

Mr Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via email: DM@aer.gov.au

3 March 2017

Dear Mr. Anderson,

Re: Demand Management Incentive Scheme and Innovation Allowance Mechanism

The Green Building Council of Australia (GBCA) welcomes the opportunity to make this submission to the Australian Energy Regulator (AER).

The GBCA, established in 2002, is an industry association committed to developing buildings, cities and communities that are productive, liveable, healthy, resilient and sustainable:

- **We rate** the sustainability of buildings and communities through Australia's only national, voluntary, holistic rating system – Green Star.
- **We educate** industry and government practitioners and decision-makers and promote green building programs, technologies, design practices and operations.
- **We advocate** for the sustainable transformation of the built environment.

The GBCA has more than 600 member organisations, including major developers, professional services firms, major banks, super funds, product manufacturers and suppliers, as well as universities, local councils, state and federal government departments and agencies.

Following Australia's commitments in Paris to reduce our emissions to limit global warming to below 2°C there can be no delay to policies and programs that will help deliver that goal. Accordingly, the GBCA is committed to delivering a low carbon, high performing built environment. We note:

- Buildings currently account for almost 25 per cent of our national emissions.
- Using existing technologies, buildings could **contribute up to one tenth of our 2030 emissions target** through energy efficiency measures and **contribute more than a quarter of our 2030 emissions target** with high levels of uptake of distributed energy.
- Buildings could **contribute to meeting more than half of our energy productivity target**.

The GBCA is proud to be a member of the Australian Sustainable Built Environment Council (ASBEC). *Low Carbon High Performance* (2016), the report published by ASBEC and authored by ClimateWorks, provides 32 recommendations including policy solutions for delivering energy market reform, the report establishes a clear roadmap to realise the emissions reduction potential of our built environment. I have attached the abovementioned report for further information.

Australia's energy market rules and regulations have a strong impact on the ability of built environment stakeholders to implement energy efficiency and distributed energy at a building and community scale. In this context, please find below comments from the GBCA.

Demand Management Incentive Scheme

The GBCA supports the implementation of the Demand Management Incentive Scheme (scheme), as it has become more imperative for energy utilities to support consumers to save energy and manage demand. Developing an effective incentive management scheme will be vital to ensuring that Australia's demand management strategy yields its potential in cutting costs and facilitating renewable energy.

As the Consultation Paper notes, the objective of the scheme under the National Electricity Rules (rules) is to "provide Distribution Network Service Providers with an incentive to undertake efficient expenditure on relevant non-network options relating to demand management." The GBCA is well-positioned to support the Demand Management Strategy as our Green Star - Communities rating tool provides an incentive framework to encourage developments that pursue more efficient and innovative approaches to energy generation, management and use, including through non-network options.

The Green Star – Communities rating tool, established in 2012 as the only holistic, voluntary rating tool for communities of its kind in Australia, now has a proven track record in delivering concrete outcomes and benefits across a range of projects. Developed in consultation with industry and all levels of government, the Green Star – Communities rating tool is based on five best practice principles which are to:

- Enhance liveability
- Create opportunities for economic prosperity
- Foster environmental responsibility
- Embrace design excellence
- Demonstrate visionary leadership and strong governance.

Across Australia there are now 24 precinct and community-scale projects that have achieved Green Star – Communities certification, and the GBCA is working with a further 23 projects. The rating tool is currently influencing the design and delivery of major community developments around the country – from Barangaroo South in Sydney, which will house 23,000 workers each day, to Aura on the Sunshine Coast that will be home to 50,000 people, to Brisbane Airport.

The scheme complements the work of the GBCA as it has the potential to stimulate Green Star - Communities projects which encourage investments in sustainable and innovative technologies to reduce peak electricity demand. A prime example of this is Alkimos Beach, a residential master-planned project that was awarded Australia's first 6 Star Green Star - Communities rating. Key sustainability innovations at Alkimos Beach include mandatory solar panels and gas boosted solar hot water systems as well as other energy-efficient appliances. These features are supported by a financial incentive package from the Alkimos Beach development partners to reduce home energy bills by up to 50%. Alkimos Beach also represents Australia's first community energy storage trial that will see more than 100 homes connected virtually to innovative solar energy storage as part of a development-wide initiative to reduce peak electricity demand.

Allowance Mechanism

With a view to supporting these more innovative solutions the GBCA supports the development of the Allowance Mechanism which will reward investment in unproven technologies and solutions. As the Consultation Paper notes, its objective under the rules is to “provide Distribution Network Service Providers with funding for research and development in demand management projects that have the potential to reduce long term network costs.”

Similar to this scheme, the GBCA also supports research, development and application of innovative technologies to reduce long-term network costs. As noted previously, Green Star -Communities projects are already utilizing innovative technologies to promote sustainable outcomes across Australia. Another example, Australand’s Fairwater development in Blacktown which was awarded a 6 Star Green Star—Communities rating, is the first master planned estate to provide geothermal energy systems for heating and cooling as standard for every home. The QPS GeoAir systems that have been installed are dramatically reducing the energy required for heating and cooling, providing huge energy savings for households. The GBCA would welcome the opportunity to work with AER and distribution network service providers to continue to support research, development, and the application of innovative technologies to deliver sustainable outcomes like those being championed through our Green Star - Communities.

The GBCA commends the AER on its development of the Demand Management Incentive Scheme and Innovation Allowance Mechanism. Advancing an effective demand management strategy will be vital as Australia transitions to a zero-carbon economy. We offer our support in our capacity to facilitate innovative and sustainable projects under the scheme and to provide assistance with the research, development and application of new technologies under the allowance mechanism. More broadly, we encourage the AER to review the recommendations in the ASBEC report to help deliver effective energy market reform. Please do not hesitate to contact me by phone on (02) 8239 6200, or via email at jonathan.cartledge@gbca.org.au for further information.

Yours sincerely



Jonathan Cartledge
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