energy transition for households and small businesses, the ESS must align with long-term decarbonisation goals.

ECA, therefore, makes three key recommendations in response to the proposed changes.

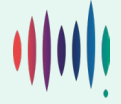
1. Discontinue gas boiler installation/replacement activities
2. Enable the ESS NABERS baseline method to calculate energy savings for retail stores
3. Mandate a minimum 5-year whole-of-system product and installation warranty for heat pump hot water systems

¹ NSW Government, *Energy Security Safeguard: Position Paper* (Report, August 2022) <https://www.energy.nsw.gov.au/sites/default/files/2022-08/energy-security-safeguard-position-paper-20210539.pdf>.

² International Energy Agency, *Energy Efficiency 2024*.

³ Energy Consumers Australia, *Consumer Energy Report Card* (Report, 2024) <https://energyconsumersaustralia.com.au/publications/consumer-energy-report-card>.

⁴ Energy & Water Ombudsman NSW, *Annual Report 2023–2024* (Report, 2024) [AnnualReport-23-24-web.pdf](https://www.ewombudsman.nsw.gov.au/annual-report-2023-2024)



Recommendation 1: Discontinue gas boiler installation/replacement activities

What are your views on removing deemed gas-based activities D11, D12, D21, F8 and F9 and gas boiler installations/replacements under PIAM&V and MBM?

The NSW Energy Savings Scheme (ESS) must align with long-term electrification goals to ensure a least-cost and least-risk energy transition. ECA supports the proposal to remove the above gas activities, as the continuation of installation and replacement activities of gas water and space heaters, including boilers, through ESS incentives under the Project Impact Assessment with Measurement and Verification (PIAM&V) method and the Metered Baseline Method (MBM) contradicts the necessity for most households and small businesses to transition to electric alternatives in line with NSW's climate goals. Discontinuing these activities will mitigate risks associated with stranded assets and declining gas customer numbers.

The Grattan Institute's 2023 Getting Off Gas report emphasised that Australia will not meet its 2050 net zero emissions target unless the nation transitions away from natural gas, achieving this through the electrification of homes.⁵ ECA's Stepping Up report has also demonstrated that households that implement energy efficiency measures and become all-electric will save considerably compared to those that continue to use gas for cooking, hot water, and heating.⁶

According to ECA's February 2025 Consumer Energy Report Card, 34% of NSW homeowners with gas say they are planning to cancel their gas supply in the next 10 years, demonstrating an increasing shift towards electrification.⁷ According to the Australian Energy Market Operator's 2025 Gas Statement of Opportunities report, residential and commercial gas consumption is expected to see more substantial shifts to electric appliances projected over the medium to long term, particularly in Victoria and New South Wales. Electrification and other factors are anticipated to reduce residential and small commercial gas use by 125 petajoules (PJ), dropping from 176 PJ in 2025 to 51 PJ by 2044, even with population and economic growth.⁸ This information along with NSW's own cost data showing that consumer with all-electric homes save significantly more than their neighbours who use gas all point to an undeniable trend that gas use in homes and businesses will begin to decrease sharply in the near future.⁹

With the cost of remaining on the reticulated gas network rises, it can serve as a financial motivation to transition for those who can afford and manage the switch. However, renters, social and community housing residents, and low-income households often have limited or no control over the decision to electrify, even if they would prefer to make the change.¹⁰ As electrification efforts scale up, disconnection rates will begin to surpass new gas connections, leading to a continuous decline in the number of gas customers. Gas distribution networks will face the genuine risk of their invested infrastructure becoming stranded, ultimately resulting in the financial burden shifting to fewer consumers. The Jemena Gas Network being the largest gas distributor in NSW, and servicing approximately 1.5 million homes and

⁵ Grattan Institute, *Getting Off Gas* (Report, 2023) <https://grattan.edu.au/report/getting-off-gas/>.

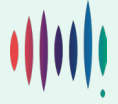
⁶ Energy Consumers Australia, *Stepping Up* 2023.

⁷ Energy Consumers Australia, *Consumer Energy Report Card* (Report, 2024) <https://energyconsumersaustralia.com.au/publications/consumer-energy-report-card>.

⁸ Australian Energy Market Operator, *2025 Gas Statement of Opportunities* (Report, 2025) https://aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2025/2025-gas-statement-of-opportunities.pdf?a=en.

⁹ NSW Government, *NSW Consumer Energy Strategy 2024* (Report, September 2024) https://www.energy.nsw.gov.au/sites/default/files/2024-09/NSW_Consumer_Energy_Strategy_2024.pdf.

¹⁰ Department of Industry, Science and Resources, *Future Gas Strategy* (Report, 2024) <https://www.industry.gov.au/publications/future-gas-strategy>.



businesses each year,¹¹ could alone encounter \$2.1 billion in stranded assets by 2055.¹² This reinforces the high likelihood of further disconnections and destabilising the network.¹³

ECA's Stepping Up report also found that network prices on household gas bills would more than quadruple – from \$280 per year currently, to \$1,170 in 2050.¹⁴ A declining customer base may lead to operational challenges, including maintaining adequate gas pipeline pressure. Infrastructure maintenance costs will disproportionately fall on fewer consumers, accelerating the financial strain and potential for forced disconnections.¹⁵ Furthermore, because households pay more than 90% of gas distribution network revenue, these networks may lack the funding necessary to pay for on-going operations.¹⁶

Moreover, there may be gas distribution networks that are likely to need significant replacement expenditure or other maintenance costs in the next 10-20 years. Removing deemed gas-based activities and gas boiler installations/replacements under PIAM&V and MBM is a necessary step to protect household and small business consumers from the long-term risks of stranded assets, ensuring they are not burdened with both the costs of accelerated depreciation and the financial risks of an outdated gas network.

What are your views on the implementation timeframe of this proposal (which is at the time the Rule comes in effect in mid-2025)?

ECA supports the implementation of this rule change in mid-2025. Given the urgency of reducing emissions and the financial impacts on consumers who remain on a declining gas network base, there is sufficient evidence to support the swift transition. Delays on phasing out gas-based activities will only slow down the electrification of homes and businesses, and further add financial pressure on consumers, who are already experiencing significant challenges with cost-of-living.

Do you support removing the eligibility for ESS incentives under performance efficiency improvements of gas boilers in the future?

ECA supports removing the eligibility for ESS incentives under performance efficiency improvements of gas boilers in the future as this contributes to the transition in electrifying homes and businesses. It reduces risk on homes and businesses who might purchase gas appliances – with support from NSW government policy – only to find that these purchases are too expensive to operate during their useful lives.

To support the NSW government's broader decarbonisation goals and protect consumers from the financial risks of a declining gas network base, the ESS should discontinue incentives for gas boiler installation and replacement activities. Instead, the scheme should prioritise measures that facilitate the transition to efficient electric alternatives while ensuring that vulnerable consumers receive the necessary financial and regulatory support to make this shift feasible and equitable.¹⁷

¹¹ Jemena, *Jemena Gas Network* (Web Page) <https://www.jemena.com.au/gas/jemena-gas-network/>.

¹² ECA and Dynamic Analysis, *Turning down the gas: Minimising consumer risk*, September 2024.

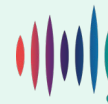
¹³ Gianmarco Aniello and V. Bertsch, 'Regulatory Incentives for Low-Carbon Technologies in the Residential Sector' (2023) Applied Energy.

¹⁴ Energy Consumers Australia, *Stepping Up* 2023.

¹⁵ Pooya Hoseinpoori, C Olympios, N Shah and J Woods, 'A Whole-System Approach for Quantifying the Value of Smart Electrification for Decarbonising Heating in Buildings' (2022) Energy Conversion and Management.

¹⁶ AER, 2022 Gas Network Performance Report, Figure 7-9.

¹⁷ Ivana Rogulj, Marco Peretto, V Oikonomou, Sherri Ebrahimigharehbaghi and Christos Tourkolas, 'Decarbonisation Policies in the Residential Sector and Energy Poverty: Mitigation Strategies and Impacts in Central and Southern Eastern Europe' (2023) Energies.



Recommendation 2: Enable the ESS NABERS baseline method to calculate energy savings for retail stores

Do you support the proposed NABERS baseline method for the school and retail store sectors?

ECA supports the proposed NABERS baseline method for the school and retail store sectors, particularly as it addresses small businesses, many of which operate in retail. ECA's research highlights the challenges that small businesses face in the energy transition, including access to information, financial barriers, and limitations imposed by tenancy arrangements. Small businesses represent a significant and increasingly at-risk group of energy consumers. They face rising energy costs and limited access to energy-saving measures.

Given that retail businesses are often small businesses facing these challenges, a NABERS baseline method tailored to the sector provides much-needed structure and support in their decarbonisation journey.¹⁸ NABERS provides sector-specific tools for different building types, helping businesses track sustainability, reduce operational costs, minimising environmental impact.

The evidence presented on commercial buildings suggests that systematic energy efficiency measures, including those supported by NABERS, are linked to both energy cost savings and emissions reductions. Studies show that buildings with higher NABERS ratings (4 stars and above) demonstrated better financial performance, showing higher total returns.¹⁹ This finding indicates that a structured energy efficiency framework, such as NABERS, can drive both environmental and economic benefits in the retail sector.

The broader evidence from larger commercial buildings suggests that NABERS-driven improvements could be beneficial in this sector, given that this energy rating scheme has been the most widely employed.²⁰ As small retailers face challenges in managing energy costs, a standardised NABERS baseline method may provide an effective framework to systematically assess, compare, and improve their energy performance, aligning with the broader goals of reducing carbon emissions and operational costs.

Furthermore, we recommend the inclusion of a NABERS assessment and rating to be offered in conjunction with other ESS activities for retail stores. This is a critical tool in identifying the 'best bang for buck' with respect to energy efficiency opportunities and helping small businesses in retail spaces to understand what they can do to reduce and better manage their energy usage. The NABERS baseline method should be bundled with other key activities already in place, such as building energy efficiency improvements, renewable energy installations, and HVAC system enhancements.

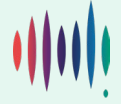
ECA's December 2024 Consumer Energy Report Card has found that 44% of small businesses experienced difficulty in paying their business energy bills in the last 6 months.²¹ A 2024 report by the Council of Small Business Organisations Australia (COSBOA) – 'Small Steps, Bright Futures' – found that

¹⁸ The [National Australian Built Environment Rating System \(NABERS\)](#) rates building performance across energy, water, waste, and indoor environment quality using real operational data. It assigns ratings from one to six stars, with performance data normalised for factors like occupancy and building size. Ratings are valid for 12 months, encouraging ongoing improvements.

¹⁹ Chyi Lin Lee, Nicholas Gumulya and Mustapha Bangura, 'The Role of Mandatory Building Efficiency Disclosure on Green Building Price Premium: Evidence from Australia' (2022) Buildings.

²⁰ Ibid.

²¹ Energy Consumers Australia, *Consumer Sentiment & Behaviour Survey: December 2024* (Report, December 2024) [Energy Consumer Sentiment & Behaviour Surveys](#).



rising energy costs were the number one factor impacting businesses financial situation in the last 12 months (55% impacted by rising energy costs).²²

Many small businesses, including retail stores, are located within embedded networks, rent their premises, or share them with others, facing major barriers to reducing their energy use and making the changes necessary for an all-electric, energy-efficient business. Despite this, many small businesses have indicated that if offered support, they would take action. For example, 60% of small businesses said that government financial incentives would encourage them to reduce their energy use.²³ Small businesses rank the cost of business inputs as their top concern, with 84% expressing their concerns about rising expenses. Furthermore, predicted changes in retail energy and gas prices are also significant concerns, affecting 76% and 74% of small businesses, respectively.²⁴

The COSBOA research also found that the primary challenge of transitioning to renewable energy is the financial outlay required, with 63% of small businesses agreeing that it will be difficult to fund. The report further noted that 49% of the small business who took part in the survey have not yet taken any steps towards the energy transition.²⁵ ECA's Small Business Energy Consumer Information Research in 2023 found that just 5% of small business energy consumers have undertaken an energy audit.²⁶ Many small business consumers lack the basic information they need to manage their energy use and lack clear, trusted, and practical advice that gives them the confidence to act.

Given their crucial role in local economies, targeted energy efficiency measures underlined by the proposed NABERS baseline method are essential to support the retail sector's decarbonisation efforts, reduce energy costs, and maintain cash flow and financial sustainability. While further research specific to small retail businesses would be valuable, the existing evidence provides a strong case for adopting NABERS as a standardised approach to offering financial incentives towards improving energy performance in the retail space. Supporting small retail businesses in this transition is essential, as they play a critical role in the broader goal of achieving net zero emissions.

Recommendation 3: Mandate a minimum 5-year whole-of-system product and installation warranty for heat pump hot water systems

What are your views on requiring Accredited Certificate Providers (ACPs) to provide customers with a minimum 5-year whole-of-system product warranty for all eligible systems?

ECA supports requiring ACPs to provide consumers with a minimum 5-year whole of system product warranty for all eligible systems because, given the role that heat pumps play in supporting electrification and emissions reduction, ensuring their effective operation over time is critical. Mandating a minimum 5-year whole-of-system product warranty for Heat pump hot water systems (HPHWS) would help safeguard

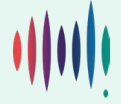
²² Council of Small Business Organisations Australia, *Small Steps, Bright Future* (Blog Post, 20 March 2024) <https://www.cosboa.org.au/post/small-steps-bright-future>.

²³ Energy Consumers Australia, 'Small Business Energy Communications Research' (Research Report, February 2023) <https://energyconsumersaustralia.com.au/publications/small-business-energy-communications-research>.

²⁴ NSW Small Business Commission, *Small Business Momentum Survey February 2025* (Report, March 2025) <https://www.smallbusiness.nsw.gov.au/sites/default/files/2025-03/SBC%20Small%20Business%20Momentum%20Survey%20February%202025.pdf>.

²⁵ Council of Small Business Organisations Australia, *Small Steps, Bright Future* (Blog Post, 20 March 2024) <https://www.cosboa.org.au/post/small-steps-bright-future>.

²⁶ Energy Consumers Australia, *Small Business Energy Consumer Information Research* (November 2023) <https://energyconsumersaustralia.com.au/wp-content/uploads/Small-Business-Energy-Consumer-Information-Research-Nov-23.pdf>.



consumers, ensuring they receive high-quality, durable products while maximising energy savings and emissions reductions. It also protects consumers when things go wrong. This requirement further supports ACPs in delivering reliable, long-lasting solutions, aligning with Australia's net zero targets and energy transition goals.²⁷

HPHWS are an energy-efficient and cost-effective alternative to traditional electric and gas water heaters, using about 30% of the energy required by conventional electric systems.²⁸ Replacing gas boilers with electric heat pumps can reduce CO₂ emissions by up to six times. These systems can also be integrated with rooftop solar photovoltaic (PV) systems, allowing households to maximise the use of renewable energy and further reduce electricity consumption and costs.²⁹

Furthermore, this would significantly boost consumer confidence and encourage wider market adoption. This requirement would address common reliability concerns, particularly with control systems, by holding manufacturers and installers accountable for long-term system performance.

What are your views on including the requirement for ACPs to also provide a minimum 5-year installation warranty?

The widespread implementation of electrification technologies, including heat pumps, often require infrastructure upgrades, which must be conducted by skilled installers.³⁰ The requirement for ACPs to provide a minimum 5-year installation warranty would strengthen the overall quality of HPWH installations in the scheme. Since poor installation practices are linked to system failures, this could drive broader quality improvements, ensuring consumers are provided with the promised long-term benefits.

While this may marginally increase costs, the benefits of ensuring high-quality services are expected to outweigh any additional expenses. If installers must significantly raise their prices to provide assurance that their installations will remain functional for 5 years, it may indicate that they are not the installers consumers deserve.

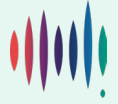
Trust is a central concern in the energy transition. For consumers to invest in the energy technology required to achieve NSW's decarbonisation goals, they must have confidence in the overall energy system, particularly the installers they engage for their homes. There is substantial evidence that consumers currently lack trust in the system. Implementing a reasonable and relatively short-term installation warranty of 5 years is a small but meaningful step toward restoring consumer confidence.

²⁷ NSW Government, *Upgrade Your Hot Water* (Web Page) <https://www.energy.nsw.gov.au/households/rebates-grants-and-schemes/household-energy-saving-upgrades/upgrade-your-hot-water>.

²⁸ Australian Government, *Hot Water Systems* (Web Page) <https://www.energy.gov.au/households/hot-water-systems>.

²⁹ Solar Victoria, *Planning a Heat Pump Hot Water System* (Web Page) <https://www.solar.vic.gov.au/solar-hot-water-buyers-guide/section-6-planning-heat-pump-hot-water-system>.

³⁰ M Zuberi, J Chambers and M Patel, 'Techno-Economic Comparison of Technology Options for Deep Decarbonization and Electrification of Residential Heating' (2021) Energy Efficiency.



Closing Remarks

Household and small business consumers are experiencing more energy bill stress than ever. There is an urgent need for consistent, effective, sustainable, and equitable support measures for households and small businesses to ensure they can manage and afford their energy bills in the long term. Energy inefficient homes impact the health and wellbeing of people in many ways, and inefficient premises lead to high operational costs and jeopardise business financial sustainability.

Policy measures under the Energy Savings Scheme – Rule and Regulation Change 2025 must be designed to support decarbonisation by phasing out gas boiler incentives, enabling the NABERS baseline method for retail stores, and mandating a 5-year product and installation warranty for heat pump hot water systems. By implementing these recommendations, the scheme can better support households and businesses, ensuring an equitable transition to a cleaner and more efficient energy system.

We thank the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) for the opportunity to provide comment on the Energy Savings Scheme Rule and Regulation Change 2025. If you have any questions or wish to undertake further consultation, please contact Ellaha Mokhtar, Manager – Consumer Advocacy, on ellaha.m@energyconsumersaustralia.com.au.

A handwritten signature in black ink, appearing to read 'Ellaha Mokhtar', written over a light grey horizontal line.

Ellaha Mokhtar
Manager – Consumer Advocacy
Energy Consumers Australia

**The national voice for residential and
small business energy consumers**



PO Box A989,
Sydney South NSW 1235
T 02 9220 5500

energyconsumersaustralia.com.au