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1 August 2022

## **Victorian Energy Upgrades Space Heating and Cooling Issues Paper and Draft Specifications**

AGL Energy (AGL) thanks the Department of Environment, Land, Water & Planning (DELWP) for the opportunity to provide feedback on the Victorian Energy Upgrades Space Heating and Cooling Issues Paper and Draft Specifications

AGL is committed to meeting the needs of its energy customers both now and through the transition to a net zero emissions future. AGL is one of Australia's largest energy-led multi-service retailers, providing over 4.2 million electricity, gas and telco services to residential, small, and large businesses, and wholesale customers. Our diverse power generation portfolio includes base, peaking, and intermediate generation plants, spread across traditional thermal generation and renewable sources.

AGL has noticed that, in both this and the concurrent hot water consultation, the emissions factors being used may not be based on the most up to date material therefore appropriate. The ones in these two consultations are based on the data from the RIS and not AEMO data. In addition, these factors do not include transmission and distribution losses. We believe that the Electricity Emissions Factors and the Supplementary Energy Factors should reflect AEMO's number and be forward-looking over the life of the device being installed. For example, a discounted average should be used, where later years are included at a discounted weighting to the overall average.

Our additional comments follow in Annex 1.

We would be very happy to discuss any of our comments or queries; please contact Jenniy Gregory at [jgregory@agl.com.au](mailto:jgregory@agl.com.au).

Yours sincerely,

Con Hristodoulidis

Senior Manager Regulatory Strategy

**AGL Energy**



## **Annex 1: Space Heating and Cooling Issues Paper and Draft Specifications**

### **Q1. Do you have any comments on the proposed outcomes of the VEU space heating and cooling activities review?**

AGL recommends that non-ducted evaporative cooling is included and agrees with ducted evaporative air conditioning being removed from the VEU.

### **Q2. What are your views on the proposed introduction of electrification (gas to electric) space heating and cooling upgrades under VEU?**

AGL supports and agrees that highly efficient RCACs offer the greatest emissions reduction potential when replacing any other space heating appliances, including gas appliances.

### **Q3. Do you have any comments on the proposed transition process and timing for existing VEU space heating and cooling activities?**

AGL agrees in principle with the transition arrangements.

### **Q4. What are your views on the proposed removal of gas replacement activities (Part 5 and Part 9) under VEU?**

AGL supports the removal of these activities from the VEU.

### **Q5. What are your views on the proposed removal of evaporative cooler upgrades (Part 23) under VEU?**

AGL supports removal of ducted evaporative AC (range of water management issues and water consumption) – activity Part 23 and supports the introduction of non-ducted evaporative cooling.

### **Q6. Do you have any comments on the GEMS 2019 product classes eligible to be installed under the proposed VEU space heating and cooling activity?**

AGL agrees with the view that the best results for the VEU would be achieved from classes 6 – 21. However, this may preclude renters and those experiencing financial vulnerability from buying reduced price RCACs, noting that these units range from 0 to 7 Stars and the majority of those over 3 stars are made by companies who also manufacture high quality units in the proposed eligible categories.

Therefore, AGL would encourage the VEU to consider a category for renters suffering financial vulnerability where landlords do not upgrade the HVAC system.

AGL would also suggest that products in categories 11 – 21 must have a demand response capability, to allow for demand response activities in the future.

### **Q7. What are your views on the proposed decommissioning and upgrade scenarios?**

No comment.

### **Q8. Do you have any comments on RCAC larger than 39 kilowatts (kW) being eligible to be installed in residential premises?**

AGL believes few homes would be large enough to require such a large system, so this activity size would be self-select and excluding it would seem unnecessary. The cost of these systems would also be prohibitive unless needed for the size of the property and its occupants.

AGL believes that there is merit for small systems being allowed as an activity (that is, systems rated 1 kW – 4 kW). This is to allow for the participation of financially vulnerable customers, as mentioned above.



**Q9. What are your views on the proposed VEU minimum efficiency requirements for RCACs?**

AGL believes that this level of efficiency is likely to have a positive impact on lowering the electricity bills for many customers, provided that the customers also use climate-appropriate temperature settings.

AGL refers to its previous submission to the VEU on home energy audits and would welcome this activity into the scheme as soon as practical. AGL has practical experience and results with the benefit that these 1:1 interactions with customers bring to empower customers to lower their energy usage and energy costs<sup>1</sup>.

**Q10. Do you have any comments on the proposed refrigerant requirements (GWP of <700) for RCACs installed under VEU?**

AGL supports the move to lower emission refrigerant R32, in line with the Montreal Protocol requirements. The RCAC globally is more advanced than the hot water heat pump industry in moving towards the full-scale introduction of a low GWP refrigerant.

**Q11. What are your views on GEMS 2013 registered RCACs being eligible to be installed under VEU until 31 March 2025?**

AGL has no comments on this question.

**Q12. Do you have any comments on using a 12-year product lifetime to calculate emissions savings?**

AGL believes that this lifetime is reasonable.

**Q13. Do you have any comments on the energy saving calculations for space heating and cooling upgrades?**

**Q14. Do you have any feedback on whether the level of incentive is likely to drive uptake of space heating and cooling activities?**

AGL believes that the VEECs assigned to reverse cycle non-ducted RCACs are too low and will not change market behaviour towards installing more efficient RCACs.

There are many retirement homes/assisted living facilities in Victoria that have in-slab electric heating throughout the premises. The cost to change these to ducted RCACs is prohibitive. AGL believes that investigation is made of the costs to replace these with other primary heating options.

**Q15. Is there any information you can provide to support the development of appropriate, safe and practical installation and decommissioning requirements for this activity?**

- a. **What is considered best industry practice for decommissioning and disposal of space heating and cooling appliances?**

No comment.

**Q16. What are your views on replacement RCACs not having a rated heating capacity more than 120 per cent of the unit being decommissioned?**

No comment.

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<sup>1</sup> <https://www.agl.com.au/thehub/articles/2022/05/agl-responds-to-proposal-to-include-home-energy-rating-assessment>



**Q17. Do you have any comments on limiting the heating capacity of RCAC that replace gas appliances?**

AGL does not see the logic in limiting the rating to 120 percent of the old system, as the rating methodology of the old heating and that of the new system could be incompatible.

**Q18. Are there technical challenges not addressed in this paper that might prevent uptake of the activity?**

No comments.

**Q19. Do you have any other comments on the proposed space heating and cooling activity?**

No comments.