SUBMISSION TO STATE SUSTAINABILITY STRATEGY FROM THE SUSTAINABLE ENERGY DEVELOPMENT OFFICE APRIL 2002

Thank you for the opportunity to comment on the consultation paper for the State Sustainability Strategy. This submission comprises comments under the Key Questions headings from an energy perspective and three attachments, addressing SEDO's current and 2002/03 programs; information on energy sustainability and market reform; and SEDO's interim strategic plan.

ADDRESSING THE KEY QUESTIONS

Is sustainability a worthwhile pursuit?

Yes. All the work of the Sustainable Energy Development Office (SEDO) is consistent with improving the environmental sustainability of energy supply and use (see Attachment C: Interim Strategic Plan). It is important that this work, and appropriate initiatives being undertaken by other government agencies, is incorporated into the Government's Sustainability Strategy (eg air quality, greenhouse, waste management, salinity, etc).

What benefits could flow if it were taken more seriously?

In regard to energy, multiple benefits including more efficient energy supply and use leading to minimised greenhouse emissions and other negative environmental impacts, conservation of scarce resources for future generations, potential for reduced costs in energy supply and use, scope for increasing jobs in and income from sustainable energy industries, recognition by trading partners of the State's environmental credentials and more.

In your experience what opportunities exist to pursue sustainability?

Tremendous scope still exists for improving the sustainability of energy supply and use. SEDO attempts to harness these opportunities in all its work across the community. There are two particular current opportunities to which attention needs to be given:

- sustainable outcomes from the work of the Energy Reform Task Force;
- scope for Government's own purchasing, building and leasing practices to reflect a sustainable approach, including the potential for life cycle financial assessment.

What is the role of government, business and the community in facilitating change to become more sustainable?

All these parties need to take responsibility for facilitating change to sustainable energy. The Government has the scope to lead by example, to provide a regulatory framework that leads to sustainability and to provide information to the community. It needs to be acknowledged however that in some cases there will be increased costs associated with a more sustainable approach given that the costs of negative environmental impacts are not commonly incorporated into current economic processes and assessments. In some cases there is a need for up-front funding to trigger better energy related environmental outcomes where the savings that may arise will not accrue to the party bearing the up front cost.

There may be benefit in **Government** more clearly identifying for itself its own policies that may conflict with the objectives of sustainability, and seeking longer-term

strategies which address these conflicts. Examples of potential policy conflicts related to energy include:

- Reduced energy costs. This may not be consistent with initiatives like greenhouse taxes, graduated electricity charges that increase with consumption and increasing the renewable energy production requirement;
- Fuels being equally able to compete for electricity generation. This may make it difficult to provide motivators for using less greenhouse intensive fuels;
- Uniform tariff. This reduces the financial incentive of the individual to take cost effective action to reduce electricity consumption in regions where it is expensive to supply electricity.

To develop sensible policies with measurable impacts there is a need for additional data from a range of sources that is not currently available, in particular from businesses. For example the State does not have good data sources for its level of greenhouse emissions from a number of businesses and sectors. Legislative change is required to the Energy Coordination Act to ensure supply of the kind of energy use data that enables the production of the Energy in WA compendium. This change has been included in a range of amendments for which approval has been sought. Similar problems are likely to exist in the availability of other data necessary for sustainability assessments. Government getting a good grip on data availability and management is critical, and will need resourcing.

It may be useful for Government to incorporate into its sustainability strategy an action plan or business plan for moving towards a more sustainable economy and society. In such a plan it would be important to identify issues and problems that need addressing, determine the relative importance of the issues and prioritise them for action with measurable milestones.

What best practice examples exist to demonstrate how sustainability is being progressed?

There are many good examples in the sustainable energy field but difficult to determine whether they are 'best' practice. Feedback from the community consultation on SEDO's interim strategic plan suggests that there is wide-spread concern about the use of the term 'best practice' in terms of what it means and how it is to be measured. It is of course a constantly moving benchmark which is difficult to define and difficult to keep abreast of in a technologically complex and rapidly changing world.

SEDO could provide examples of houses, offices and industrial premises where energy is used in a more sustainable way should this be useful.

What research and development is needed to ensure sustainability outcomes can be achieved?

While there is always useful research that can be undertaken, there is a long way to go in gaining the benefits available from already proven technologies and new ways of doing business. It may be useful for Government to undertake any research required to progress triple bottom line reporting and embed it into State Government practice.

Research and development are more likely to achieve outcomes if they are targeted in areas where there is a particular local need or other natural advantage. For

example, Australia's Renewable Energy Action Agenda has a vision of sales of $4 billion. This can only be achieved if we export products and services. There is a local market, growing local expertise and export potential for renewable energy Remote Area Power Systems so this would appear to be a good area to target. Similarly the integrated mallee processing plant being piloted at Narrogin is based on local conditions but has export potential, and further development stages should be supported.

In the energy field, examining ways of overcoming market barriers is probably more important than research and development at this time.

In a more general sense, what else should WA be doing to contribute nationally, regionally and globally to progress sustainability?

It needs to be acknowledged that Western Australia's vast natural gas reserves have the capacity to help reduce global greenhouse emissions in the short to medium term. However extracting and producing it for export will add to Western Australia's emissions. Much of the community's wealth arises from resources export income. Local production of this type that adds to our greenhouse emissions may be more acceptable to a community with growing environmental expectations if it could be seen that some of the wealth generated is directed to sustainability programs and outcomes into the future.

Attachment A:

SEDO PROGRAMS CURRENT (ONGOING) AND *PLANNED FOR 2002/03 (NEW)*

Community:

- Information Services – Home Energy Line, SEDO web site for home energy information on-line, range of brochures for the residential sector;
- Housing – development and promotion of house energy rating tools, particularly First rate; partnership activities with Housing Industry Association, participation in Steering group for City of Subiaco Sustainable display house;
- Rebates and subsidies – PVRP, RAPS, and solar water heaters;
- SEDO Grants program (currently AEDB) supports some community projects such as Cool Communities and Maylands Environment centre;
- Communications program – public promotions and advertising around the Energy Smart brand;
- *Reach for the Stars program involving promotion of energy efficient products and intermediary training – initially appliance sales people;*
- *Ongoing communications program.*

Industry:

- Support to the Sustainable Industry group (SIG) network – steering committee, seminar organisation and presentations, information dissemination;
- Development of small business brochures (first topics expected to be published in May);
- Business RAPS and other RRPGP rebates, Renewable energy water pumping.
- *Formal introduction and promotion of the Building Greenhouse rating Tool (BGRT) for commercial buildings;*
- *Production of a sustainable energy products and services directory*

Government:

- Financing Efficient Energy Use scheme (FEEU);
- Training programs;
- Support network;
- Performance Contracting trial;
- Development of icon building;
- *Implementation of an Energy Smart Government Program*

Incentive programs summarised:

- Photovoltaic Rebate Program (PVRP) administered for the Australian Greenhouse Office (AGO);
- Renewable RAPS rebates for remote households, businesses and community; water pumping program, all under the auspices of the Renewable Remote Power Generation Program (RRPGP);
- Solar Water Heater Rebate program;
- Research, demonstration and education grants through the SEDO grants program, currently the Alternative Energy Development Board;

Policy:

- Participation in cross-government policy development work and committees – eg Greenhouse, Air Quality, Sustainability, Bio-energy, Regional Development, Housing, Procurement;
- Participation in national policy & programs – Energy Efficiency and Greenhouse Working Group of the Ministerial Council on Energy (formerly the Energy Management Task Force) on a wide range of topics, including appliance and equipment energy efficiency, development of building rating tools, information services, National Greenhouse Strategy initiatives and more;
- Participation in energy market reform and sustainability.

Sustainable Energy Industry Development

- Sponsorship of presentations and seminars;
- The Incentive programs above all support sustainable energy industry development;
- Industry Survey identifying level of jobs and sales arising from the sustainable energy sector – underway, completion likely in July or August;
- *Training, standards development and equipment testing initiatives are expected to be developed through RRPGP funds;*
- *When the future of CASE is resolved there may be initiatives to help identify and further develop markets for locally produced sustainable energy products and services.*

Energy Supply

- Ongoing input into the ERTF processes.

Attachment B:

ENERGY SUSTAINABILITY AND MARKET REFORM

Market Structure

The proposed vertical disaggregation of Western Power into separate generation, networks and retail functions is the principal initiative, which should address some of the impediments to renewable energy generation, demand management and end-use efficiency. Disaggregation in itself allows for market signals that remove some barriers to more sustainable energy, such as access prices that better reflect the advantages of distributed (including renewable) energy.

Summarised below are some proposed initiatives within each of the three areas that may have some positive effect on energy sustainability.

Generation

- Making available to the private sector, through leasing or other arrangements, land currently held by Western Power (where Western Power is not able to demonstrate a bona fide proposal for development in the short term);
- Making available to the private sector wind resource information currently held by Western Power.

Networks

- Transitional market arrangements could include the liberalisation of balancing arrangements, which would remove the need for renewable/distributed generators to closely balance their supply and demand;
- In the longer term, a Residual Trading Market (RTM) is proposed, which could encourage renewable generators to enter the market as these generators could do so without having contracts for their entire output. This market would also allow the output from renewable generators to vary without penalty, thus providing an accessible market for intermittent renewable generators;
- Priority dispatch in the RTM for electricity generators based on renewable sources;
- In the longer term, there is scope to develop a portion of the RTM as a separate market for renewable electricity with a differentiated price;
- Provisions in the Access Code enabling network benefits (eg reduced transmission and distribution costs) arising from embedded generators to be reflected in access prices. This would provide cost incentives for embedded generation (including renewables) and for locating generation assets where line losses are minimised.

Retail

- Continuation of preferential customer access for renewable energy retailers until Full Retail Contestability. This would provide a greater potential customer base for renewable energy retailers compared to non-renewable retailers;
- Obligation to purchase the output of small-scale embedded renewable generators under a net billing arrangement;
- Scope for licensing obligations, such as greenhouse gas emission requirements, renewable electricity purchase requirements, and energy efficiency requirements for retailers selling to franchise customers.