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Victorian Energy Upgrades

Department of Energy, Environment and Climate Action

By Email Only: energy.upgrades@deeca.vic.gov.au

23 April 2024

Dear Sir or Madam,

[Victorian Energy Upgrades – Electrification Co-Payment and Warranty Requirements Consultation Paper](#)

AGL Energy (AGL) welcomes the opportunity to provide feedback to the Department of Energy, Environment and Climate Action (the Department) in response to the abovementioned Consultation Paper (the Paper).

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's responses to the consultation questions in the Paper are set out within **Appendix A** attached herewith.

AGL commends the Department's efforts to improve consumer outcomes from upgrades undertaken under the VEU program. AGL has been (and remains) concerned around VEEC creation volumes under the VEU program. To solve this, one of the key focus areas for government and industry is to build and maintain consumer trust, confidence, and uptake of the VEU program. The changes contemplated in this Paper will likely support this objective by increasing consumer engagement with the upgrade process, increasing the quality of products supplied under the program and uplifting consumer protections on both the products and their installation. Where relevant, we have also sought to provide feedback to the Department on any areas of concern or potential refinement in the solution proposed.

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 Responses to Consultation Questions

Consultation Question	AGL Feedback
<p>1. <i>Do you think introducing a minimum warranty requirement for HPWH and RCAC products and installations would provide better consumer confidence and improve consumer outcomes?</i></p> <p>a. <i>Please explain your answer</i></p>	<p>Yes. Notwithstanding the fact that consumers already have consumer guarantee protections under the Australian Consumer Law (ACL), AGL believes that the proposed minimum product and installation warranty requirements for heat pump water heaters (HPWH) and reverse cycle air conditioners (RCAC) would likely increase consumer trust and confidence in relevant upgrades under the VEU program. This is timely and appropriate given recent industry and public concerns around low quality products and installations.</p> <p>The inclusion of these supplementary express warranties for products and installations would make it undoubtedly clear as to consumers’ entitlements and recourse in the event of a fault or issue.</p>
<p>2. <i>Do you agree with the proposed minimum warranty timeframe of 5 years for HPWH? (Yes / No) and RCAC? (Yes / No)</i></p>	<p>Yes. AGL agrees with the proposed minimum warranty timeframes for both HPWH and RCAC, noting that the majority of qualifying products offered under the VEU or Solar Homes programs already meet these requirements. The warranties would ensure that products continue to meet this standard, whilst simultaneously uplifting the warranty protections for remaining products, thus ensuring uniform minimum standards.</p>
<p>3. <i>Do you agree with the proposed restoration of hot water service warranty requirement? (Yes / No)</i></p>	<p>No. AGL believes that prudent, responsible accredited providers (APs) should endeavour to provide prompt and timely customer service to consumers in the event of a potential product or installation warranty claim. However, it is potentially problematic to enshrine this in a minimum 5 business day service restoration standard.</p> <p>AGL notes the existing consumer guarantee protections for consumers under the ACL and questions the need for additional supplementary regulation, given the primacy of the ACL which provides that repairs must occur within a ‘reasonable timeframe’, the concept of which is considered under common law. AGL prefers that any restoration timeframe under the proposed installation warranty should reflect the ACL’s consumer guarantee provisions.</p> <p>While AGL is not currently an installer of HPWH (and as such provides general feedback only) we envisage that this may pose logistical and/or resourcing challenges</p>



for some APs and may require them to alter their operating model to reflect that of an emergency hot water service provider. It would be an unfortunate by-product of this change if APs deemed the associated risk and changes necessary to uphold the minimum timeframe as detrimental to their decision to offer these products.

Furthermore, AGL notes that it is unclear from the consultation paper as to the potential consequences of an AP not meeting the proposed minimum timeframe.

4. *Should this restoration of service requirement also apply to RCAC? (Yes / No)*

No. As considered in our response to Question 3 above, AGL considers that the existing ACL consumer guarantee provisions are sufficient for restoration of RCAC services.

5. *Please explain what warranty timeframe should apply and what components of the product and aspects of the installation should be subject to warranty requirements.*

As discussed in our response to Question 2 above, AGL is supportive of the proposed 5-year warranty timeframe for both products and installation of HPHW and RCAC.

Product warranties

In relation to the scope of *product* warranties, AGL is supportive of the proposed 'whole of system' warranty approach for both HPHW and RCAC. The warranty could consider the product's quality and/or defects.

Installation warranties

In relation to the scope of *installation* warranties, AGL recommends that the warranty reflect similar principles to the ACL such as the requirement to perform installation work with 'due care and skill' and to be 'fit for purpose'.

6. *Should these warranty requirements also be extended to solar electric water heaters? (Yes / No)*

AGL notes the diminishing popularity and uptake of these products and as such, questions the need to consider further regulation and consumer protection for solar electric water heaters.

7. *Please explain what components of the product and installation should be subject to warranty requirements.*

AGL notes this appears to be a duplicate question and as such, refers to its response to Question 5 above.

8. *Are there additional requirements the department should consider to ensure that suppliers and providers are able to honour warranties?*

As noted in our response to Question 3, suppliers and providers would benefit from clarification as to any consequences (under the VEU program as opposed to



the ACL) of failure to uphold the proposed warranty requirements.

9. Do you support implementing a minimum co-payment for water heating? (Yes / No) space heating (Yes / No) and cold room upgrades? (Yes / No)

a. Please explain your answer

AGL agrees with the dual policy rationales driving this proposed measure of wanting to ensure that customers are suitably engaged with the energy upgrade process and also receive fit-for-purpose appliances.

However, AGL has mixed views on the likely effectiveness of the measure to achieve these objectives.

Fit-for-purpose appliances

We understand that co-payments are intended to “mitigate concerns with low or no-cost VEU activities” in a minority of cases. We question whether there is a risk that providers of low-cost appliances (the target of this change) might simply increase the price of their items to the level of the minimum customer co-payment, increasing the profitability of these providers instead of ensuring that customers receive fit-for-purpose appliances.

AGL recommends considering (either as an alternative or supplementary measure) whether imposing minimum technical and/or sizing standards (similar to the approach adopted for the induction cooktop pilot) to address any issues arising from low-quality products would be a more effective means of meeting the consumer protection objectives of this change.

Engagement with the energy upgrade process

On the other hand, we recognise that requiring consumers to have ‘skin in the game’ through a co-payment could help promote more informed purchasing decisions through pricing signals.

Notwithstanding this, we are mindful of mandated co-payments creating *perceived* negative connotations for consumers that might discourage or impede consumer involvement in the program. For this reason, we would urge a considered approach to the communication of minimum co-payment contributions as well as considering the behavioural impacts they may have on purchasing decisions.

As a final point, we note that minimum co-payments shouldn’t preclude consumers from having access to product constructs that smooth payments over a longer period such as a subscription model. As such, we recommend flexibility in the way it is applied.



10. *What value do you believe the minimum co-payment should be set at?*

- a. *For heat pump water heaters (\$0, \$30, \$100, \$200, \$500, \$750, \$1,000, Other)*
- b. *For room reverse cycle air conditioners (\$0, \$30, \$100, \$200, \$500, \$750, \$1,000, Other)*
- c. *For ducted and multi-split reverse cycle air conditioners (\$0, \$30, \$100, \$200, \$500, \$750, \$1,000, Other)*
- d. *For cold rooms (\$0, \$30, \$100, \$200, \$500, \$750, \$1,000, Other)*

AGL is supportive of the proposed minimum co-payments for each of the respective products:

- a. Heat pump water heaters - \$200
- b. Reverse cycle air conditioners - \$200
- c. Ducted and multi-split reverse cycle air conditioners - \$750
- d. Cold rooms - \$500

In nominating these values, AGL reiterates the need to have measures in place to review and revise these values should new/emerging low-cost products of a suitable minimum quality become available to the market.
