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Attention: Manager, Demand Side Policy
Energy Demand and Efficiency Policy Branch
Department of Energy, Environment and Climate Action
By Engage Victoria website and Email: energy.upgrades@delwp.vic.gov.au

18 March 2024

Dear Sir or Madam,

Telemarketing and Doorknocking Ban Under the Victorian Energy Upgrades Program

AGL Energy (**AGL**) welcomes the opportunity to provide feedback to the Department of Energy, Environment and Climate Action (the **Department**) in response to the Regulatory Impact Statement (the **RIS**) on proposed changes to the Victorian Energy Upgrades Program (the **VEU program**).

Proudly Australian since 1837, AGL delivers around 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. 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 a liable entity under the VEU program and while we do not directly undertake energy efficiency activities at our customers' premises, AGL is required to procure and surrender a designated number of Victorian Energy Efficiency Certificates (**VEECs**) each year. As a long-standing participant in the VEU program, AGL recognises its value in reducing greenhouse gas emissions through total demand reduction for energy and the improvement the scheme brings to the energy efficiency of our customers' homes and businesses.

AGL has carefully considered the RIS in conjunction with additional discussion covered at the Department's public webinar on 26 February 2024. AGL's feedback on the issues and changes contemplated in the RIS are set out within **Appendix A** attached herewith. We also refer to our initial response to the Department's first round of consultation submitted on 28 July 2023 (**Initial Submission**).

Where relevant, we have sought to affirm our support for the Department's proposed changes as well as highlighting any areas of concern or areas that warrant ongoing focus and attention. In particular, we reiterate the urgent need to focus on complementary policy and structural reform of the VEU program to address a number of prevailing issues that are either related to, or will be exacerbated by the proposed ban.

If you have any questions in relation to this submission, please contact Liam Jones on ljones3@agl.com.au.

Yours sincerely,

A handwritten signature in black ink that reads 'Liam Jones'.

Liam Jones
Senior Manager Policy and Market Regulation



Appendix A – AGL’s Feedback on Regulatory Impact Statement

1. Preferred Option

AGL refers to and repeats the contents of its Initial Submission which set out our foundational position on the problem statement, the impacts of the problem statement and the need for increased consumer protections:

- AGL agrees that it is critical to protect consumers from risks and harms of inappropriate marketing practices (including nuisance, invasion of privacy, misleading information, pressure tactics and risks of scams and frauds) that have been prevalent in the VEU program as detailed in Chapter 2 of the RIS.
- Inappropriate and unscrupulous conduct in the VEU program will result in negative customer outcomes or harm, especially for those who are vulnerable.
- Furthermore, trust and confidence in the VEU program will be eroded, lessening its overall effectiveness, both from an emissions reduction perspective (including the ability for Victoria to meet its climate, decarbonisation and electrification ambitions) and its impact on consumers’ energy costs.
- Accordingly, AGL is supportive in principle of banning unsolicited telemarketing and doorknocking activities under the VEU program (as considered under Options A, B and C in Chapter 4 of the RIS).

However, AGL reiterates its concerns that while regulatory intervention is required, it is also necessary to balance this with a raft of urgent and complementary improvements to the VEU program, with particular emphasis on: (a) considering alternative means to raise consumer awareness of the VEU program (especially in the absence of telemarketing or doorknocking marketing activities), (b) fast-tracking the rollout of new and expanded energy upgrade activities under the VEU program and (c) managing the adverse cost impacts that have been prevalent within the VEU program – including the VEEC spot and forward prices. These issues are considered in more detail under Section 2 below.

For the reasons outlined above, it was AGL’s initial recommendation that the ban should not commence until after the introduction of additional activities to offset activity creation impacts from the bans, which would also allow sufficient time for impacted Accredited Providers (**APs**) to adjust their operations. We noted a nominal timeframe of between 9 to 12 months following the introduction of the new activities. The Minister for Energy and Resources announced the government’s intention to introduce the ban in June 2023, which if the ban(s) receive regulatory approval and commence from May 2024, will be more than 10 months since the initial announcement. However, we note that the introduction of the VEU Specifications Version 16.0 on 1 January 2024 has not as yet meaningfully increased the amount of VEECs being registered, with 2024 year-to-date volumes tracking slightly lower than 2023¹. This remains a serious concern for AGL.

Notwithstanding the above, of the options presented in the RIS, AGL’s preference is for **Option C**, noting that there remains significant effort required by the Department and industry to ensure the VEU program remains capable of delivering against its legislated targets. On the evidence presented, deferring the introduction of the bans on doorknocking appears to have less significant compliance concerns (as compared to telemarketing).

¹ Victorian Energy Upgrades Data Dashboard - 4,743,308 in 2023 versus 847,413 YTD in 2024.



2. Feedback on Other Aspects of the RIS/VEU Program

As outlined above, AGL is broadly supportive of the policy rationale for the proposed bans and the mechanism by which they are proposed to be implemented. However, we remain very concerned around the overall operation of the VEU program and its ability to effectively to meet legislated targets, with particular emphasis on the following elements:

a. Consumer Awareness of the VEU Program

The RIS establishes that “strong consumer participation is key to the success of the VEU”² and is also “critical to achieving climate goals and Victoria’s interim emissions reduction targets”³. However, there is widespread recognition – reflected by a cross-section of stakeholders – that the proposed bans will result in reduced consumer awareness of the program and the underlying energy upgrade activities available to them⁴. Given the pivotal role that consumer engagement plays in the success of the program, this is an area of significant concern. The historical importance of telemarketing and doorknocking is underpinned by the fact that 30 per cent of APs currently utilise these channels to some extent⁵ and perhaps more importantly, these channels are seen as the two most effective ways of promoting the VEU program to consumers (the sum of ‘very effective’ and ‘quite effective’ responses)⁶. Once these channels are removed, the current remaining channels are perceived as having limited established effectiveness. The RIS speculates that APs will switch to alternative marketing methods, but it is arguable that in an efficient market, if such alternative efficiencies already existed then they would have been accessed. As such, AGL remains mindful of the need to invest significantly in awareness campaigns both from a government and VEU industry perspective.

b. Creation Activities

AGL is concerned that the RIS assumes that the proposed bans would have “limited effects on the number of VEECs generated in the market”⁷ and held there was “not enough evidence”⁸ to suggest VEU program targets would be at risk. In our view, where the proposed changes have the *potential* effect of undermining the effectiveness of the VEU program, then consideration of the ability to meet targets warranted further investigation. This also seems at odds with subsequent assertions that “all (proposed ban) options are expected to accelerate the end of low cost and free activities in the program”⁹ which have traditionally been generated through telemarketing and doorknocking. More broadly, AGL points to constraints on creation activities driven by residual impacts from the removal of residential lighting activities and a lack of commensurate replacement activities through the change pipeline. As at the end of November 2023, Green Energy Markets monthly analysis of VEECs suggested that year-to-date VEEC creation was tracking 45% below the same time the previous year¹⁰. AGL is concerned that very limited progress appears to have made to alleviate industry concerns around the broader impacts on the VEU program.

² Department of Energy, Environment and Climate Action (DEECA) (2024), *Telemarketing and doorknocking ban under the Victorian Energy Upgrades program regulatory impact statement*, p. 43.

³ Ibid 17.

⁴ Ibid 65.

⁵ Ibid 21.

⁶ Ibid 65.

⁷ Ibid 57.

⁸ Ibid 57.

⁹ Ibid 66.

¹⁰ Green Energy Markets, 2023, https://mcusercontent.com/db48a3473d916f013eb21a7c8/files/fd6e4756-3b18-d794-d20a-b64d22d13bbf/VEEC_Snapshot_Nov23_for_clients.01.pdf



c. Impacts on AP Viability

The RIS makes an assumption that APs who choose to exit the VEU program (7 have indicated they might exit due to the telemarketing ban and 10 indicated they might exit due to the doorknocking ban)¹¹ will be replaced by either expansion of existing businesses or new entrants to the market. AGL is concerned at the implications should this assumption not hold true. Significantly, there appears to be potential material impacts on creation activities if APs undertaking doorknocking exit the market – one third of the APs contributing over 70k VEECs each are potentially at risk.

d. VEEC Registration Approval Timeframes

AGL echoes feedback provided in Chapter 4.5.4 in relation to VEEC processing timeframes. There are approximately 670k pending registrations in the VEU registry (as at 14 March 2024), which by applying the 2023 average weekly creation of ~90k per week, suggests a backlog of almost 7.5 weeks.

Understandably, this may be exacerbated by the increased compliance focus driven in part by some of the issues that this rule change is seeking to solve, but does nonetheless highlight the opportunity to find more streamlined ways of registering VEECs and increasing the volume of tradable certificates. AGL welcomes acknowledgement from the Department and the ESC on this feedback.

e. Program Costs

A stated objective of the ban is to “minimise the costs associated with achieving the above objects”¹². However, the analysis at Chapter 5.2.3 concludes that Options B and C have predicted “significant program pass through costs”¹³. More broadly, AGL points to the concerning fact that the spot price for VEECs has more than tripled since 2020¹⁴ and is currently trading above the penalty price¹⁵ (which incidentally is the highest shortfall penalty price of any jurisdictional energy efficiency scheme).

Ultimately, AGL remains concerned that we are faced with increasing VEEC targets (average of 3% p.a. increase from 2022 to 2025), electricity emissions factors have been reducing (average of almost 20% p.a. decrease from 2022 to 2025) compounded by ongoing challenges around the creation of new activities – both on the supply and demand sides. This has culminated in upwards price pressure on the cost of VEECs which will ultimately be born by consumers and erode some of the benefits of the VEU program.

¹¹ DEECA (2024) p. 67.

¹² Ibid 44.

¹³ Ibid 67.

¹⁴ The VEEC spot price traded below \$30 in May 2020.

¹⁵ \$93.50 as at 14 March 2024.