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Victorian Energy Upgrades

Department of Energy, Environment and Climate Action

By Email Only: [energy.upgrades@deeca.vic.gov.au](mailto:energy.upgrades@deeca.vic.gov.au)

23 April 2024

Dear Sir or Madam,

### Victorian Energy Upgrades – Induction Cooktops 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 is especially supportive of efforts to expand and expedite the range of products available to consumers under the VEU program. Beyond the obvious benefits to consumers, this should lead to increases in the number of VEECs created under the program which has been (and remains) an area of concern for AGL. More broadly, the inclusion of induction cooktops will hopefully support Victoria's electrification and emissions reductions ambitions. The size of the opportunity is significant, with the Department's research pointing to "more than three-quarters of households using mains fossil gas or LPG for cooking"<sup>1</sup> yet only seven per cent of households adopting electric induction cooktops<sup>2</sup>. While being supportive of the inclusion of these products, we are also pragmatically cautious as to potential interest and uptake in the activity owing to the relatively low VEEC incentive and high installation costs. We note the likely financial benefits to consumers are predicated on being able to fully abolish mains gas supply and avoid gas supply charges. In order to properly mobilise consumer interest in this activity, we would urge the Department to also consider whether additional financial incentives over and above the VEU program may be appropriate.

If you have any questions in relation to this submission, please contact Liam Jones on [ljones3@agl.com.au](mailto:ljones3@agl.com.au).

Yours sincerely,

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

Liam Jones  
Senior Manager Policy and Market Regulation

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<sup>1</sup> Department of Energy, Environment and Climate Action, *VEU – Induction cooktops consultation paper*, April 2024, p 4.

<sup>2</sup> Ibid 4.



## Appendix A – AGL’s Responses to Consultation Questions

| Consultation Question  | AGL Feedback   |
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| <p>1. <i>What product requirements should be included, excluded or added to the activity scope in future, and why?</i></p> | <p>AGL does not have any specific recommendations in relation to <i>future</i> product requirements save to say that consistent with Victoria’s electrification ambitions under the Gas Substitution Roadmap<sup>3</sup>, the VEU program should encompass an expansive range of electrification products covering a range of price points, features and specifications.</p>   |
| <p>2. <i>Do you have any feedback on the use of a pre-approved product list?</i></p>                                       | <p>The use of a pre-approved product list has both positive and negative implications for induction cooktops under the VEU program.</p> <p>The advantages of this approach are certainty and clarity for consumers as to eligible products from commencement. It will also expedite the availability of eligible products under the VEU program, given they will already be ‘in-market’ and by avoiding the ordinary product approval process.</p> <p>Conversely, this is also a drawback of this approach in so far as eligible products will (initially at least) be confined to pre-existing products that are already available in the market. This has the potential effect of excluding new and emerging products which may benefit consumers in the future.</p> <p>To counteract this limitation, it will be necessary for the VEU program to have responsive and efficient processes to update and augment product lists. Alternatively, consideration may be given to a non-exhaustive list of products with scope for additional products to also qualify where they are able to satisfy pre-determined product characteristics, such as those contemplated in the consultation paper.</p> |
| <p>3. <i>Do you agree with the point-of-sale activity approach? [Yes/No/Unsure]</i></p>                                    | <p>Unsure. AGL is supportive of ensuring the broadest range of providers and channels by which consumers may maximise uptake of induction cooktops.</p>  |
| <p>4. <i>Please explain your views on the point-of-sale activity approach.</i></p>   | <p>In forming a view on the optimal approach to making induction cooktops available under the VEU program, AGL believes there are a number of relevant considerations:</p>   |

<sup>3</sup> <https://www.energy.vic.gov.au/renewable-energy/victorias-gas-substitution-roadmap>



- Induction cooktops are a specialist, niche product and a brief assessment of the current register of accredited providers (APs) suggests there is limited interest in similar residential home appliance upgrades such as dryers, refrigerators or televisions.
- Consumer sentiment on preferred channel to purchase induction cooktops is likely to be more suited to existing physical and online retail channels with established expertise selling similar products.
- Induction cooktops are only being offered on an initial pilot basis, which may be prohibitive for new or prospective APs to seek accreditation under the VEU.
- With no requirement for the AP to be involved in the installation of the new cooktop and/or removal of the existing gas cooktop, it is perhaps more conducive to new entrants or retail-only providers offering these for sale.
- To the extent that it is allowed under the program, there may be opportunity for APs to partner with existing retailers of induction cooktops to facilitate indirect creation of VEECs for eligible activities.
- Point-of-sale retailers will be required to provide consumers with information about the expected cost of installation. Noting the wide-ranging costs of installation depending on the customer's electrical configuration, the range of costs may be significant and dissuade purchases. Consumers should be urged to seek independent advice from an accredited installer.

Ultimately, AGL is supportive of the point-of-sale approach, but is concerned with ensuring that there are an appropriate number of suitable APs on board to offer induction cooktops from the July 2024 commencement.

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5. *Would you be interested in becoming pre-approved as an accredited provider for the induction cooktop activity? [Yes/No/Unsure]*

Unsure. AGL does not currently anticipate becoming registered as an accredited provider for the induction cooktop pilot. Notwithstanding this, AGL notes that its recently launched 'Electrify Now' platform will allow consumers to understand potential energy bill and carbon savings if their home adopted electrification including induction cooktops. The platform allows consumers to estimate the payback period on their



investment as well as connecting them to AGL's installations partners which may include APs under the VEU program.

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6. *Do you agree with the requirement for minimum co-payments for this activity? [Yes/No/Unsure]*

Yes.

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7. *Please explain your views on the requirement for minimum co-payments.*

AGL refers to its response to the 'VEU – Electrification co-payment and warranty requirements consultation paper' in which we outline our general support for the co-payment concept. cursory research of currently available induction cooktops suggests that most would necessitate a customer co-payment greater than the proposed minimum amount.

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8. *At what value should the minimum co-payment be set? [\$0 / \$50 / 100 / \$200 / other amount]*

AGL is supportive of the proposed \$200 minimum co-payment for induction cooktops.

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9. *What evidence (if any) should accredited providers collect and maintain to evidence purchase of induction cooktops?*

AGL suggests that suitable evidence could involve a copy of the purchase tax invoice (with minimum required information) and proof of delivery.

The consultation paper does not seem to contemplate a requirement for the induction cooktop to actually be installed (whether through the AP or through local trades) to become eligible for VEECs. Consideration may be given as to whether installation is required and evidenced by the provision of a Certificate of Electrical Safety for example.

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10. *What changes could be made to streamline the facilitation of the VEEC incentives for consumers?*

Unlike other activities under the VEU program which involve installation of upgrades and a subsequent risk-based assessment of the underlying activity, the induction cooktop activities should be quicker and more streamlined given they are for purchase only. This should be reflected in the registration process to avoid current registration timeframes that may exceed 6 weeks.

Incidentally, AGL queries how an assessment may be made that the abatement corresponding to the VEEC is realised given the product may not actually be installed – see response in relation to Question 9 above.

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11. *Do you agree with the proposed incentive calculations?*

Yes.

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12. *Please explain your thoughts on the proposed incentive calculations. You are encouraged to include references to any supporting data.*

AGL does not offer any view on the baseline or upgrade annual emissions input values utilised in the calculation.

In relation to the lifetime input value, AGL notes that there is varied online reporting on the indicative lifespan of consumer-grade induction cooktops. Dependent on usage, some sources cite as little as 2-4 years<sup>4</sup>, with others suggesting 8-13 years<sup>5</sup>, 13-15 years<sup>6</sup> and 15-17 years<sup>7</sup> respectively.

There appears to be more support for the concept of lifespan being measured in operating hours, with 10,000 hours being a common value identified<sup>8</sup>. Based on average usage assumptions, this could justify the 25-year lifetime contemplated in the calculations.

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<sup>4</sup> <https://www.forbes.com/home-improvement/kitchen/induction-cooktop-buying-guide/>

<sup>5</sup> <https://www.metropolitanelectrical.com.au/blog/how-long-should-kitchen-appliances-last/>

<sup>6</sup> <https://www.choice.com.au/shopping/consumer-rights-and-advice/your-rights/articles/how-long-should-your-appliances-last>

<sup>7</sup> <https://carbonswitch.com/induction-cooktop-and-stove-guide/>

<sup>8</sup> <https://www.buildwithrise.com/stories/induction-cooktops>