

**July 8, 2013**

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Energy Sector Development Division  
Department of State Development, Business and Innovation GPO Box 4440  
MELBOURNE VIC 3001  
[Esi.Review@dpi.vic.gov.au](mailto:Esi.Review@dpi.vic.gov.au)

## **Review of the Energy Saver Incentive: Issues Paper – June 2013**

### **Victorian Farmers Federation submission**

Thank you for the opportunity to comment on the Energy Saver Incentive (ESI) scheme, with a focus on:

- Barriers to the uptake of energy efficiency measures;
- The performance of the ESI's VEET scheme to date; and
- Looking forward: the future of the scheme from 1 January 2015.

### **VFF Policy Position**

The Victorian Farmers Federation has adopted a policy opposing the ESI's VEET scheme. This policy is based on the simple fact that our members, along with all other electricity consumers, are paying a higher price for electricity to subsidise those that can access the VEET scheme.

Analysis of VFF customers' electricity bills shows many are paying 3-4 per cent more for their electricity to fund the VEET.

It should be remembered this 3-4 per cent charge is in addition to three Federal Government charges:

- The carbon tax
- SRES (Small-scale Renewable Energy Scheme)
- LRET (Large-scale Renewable Energy Target)

As you can see from the VFF member's bill (below) these charges, along with the VEET charge, make up 26 per cent of the VFF member's electricity bill (\$2778.69).

As a consequence the VFF opposes the ESI VEET scheme, along with the carbon tax and other carbon charges.

Description	Quantity	Line Loss	Charge / Rate	\$
<b>Contract Pricing</b>				
<b>01/08/2012 - 31/08/2012 - 31 Days</b>				
<b>Energy Consumption</b>				
* Peak Consumption 7am-11pm (M-F) EST	5,084.940 kWh	424.14523 kWh	\$0.05071 / kWh ✓	\$279.37
* Off Peak Consumption (All Other Times)	64,897.614 kWh	5,413.24299 kWh	\$0.02795 / kWh ✓	\$1,865.10
* Carbon Charge +	69,982.554 kWh	5,837.38822 kWh	\$0.019446 / kWh	\$1,474.39
* SRES Charge	69,982.554 kWh	6,487.38276 kWh	\$0.009053 / kWh	\$692.28
* LRET Charge	69,982.554 kWh	6,487.38276 kWh	\$0.0035684 / kWh	\$272.88
* VEET Charge	69,982.554 kWh	6,487.38276 kWh	\$0.004435 / kWh	\$339.14
* Retail Supply Charge	31 Days		\$1.15008497 / Day	\$35.67
* Meter Charge	31 Days		\$2.3286575 / Day	\$72.19
* Ancillary Services Charge	69,982.554 kWh	6,487.38276 kWh	\$0.0002101 / kWh	\$16.06
* Market Participant Charge	69,982.554 kWh	6,487.38276 kWh	\$0.0003954 / kWh	\$30.24
Total GST				\$517.74
			<b>SUB-TOTAL</b>	<b>\$5,695.15</b>
<b>01/08/2012 - 31/08/2012 - 31 Days</b>				
<b>Network Usage</b>				
* Peak Consumption	3,286.362 kWh		\$0.09024 / kWh	\$296.56
* Shoulder Consumption	1,798.578 kWh		\$0.069 / kWh	\$124.10
* Off Peak Consumption	64,897.614 kWh		\$0.03683 / kWh	\$2,390.18
* Demand Charge	327.00 kVA		\$2.0344804 / kVA	\$665.28
* Capacity Demand Charge	440.00 kVA		\$1.8515277 / kVA	\$814.67
* Standing Charge	31 Days		\$5.056448 / Day	\$156.75
Total GST				\$444.75
			<b>SUB-TOTAL</b>	<b>\$4,892.29</b>
<b>Current Charges</b>				<b>\$10,587.44</b>
An * indicates a GST applicable supply. Please refer to all pages of this invoice. Please note that the total Service Charges may include non-GST applicable items.				
Highest actual metered demand this period 357.99 (Recorded on 09 August 2012 at 00:00:00)				

## Price of electricity

The ESI issues paper states: "A number of stakeholders have suggested that the operation of the scheme to date has required energy retailers to pass on additional costs in the form of higher energy prices as a direct consequence of the scheme. Yet the authors of the issues paper attempt to counter this argument by stating: "Previous modelling undertaken by Government in 2011 suggested that there would be downward pressure on overall energy prices due to the cost reductions associated with energy savings achieved through the ESI, such as reduced energy generation costs".

However the VFF would contend that government's modelling is flawed, given ESC pricing data shows electricity prices have continued to climb since 2011.

One of the crucial issues such modeling fails to recognise is the perverse impacts lower electricity demand has on networks costs, especially in regional Victoria. National Electricity Market data issued in January this year (which includes Queensland, NSW/ACT combined, Victoria, South Australia and Tasmania) shows electricity consumption has declined for the fourth consecutive year.

VFF discussions with the ESC, AER and energy brokers have confirmed the cost of maintaining and upgrading SP AusNet's and Powercor's 50,7000 km of powerlines, poles, transformers and other network infrastructure is being distributed across an ever smaller pool of consumption. The net result is the network cost per kilowatt of power consumed is rising in regional Victoria.

Ironically the VEET further exacerbates the issue of rising network costs, by further reducing demand. The VFF contends the VEET no longer has relevance or value in an environment of declining electricity demand, driven by a decline in manufacturing demand and the investment in renewables driven by the SRES and LRET. (It's worth noting that both the Federal Labor Government and Coalition have committed to retaining the SRES and LRET).

### **VEET Wastage**

It seems clear there has been significant wastage in the VEET scheme. One of the prime examples is the uptake of Standby Power Controllers (SPCs).

We saw a massive uptake of SPCs in 2011-12, which led to a slump in VEEC pricing. This surge has been followed by a slump in SPC uptake. Why?

It seems consumer dissatisfaction with SPCs has led many to remove them, eroding the value of the VEECs they created and damaging the reputation of not only the SPCs, but also the VEET scheme.

The focus of the VEET scheme on such low-hanging residential power savings, based on imports of quick fix solutions, risks delivering very little long-term value to Australian households and the wider economy.

The ESI's focus on mass market energy-saving solutions continues to risk the creation of short-term and unsustainable energy savings.

The VFF believes the ESI is failing to meet one of its three key objectives – *"to encourage investment, employment and technology development in industries that supply goods and services which reduce the use of electricity and gas by consumers"*.

We would argue a significant proportion of this investment and employment is of a short-term and unsustainable nature and exemplified with the SPC uptake.

## **Barriers to entry**

Victorian farmers, along with other businesses have been paying higher electricity prices to fund the VEET scheme, since January 2009.

Given the VEET scheme was only opened up to businesses last year, very few technologies have been registered that are of value to farmers.

Farmers have been able to take advantage of the VEECs in regard to lighting.

However, farmers still face major barriers in gaining access to one of the most valuable technologies to reduce their energy costs – variable speed drives.

The VFF has already identified VSD could deliver savings of up to 45 per cent when used on:

- Dairy vacuum pumps (used for milking – See DPI paper attached to submission email, titled *Economic analysis of technologies to reduce dairy energy consumption* April 2012)
- Chickenmeat, egg and piggery ventilation fans
- Horticultural cool store fans
- Irrigation pumps

However, the VFF is all too aware that deeming of VSD is not a simple task, especially when the technology can be used across a variety of applications.

Deeming VSDs on dairy vacuum pumps is possible, given they are used during predictable periods each day. However, deeming VSD on irrigation pumps is problematic, given usage can vary dramatically with seasonal conditions.

The VFF has also been frustrated with the DPI VEET team staff's inability to respond to repeated requests for information and assistance on how VSD and other agricultural energy saving technologies could be brought under the scheme (See Attachment A).

## **What happens if ESI is extended beyond 2014?**

If the Victorian Government insists on continuing the VEET scheme, the VFF would seek DSDBI support for deeming and registration of agricultural machinery & products.

At present the full deeming and ESC registration costs are estimated at \$10,000 or more a product.

The VFF believes agriculture, as Victoria's biggest export sector, needs greater support in boosting on-farm energy efficiency. Such support is crucial if the Victorian Government is to deliver on its commitment to double the state's food and fibre exports by 2030.

Farmers are price takers, whose only means of remaining viable is to boost productivity, via more efficient use of inputs, innovation and through economies of scale.

Many farmers are already disadvantaged when it comes to cutting energy costs, due to:

- Lack of access to alternatives, such as reticulated gas.
- Only have access to single-wire earth return lines.
- Distance from urban centres that can offer advice
- Limits on access to the capital needed to invest in power saving technologies.

The surge in energy prices over the past five years has, along with other rising input costs, eroded farm profitability.

The VFF notes DPI (now DEPI) has proposed a deemed Project Based Assessment methodology, similar to NSW, as well as awarding certificates periodically based on a metered baseline approach to the adoption of energy saving measures.

However, the VFF is concerned both approaches would incur large transaction costs – consultants fees and or metering costs – which would act as a further barrier to farmers and farm technologies being brought under the VEET scheme.

While these methodologies may be of value to larger industrial energy users the VFF is not convinced they are of value for small to medium-sized farm businesses.

The ESI discussion paper clearly states the ESI is designed to address a number of market failures or barriers that prevent the optimal uptake of energy efficiency measures in Victorian households and businesses.

To this end the VFF believes the ESI's VEET scheme has failed to deliver significant benefits to agriculture and our support for the continuation of the scheme would be reliant on a strong commitment from DSDBI and the government on assisting the farm sector to bring more agricultural energy-saving products under the ESI.

However the VFF reiterates its position that the VEET no longer has relevance or purpose in an environment of declining electricity demand.

Thank you for the opportunity to comment and if you wish to discuss further please contact Peter Hunt 03 9207 5523 or Darryl Harrison, Policy Manager 03 9207 5522.

Kind regards,



**Peter Tuohey**

President

Victorian Farmers Federation

M: 0428 952 425

Email: [ptuohey@vff.org.au](mailto:ptuohey@vff.org.au)

## Attachment A

### VFF attempts to engage DPI on how agriculture can tap into the VEET

#### 1. Friday, 14 December 2012 11:41 AM

Jenna & Vin,

As I've mentioned, Victorian backyard pool owners can claim eight Victorian Energy Efficiency Certificates – worth \$18 each – on installing a variable speed pool pump. Yet dairy farmers still don't have access to VEECs on variable speed vacuum pumps (which use similar technology) for their dairies, which consume far more energy and would therefore attract far more VEECs.

If you look at page 18 of the attached document, you'll see variable speed vacuum pumps account for 80 per cent of the energy used milking equipment.

The report found: *“The case study farm assumes a correctly installed VSD on an oil vane vacuum pump would reduce energy consumption by 50 per cent and a VSD on a blower vacuum pump would reduce it by 75 per cent. These energy savings are possible on new or existing vacuum pumps.”*

We need to get the ball rolling on VSD vacuum pumps being registered under the VEET scheme - <https://www.veet.vic.gov.au/Public/Public.aspx?id=Home>

I've contacted the DPI, who've referred me onto Katina Miriklis (9208-3357) and her team leader Anthony Williamson (9658-4187).

I'd suggest Jenna organise a meeting with Katina to discuss how the UDV goes about getting VSD pumps registered – take along the attached DPI document.

We'll also need to talk to the manufacturers before we go too far down the path.

I'd also suggest getting consultant Gabriel Hakim's (Agvet Projects) views on getting any other dairy technology VEET registered.

The process is once DPI is satisfied the technology can deliver (which shouldn't be hard since the attached DPI report states exactly that) it recommends the Essential Services Commission register it for VEECs.

Let me know how you go.

Peter

**Peter Hunt**  
**Executive Manager Policy & Commodities**

**2. From:** Jenna Tellefson  
**Sent:** Tuesday, 5 February 2013 12:20 PM  
**To:** [energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)  
**Subject:** VEET scheme - product registration

Hi Katina,

I am writing to inquire about the process of the UDV getting variable speed drive (VSD) vacuum pumps registered under the VEET scheme.

My supervisor has contacted DPI and was referred on to you.

Victorian backyard pool owners can claim eight Victorian Energy Efficiency Certificates on installing a variable speed pool pump. VSD vacuum pumps used in dairies use a similar technology, however currently dairy farmers are unable to attract any VEECs on these items. Vacuum pumps in the dairy consume far more energy than pool pumps and would therefore attract far more VEECs.

As the DPI report attached shows, variable speed vacuum pumps account for 80 per cent of the energy used in milking equipment.  
The report found:

***“The case study farm assumes a correctly installed VSD on an oil vane vacuum pump would reduce energy consumption by 50 per cent and a VSD on a blower vacuum pump would reduce it by 75 per cent. These energy savings are possible on new or existing vacuum pumps.”***

We are interested in setting up a meeting in the next couple of weeks to discuss the process of getting VSD vacuum pumps registered under the VEET scheme.

Kind regards,

**Jenna Tellefson**  
Project and Policy Officer - UDV

Mob: 0427 979 095  
Direct: 9207 5556  
Fax: 03 9207 5611  
Web: [www.vff.org.au](http://www.vff.org.au)

3. From: Jenna Tellefson <[JTellefson@vff.org.au](mailto:JTellefson@vff.org.au)>  
To: "[energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)"  
<[energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)>,  
Date: 11/02/2013 03:21 PM  
Subject: VEET scheme - product registration

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Hi Katina,

Thanks for the call the other day.

I've had a chat around the office and we would like to go ahead and set up a meeting to see if we can get the technology registered through the original accreditation process, ie outside of the 'project based methodology' in the hopes of fast tracking the process and being able to flag these upgrades to our members.

We would be interested understanding the process to get both VSD vacuum pumps used in dairies, but also VSD fans used in chicken sheds and would aim to have a representative from both dairy and chicken VFF groups present.

A meeting in the next couple of weeks at your convenience would be great.

Kind regards,

**Jenna Tellefson**  
**Project and Policy Officer – UDV**

**Mob: 0427 979 095**  
**Direct: 9207 5556**  
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4. **From:** [katina.miriklis@dpi.vic.gov.au](mailto:katina.miriklis@dpi.vic.gov.au) [<mailto:katina.miriklis@dpi.vic.gov.au>]  
**On Behalf Of** [energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)  
**Sent:** Thursday, 21 February 2013 4:17 PM  
**To:** Jenna Tellefson  
**Subject:** Re: VEET scheme - product registration

Hi Jenna,

Thank you for your call.

As mentioned on the phone, as of this week, we now have a new manager, who has worked on VEET quite a lot in the past.

I have sent him both your emails and he is reviewing your submission.

I will be in a position to provide you with further details next week.

Kind regards,

Katina  
*Energy Saver Incentive Team*

5. **From:** Jenna Tellefson <[JTellefson@vff.org.au](mailto:JTellefson@vff.org.au)>  
**To:** "[energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)"  
<[energysaverincentive@dpi.vic.gov.au](mailto:energysaverincentive@dpi.vic.gov.au)>,  
**Date:** 07/03/2013 03:30 PM  
**Subject:** RE: VEET scheme - product registration

Hi Katina,

How is that VSD product review coming along?  
We are keen to try to get the ball rolling at our end...

Cheers,  
Jenna

**Jenna Tellefson**  
**Project and Policy Officer – UDV**

**Mob: 0427 979 095**  
**Direct: 9207 5556**  
**Fax: 03 9207 5611**  
**Web: [www.vff.org.au](http://www.vff.org.au)**

6. **From:** katina.miriklis@dpi.vic.gov.au [mailto:katina.miriklis@dpi.vic.gov.au]  
**On Behalf Of** energysaverincentive@dpi.vic.gov.au  
**Sent:** Thursday, 7 March 2013 3:51 PM  
**To:** Jenna Tellefson  
**Subject:** RE: VEET scheme - product registration

Hi Jenna,

Andrew Lam is now in charge of VEET and is aware of your query.

You may like to give him a call to discuss (9658 4187).

He is not currently at his desk at the moment however sometime tomorrow may be appropriate.

Regards,  
*Energy Saver Incentive Team*

## 7. Letter to Minister Kotsiras

15 March 2013

Minister Nicholas Kotsiras  
Minister for Energy and Resources  
Level 2, 3 Treasury Place  
Melbourne VIC 3000

Dear Nicholas Kotsiras,

### **Congratulations on your new portfolio**

The Victorian Farmers Federation is keen to work with you to help deliver the Government's goal of doubling Food & Fibre production by 2030.

To this end we see your role as minister responsible for the Department of Primary Industries work on the Victorian Energy Efficiency Scheme as crucial to helping farmers achieve this goal.

As I'm sure you're aware Victorian farmers are facing skyrocketing electricity prices. And the price gap between the country and the city is widening.

The carbon tax, SRES, LRET and Victoria's own VEET charges now make up more than 26 per cent of farmers power bills. Adding to this is the rising burden of network costs, which are rising at much higher rates in country Victoria than the city.

The Essential Services Commission's own pricing studies show that in the 5 years to 2011-12 electricity pricing jumped by 30-33% in regional Victoria, compared to 20-24% for metropolitan businesses (ESC Energy Retailers Comparative Performance Report – Pricing 2011-12). Since January this year network costs, which make up half the average business bill, have risen a further 12-20 per cent.

Despite paying hefty VEET charges Victorian farmers, like other businesses, were excluded from registering more efficient farm products under the VEET scheme until last year.

The VEET scheme, which delivers significant (Victorian Energy Efficiency Credits) rebates, has yet to provide many opportunities for farmers beyond upgrading simple infrastructure such as space heating, cooling and lighting.

Yet there are several technologies, such as variable speed drives (VSDs) for dairy vacuum and irrigation pumps, which could be registered under the VEET scheme.

The Department of Primary Industry's own research, 'Economic Analysis of Technologies to Reduce Dairy Energy Consumption' found vacuum pumps in dairies consume 80 per cent of electricity used during milk harvesting. Yet installing a VSD on a standard 7.5 kW oil vane pump could cut electricity consumption by a massive 47 per cent.

The VSD technology can also be installed on irrigation pumps, which are increasingly being used as part of the \$2.1 billion G-MW Connections Project.

The VFF has also had discussions with the Chairman of the Fan Manufacturers Association of Australia Simon Bradwell, whose members have used the same VSD technology to produce induction fans for poultry sheds that deliver energy savings of 40-45 per cent. Yet none of these technologies are registered under the VEET scheme.

DPI approval and Essential Services Commission registration of VSD pumps and fans would give Victorian irrigators, dairy and poultry farmers' access to VEECs on invaluable technologies that cut their power bills.

However, the DPI has informed the VFF that it does not want to approve VSD under the 'deemed methodology,' which would make VEECs available to any farmer installing this efficiency technology.

Instead Energy Saver Incentive Team Manager Andrew Lam has advised the VFF that the DPI intends to consider VSDs under the proposed 'project-based methodology.' This methodology would require farms to undergo extensive auditing and monitoring, which would delay the rollout of VSD and other power-saving technologies.

This seems grossly unfair given a vast array of domestic and industrial products have already been listed as deemed products under the VEET scheme. Many farmers are stunned to hear that owners of swimming pools can claim VEECs on their VSD pool pumps, but installing a VSD on a dairy's vacuum pump does not attract VEECs.

The VFF seeks your assistance in ensuring VSD products are registered as 'deemed' products under the VEET scheme as quickly as possible.

Cutting farmers' energy costs has the potential to be a great story during tough times. It's a story we want to tell, but we need your help.

I would be grateful if we could meet to discuss the issue further.

Kind Regards



**Peter Tuohey**  
**VFF President**

8. April 29: Meeting held with Ministerial adviser Greg Hannan to discuss VEET and lack of progress.
  9. From: Jenna Tellefson <[JTellefson@vff.org.au](mailto:JTellefson@vff.org.au)>  
To: Greg Hannan/VICMIN@VICMIN,  
Date: 06/05/2013 09:24 AM  
Subject: VFF meeting regarding VEET scheme
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Hi Greg,

Just following up after our meeting the last week.  
Have you had any success setting up a meeting for us with the relevant DPI department?

Regards,  
Jenna

**Jenna Tellefson**  
**Project and Policy Officer – UDV**

**Mob: 0427 979 095**  
**Direct: 9207 5556**  
**Fax: 03 9207 5611**  
**Web: [www.vff.org.au](http://www.vff.org.au)**

10. **From:** Greg Hannan [<mailto:greg.hannan@minstaff.vic.gov.au>]  
**Sent:** Monday, 6 May 2013 7:56 PM  
**To:** Jenna Tellefson  
**Subject:** Re: VFF meeting regarding VEET scheme

Hi Jenna,

I have raised this with the Department and will chase and follow up with you.

Regards,

Greg

11. On May 15 VFF President Peter Tuohey finally met Andrew Lam and Graham Dawson of DPI.