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National Electricity Market Campaign

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Submission to NABERS Administrator

**Review of NABERS Ruling
Proportioning of Energy used
by Cogeneration or Trigeneneration Systems**

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Total Environment Centre's National Electricity Market Advocacy

Established in 1972 by pioneers of the Australian environmental movement, Total Environment Centre (TEC) is a veteran of more than 100 successful campaigns. For nearly 40 years, we have been working to protect this country's natural and urban environment, flagging the issues, driving debate, supporting community activism and pushing for better environmental policy and practice.

Proportioning of Energy used by Cogeneration or Trigenation Systems

We are aware of the complexities involved in making this ruling, and appreciate that the NABERS National Administrator (the Administrator) has undertaken extensive consultation. TEC thanks the Administrator for the opportunity to contribute to this ongoing process.

In its *Review of the NABERS ruling: 'Proportioning of Energy used by Cogeneration or Trigenation Systems'* (the Review), the Administrator proposed to make a number of changes (Proposed Amendments) to the original ruling on Proportioning of Energy used by Cogeneration or Trigenation Systems (7 July 2010)(Original Ruling).

The NABERS website states that, "put simply, NABERS measures the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment". We believe that the Proposed Amendments will impact both the utility of NABERS as a mechanism for measuring the environmental sustainability of buildings and the fledgling market for cogeneration and trigenation systems in Australia.

In particular, TEC is concerned that the Administrator's treatment of Issue 4, which relates to the treatment of low/zero emissions energy supplied to a building from an external source under NABERS, is defective and will:

- Reduce the accuracy of a NABERS rating by not holistically approaching a buildings energy consumption;
- Disadvantage the emerging precinct cogeneration and trigenation model, as compared to the established onsite cogeneration and trigenation model;
- Stilt the market for such projects by eliminating the commercial incentives for large property owners to invest in precinct systems.

We believe that the changes will occur with no apparent environmental benefit. It is TEC's opinion that the Original Ruling provides the optimal regulatory framework for proportioning the energy used by precinct generation systems.

We set out our concerns below and urge the Administrator to apply the Original Ruling to such systems.

Externally Sourced Energy under NABERS

The Original Ruling states:

“Where electricity is provided to multiple parties from a cogeneration or trigeneration system, the metered output of this generation system can be apportioned to the parties based on their consumption or contractual allocation.”

While we understand that this ruling was intended to apply to single buildings with multiple tenants or small scale private district generation systems, we believe that extension of this basic principle is the most efficient and effective method for integrating emerging larger-scale and precinct-based co- and tri-generation schemes within NABERS.

The Original Ruling fully recognises the benefits from both onsite and precinct cogeneration systems whereas the proposed change dilutes the NABERS rating benefit of using energy from a precinct cogeneration scheme. This is in spite of the fact that precinct systems represent a clear environmental benefit.

Specifically, the Proposed Amendments:

- Only allow for recognition of the environmental benefits of precinct schemes on a case-by-case basis for thermal energy, and not at all for electricity until a national/industry accreditation process is established;
- Fail to give guidance as to the time frame or responsible entity for delivering such a process;
- Suggest that a similar framework to that used by GreenPower for accreditation and auditing be adopted; and
- Require that precinct schemes must receive both a ‘with and ‘without’ energy rating, as is the case for GreenPower.

GreenPower Regulation is an Unsuitable Model

It is our opinion that the comparison with GreenPower and the derivation of a regulatory framework for cogeneration and trigeneration therefrom is inappropriate because precinct schemes:

- Can be more accurately metered;
- Do not interact with the Renewable Energy Certificate market, in which the market for certificates is de-coupled from generators; and
- Are fundamentally different, both technically and commercially, to GreenPower. Whereas GreenPower is retrospective and genuinely external,¹ precinct schemes generate energy on-

¹ I.e. a building can purchase GreenPower at the end of a reporting period and has no

demand and are an investment tied to the building, even if the generating equipment is physically external.

‘Onsite’ and ‘External’ Generation

We appreciate that NABERS and the CBD schemes are single building rating schemes. However, we believe that it is important to be pragmatic and not avoid a common sense approach in favour of semantic distinctions. Precinct cogeneration and trigeneration offers more economically efficient and environmentally beneficial outcomes, is the emerging model for this nascent industry, and is an innovation in the public interest that should be supported. In addition, as mentioned above, while precinct systems may be physically external, in reality they are part of the package that comprises a building, and may represent a considerable investment for that building owner which should be rewarded.

Reduced Commercial Incentives for Sustainable Buildings

The result of the Proposed Amendments is that the environmental and energy efficiency benefits of precinct systems will not be recognised by NABERS and the Commercial Building Disclosure scheme and its Mandatory Disclosure program. This significantly reduces the benefit a commercial building owner may receive from investing in a precinct scheme. We understand that such owners place a very high value on NABERS as it allows them to attract large high-profile tenants.

Should the benefits from precinct cogeneration and trigeneration ceased to be recognised, building owners will not enter into long-term contracts with precinct plant operators. Without such contracts, these plants will not be installed and the emissions savings and efficiency gains will be lost. We therefore believe that the failure to recognise the benefits of precinct cogeneration and trigeneration will significantly impact on the fledgling industry and will stall a number of precinct cogeneration projects that are currently in the proposal and planning phases.

Maintaining this incentive is particularly important given the Federal Government’s \$390 million reduction in tax breaks available for commercial building owners to invest in energy efficiency improvements in its FY12-13 budget. This has restricted the viability of investing in emissions reductions projects: correctly integrating pricing cogeneration and trigeneration schemes in this process will ensure continued incentivisation for energy efficiency in buildings in Australia.

Recommendations

1. TEC requests that the NABERS Steering Committee:
2. Retain the basic principles of the Original Ruling; this ruling provides certainty and is both a more practical and equitable approach than the Proposed Amendments.
3. Develop an accreditation and audit process for precinct cogeneration that is appropriate to the technology and able to be performed by a NABERS assessor.
4. Discontinue using GreenPower as a template for NABERS policy.
5. Develop an accreditation and audit process for precinct systems that is appropriate to the technology and that can be undertaken by a NABERS assessor.
6. Implement transitional measures while the accreditation and audit process is being developed by:
 - a. maintaining the Original Ruling; and/or
 - b. grandfathering existing projects.

TEC staff would be happy to present or answer questions at any public hearing related to this inquiry.

Yours sincerely,



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