Submission to the Victorian Energy Upgrades Strategic Review Consultation

March 2025

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Recommendations

Consumer first	1. Improve transparency and accountability by redesigning the VEU program to be direct-to-consumer and provide certainty on the level of subsidy for each appliance. 2. Simplify the application and approval process for both consumers and business with a focus on reducing complexity, administrative burden and role of intermediaries. Consider linking VEU product register to the GEMS register. 3. Consider aligning targets to amount of energy saved or reduction in overall energy consumption. 4. Extend the VEU program to include residential and commercial batteries, electrical switchboard upgrades insulation and draught-proofing activities. Government could consider subsiding commercial Virtual Power Plant which would assist with improving reliability and demand and supply at different times of the day. 5. Innovative technology solutions will assist consumers to understand and plan to replace end of life appliances where they live. This could include replacement timeline and costs coupled with available rebates/discounts. 6. Allow Victorians to package or bundle upgrades to ensure changes are made in an integrated way. 7. Implement stricter regulations and oversight to prevent fraudulent activities and ensure that businesses follow the program's rules. 8. Increase funding to guarantee the VEU program is adequately resourced to support consumers and to provide timely support for accredited providers. 9. Continue to fund education and awareness campaigns for consumers to improve energy literacy and strengthen consumer protections.
Cut red tape to support electrification	10. Streamline the compliance and safety regulatory environment. RACV supports standards to protect the safety of installers and consumers however the complexity and pace of the energy transition can have unintended consequences on business costs and therefore impacts the cost to consumers. Defining clear roles and responsibilities of all Federal and State regulators and government bodies is essential.
Growing a clean energy workforce	11. Support for existing State and Federal Government workforce strategies on increasing the clean energy workforce. Governments should consider more direct and targeted employer and employee incentives.

About RACV

RACV welcomes the opportunity to respond to the Victorian Government's Strategic Review of the Victorian Energy Upgrades program consultation.

Representing over 2.3 million members and an additional 500,000 customers, RACV exists to improve lives in the areas of home, cleaner energy, motoring, mobility and leisure.

RACV is committed to helping members at key stages in life's journey in the home. These include moving, renting, buying and selling a home, keeping the home safe, renovations and energy efficiency.

In the home, RACV delivers exceptional services to members and customers through a range of products and services these include property and rental inspection reports, home and contents insurance, trades (for both emergencies and renovations), retail energy, solar, battery and EV charger installation solutions.

Helping Victorians is at the heart of RACV. In 2023-2024, RACV:

- provided 898,000 members with home insurance policies; and
- assisted with 52,000 home emergencies through Emergency Home Assist.

This means RACV is in a Victorian home every six minutes.

RACV Trades gives customers access to accredited, licensed tradies, providing quality work in an emergency and for everyday repairs and general maintenance around the home. RACV's workforce and extensive partner network ensure that we can reliably meet the needs of both metropolitan and regional members and customers.

Home Trades Hub Australia (HTHA) is RACV's 100%-owned subsidiary and home service delivery business which delivers a comprehensive range of repairs, maintenance, inspections and security services around the home through a national network of qualified tradespeople and professionals. HTHA has also established working relationships with social and community housing providers. HTHA proudly partnered with wayss, a community housing provider in Victoria, to transform a family violence refuge by electrifying the property to make it more energy and cost-efficient for tenants. HTHA plumbers and electricians decommissioned gas heaters and cooktops and installed energy-efficient alternatives free of charge.

Through a series of recent investments RACV is now one of the largest inspection businesses in Australia. This gives us a unique opportunity to influence Australian homeowners and renters on their energy journey and electrification of the home. We are a major shareholder in Proptech Labs (https://www.proptechlabs.com/) and Before You Buy (https://www.beforeyoubuy.com.au/).

PropTech Labs has established innovative solutions that streamlines workflow, automated and 'paperless' processes and tracks maintenance service delivery for property managers, real estate professionals, and landlords. It is the largest maintenance platform for property managers in Australia.

Before You Buy is a one-stop shop for potential property buyers to get all their property reports completed by independent, qualified inspectors.

RACV plays its part in a cleaner energy future

RACV is committed to helping Australians transition to a cleaner energy future. Through several investments RACV now can help all Australians make this transition and save on energy costs. We offer cleaner energy products and services including solar panels and batteries through RACV Solar and a home retail energy offering in Victoria through Arcline by RACV.

RACV Solar is now one of the largest installers of solar power, both commercial and residential, on the east coast of Australia and is one of the largest installers of home batteries in Victoria. RACV is an electric vehicle charger network operator with locations at RACV Clubs and resorts and public locations across Victoria. RACV has also invested in electric vehicle charging companies JET Charge and Chargefox. Our team of electricians, engineers and project managers design, install and support commercial and residential EV charging infrastructure and provide integrated energy solutions for homeowners, fleet operators and businesses.

RACV has been working on reducing our own greenhouse gas emissions for many years.

- Since 2019, RACV has invested ~$10.5 million in Energy Efficiency initiatives which have delivered a reduction in our energy usage of approximately 25 per cent and $1.5 million cost savings annually against the FY19 benchmark.
- Solar installations have generated over 8.7 million kWh of solar power and reduced RACV's emissions footprint by approximately 9,000 tCO2 from FY19 to FY24.
- GreenPower® purchasing has abated more than 99 per cent of all the remaining Scope 2 emissions from electricity usage.
- RACV has embedded a 10-year capital plan, at an estimated cost of $50 million, to reduce a significant proportion of the remaining scope 1 gas emissions.

RACV delivers expert and tailored commercial energy solutions to help businesses save on energy costs, improve energy resiliency and reliability, reach renewable energy goals, unlock additional revenue streams and maximise return on assets through the energy markets.

Key services include commercial solar, battery storage, EV chargers, renewable energy roadmaps and system operation and maintenance.

Australian businesses are shifting to cleaner energy.

- In 2020 and 2021, RACV Solar worked with family-owned McKenzie Aged Care to map the roll out of 1.8 megawatts of solar across the business's 11 aged care facilities in New South Wales and Queensland.
- Installed one of the country's most advanced renewable energy training facilities at Holmesglen Institute including solar, solar car park installation, commercial batteries and electric vehicle charging in 2021.
- Designed and installed one of the largest solar panel installations in Victoria for the Australian Nuclear Science and Technology Organisation (ANSTO) within the Monash University precinct in 2024.
- Installation of a 50kw floating solar array at Lardner Park, Gippsland to demonstrate the benefits of technology for Australia's agribusiness sector.
- Delivered Australia's largest privately-owned behind-the-meter solar and battery solution for Narellan shopping centre.

In 2025, RACV has launched a new product for commercial and industrial customers following our successful installation of one of Australia's first VPPs of its kind at RACV's Torquay and Inverloch resorts.

RACV's own VPP is one of the first to participate in the very-fast Frequency Control Ancillary Services (FCAS) market managed by the energy market operator. This followed the ARENA-supported AEMO Virtual Power Plant Demonstration Project in 2022.

By installing a Virtual Power Plant at our resorts, we have been able to realise a range of commercial benefits such as managing energy costs and generating revenue, at the same time as contributing to grid stability by feeding energy back into the grid during periods of high demand. Delivered in collaboration with PowerSync Technologies and aggregates over one megawatt of battery capacity from the Torquay and Inverloch resorts – the storage equivalent of approximately 20 average electric vehicle batteries.

Supporting consumers to live in safe, secure and more energy-efficient homes

What consumers tell us

Renters are increasingly facing housing affordability stress with rents increasing 10-12% p.a. over the past few years. Renters now spend an average of 33 per cent of their income on rent (52 per cent for low-income earners).[1] Around 50-55 per cent of renters in Melbourne live in an apartment.

Residential buildings are responsible for around 24 per cent of overall electricity use in Australia[2]. Renters spend approximately eight per cent more on electricity than otherwise similar households.[3]

RACV sought to understand the experiences of renters and rental providers. According to 2024 RACV Research, competition for properties, low vacancy rates, rising rent and cost of living have left renters feeling disempowered when it comes to property choice.

The short standard tenancy (12 months) and concerns of needing to move (due to rent rises or notice being given) all drive the growing sense of insecurity. However, of those surveyed, renting is not short term. Two in three expect to be renting for at least the next five years.

Nearly two thirds of renters told us raising issues/repairs means the rent could go up and that they could be seen as difficult. This is confirmed by rental providers. Of those surveyed, 43 per cent of rental providers agreed they would increase rents if tenants raised of lot of issues/repairs. Almost two thirds of rental providers said they would increase the rent to keep up with what is required for the property to meet minimum standards.

Seventy-two per cent of renters surveyed stated they are connected to gas. Sixty-four per cent of renters indicated their property can be kept comfortably warm or cool in extreme temperatures. This contrasts with 88 per cent of rental providers. This shows the lived experience of renters in the home varies from the perception of rental providers.

Interestingly, RACV asked renters and rental providers to indicate how appealing energy efficiency upgrades were to current rental properties. Around half of rental providers (47%) surveyed said transitioning from gas to electricity was appealing (63% supported switching to a fixed reverse cycle air conditioning unit, 57% solar energy, 56% new hot water system).

According to 2024 RACV Sentiment Research, of those surveyed, cost remains the biggest motivator and barrier to energy efficient homes. Nearly one third of Victorians are not aware of any energy efficiency programs.

The Victorian Government's Solar Homes program is currently offering a $1400 rebate and equivalent interest-free loan on solar photovoltaic (PV) systems to eligible landlords. Eligible landlords can also access additional rebates and discounts through the Victorian Energy Upgrade program for energy-efficient products like replacing old gas or electric cooling and heating systems.

[1] See: Housing Affordability Report, Nov 2024, ANZ-CoreLogic
[2] See: Department of Climate Change, Energy, the Environment and Water
[3] See: Effects of renting on household energy expenditure: Evidence from Australia

Consumer first

According to the Victorian Government, the *VEU is the flagship energy-savings and emission reduction program in Victoria.*[4]

The Victorian Energy Upgrades (VEU) program no longer delivers on its aims to address barriers to adopting energy-efficient technologies such as upfront costs and increasing consumer awareness.

It is overly complex for consumers and accredited providers and the full subsidy is not delivered directly to consumers to reduce energy consumption and greenhouse gas emissions. As a result of the complexity, too many intermediate players (aggregator/brokers) are involved, there is an over-reliance on installers to drive adoption and administrative costs are high.

Victorian Energy Efficiency Certificate's (VEEC) currently traded at above $100 per certificate, which is well above the average of $35 for an Australian Carbon Credit Unit, places additional cost of living pressures on Victorian households with the cost of certificates passed onto consumers through higher energy bills. In addition, there is no certainty nor consistency in the level of subsidy passed onto the consumer. This is often dependent on the size of the accredited provider and price of the VEEC.

The priority of the VEU program should be on consumer choice, incentives passed direct to consumers, the role of Accredited Persons (APs) and market competition. Any change to the VEU program needs to improve consumer trust, certainty, transparency and accountability.

The regulatory framework should allow for scalable, increase pace of change including the need to support the development and adoption of new energy efficient technologies and practices. Regulation and subsidies need to align to prevent any barriers in the future.

RACV is calling for:

- Greater transparency and accountability;
- Increasing public awareness;
- Streamlining processes including reducing the role of intermediaries and administrative burden;
- Encouraging innovation; and
- Strengthening consumer protections.

According to 2024 RACV Sentiment Research, of those surveyed, cost remains the biggest motivator and barrier to energy efficient homes. Providing certainty to Victorians on the extent to which the upfront costs can be reduced through subsidies is important. The current program where VEECs are traded and the price (subsidy level) may vary does not provide certainty. Decisions to replace working appliance and electrify homes have long lead times.

RACV insights show most consumers are worried about the cost of energy before considering the impact of reducing greenhouse gas emissions. Cost is the largest driver of behaviour change. Targets relating to energy saved and/or overall cost of consumption reduced is more aligned to consumer thinking and supports the behavioural change required. Reducing greenhouse gas emissions is still important and will be achieved if the path to electrification is accelerated and appliances are upgraded.

Many consumers are adding solar, batteries, smart hot water and EV charging in a non-integrated way, adding to the fluctuating supply/demand issue and placing further pressure on the electricity network.

The VEU program should allow for Victorians to package or bundle upgrades. This requires a shift away from the current structure which relies on energy retailers. Again, the subsidy needs to be more visible to consumers and with most of the subsidy going towards the replacement activity rather than the administration and intermediaries (aggregators/brokers).

Vulnerable households may require a separate scheme which supports project-based activities and the potential for greater subsidies based on household income.

[4] See: Public Accounts and Estimates Committee Budget Estimates 2024-2025

Accredited persons, aggregators, installers and products

Simply and expand the VEU Register of Products List

Greenhouse and energy minimum performance standards (GEMS) products in Australia are required to be registered by the GEMS Regulator. The GEMS Regulator is also responsible for the national Equipment Energy Efficiency (E3) Program to improve the energy efficiency of appliances and equipment.

The purpose of the E3 Program is to deliver a single, integrated approach to energy efficiency standards and labelling. Standards specify the minimum level of energy performance that appliances must meet before they can be sold. Labelling provides energy efficiency information to support consumers to make informed purchasing decisions. The Energy Rating Label is well-known and helps consumers make informed choices about the energy efficiency of the products they buy.

The VEU Product Register comprises products that manufacturers have submitted to VEU for listing. Therefore, the more widely accessible GEMS register does not necessarily indicate VEU-approved products.

To simplify the VEU program, instead of energy-efficient products attracting a number of VEECs (which is subject to change), the consumer rebate could be calculated using the GEMS Register (energy rating and KwH rating) which calculates amount of energy saved or reduction in overall energy consumption or similar approach using a hurdle rate system. For example, six star-rated product attracts a certain number of VEECs (varied depending on Activity Scenario).

Often consumers request a particular appliance brand only to find out it is not a registered product on the VEU. This adds costs and confusion. This will also mean the quality of new electric appliances is guaranteed and minimum standards are met.

The current VEU Register of Products is not user-friendly and does not assist consumers understand the subsidy each appliance would attract. Greater transparency of VEEC price and amount of subsidy available to the consumer is essential. The decision to invest in energy-efficient appliances is driven by reducing the upfront cost and long-term energy bill savings. As long as the VEU program relies on the tradeable VEEC it will be difficult to provide certainty to the value of the incentive.

This transition may present an opportunity for unscrupulous businesses to take advantage of consumers. Some businesses may engage in scare tactics, false claims about existing gas appliances pushing consumers into premature replacements for financial gain. Strong consumer protections and education will be required to mitigate this risk.

Action also needs to be taken to stamp out marketing that presents appliance upgrades as almost free (with VEEC subsidy). The more effective approach is for consumers to select appliances first and then understand the level of subsidy available for the relevant appliance.

The VEU program activities and products should be extended to include residential and commercial batteries, electrical switchboard upgrades, insulation and draught-proofing activities. Government could consider subsiding commercial Virtual Power Plant which would assist with improving reliability and demand and supply at different times of the day.

RACV supports greater consumer access by better promoting VEU incentives at the point of product sale for many appliances, including through big retailers, however, consumers require certainty in the quantum of subsidy prior to any purchase decision. Certainty on the level of subsidy is important given decisions to replace working appliance and electrify homes have long lead times.

Greater incentives will also encourage consumers to switch earlier and will prevent consumers being forced to continue to use inefficient appliances for longer.

Innovative technology solutions will assist consumers to understand and plan to replace end of life appliances where they live. This could include replacement timeline and costs coupled with available rebates/discounts.

Rapid technology improvements and an ongoing fall in costs will pave the way for smarter home charging and electrification solutions (including Vehicle-to-Home and Vehicle-to-Grid).

Granular and real-time information on electricity consumption and generation is required to help consumers save money and shift demand.

Simplify VEEC creation and assessment

VEEC creation and assessment is very complex and carries a significant administrative cost and impacts cashflow if aggregation of certificates is required. Consumers deserve a system that is more transparent, easy to understand and has certainty and consistency in subsidy level for each appliance. Proof of installation should also be a requirement to access the subsidy. Currently, significant administration costs reduce the available subsidy for consumers. There is also a lack of transparency if the Essential Services Commission determines VEU registration is not correct and a certificate is not created. This creates cashflow uncertainty for accredited providers.

Aggregators are currently required because of the complex nature of the program. If VEECs continue to operate in the reviewed scheme, focus should be on how to address and reduce the role of aggregators/brokers and profit margin per certificate.

For the program to evolve it will require resourcing to guarantee accredited providers and consumers can get timely access to support. There are examples of untimely delays in response to queries from accredited providers. This will need to be addressed if the Victorian Government are seeking to increase the number of accredited providers and consumers accessing the program.

Increasing education and awareness

According to 2024 RACV Sentiment Research, of those surveyed, nearly one third of Victorians are not aware of any energy efficiency programs.

Clear and accessible information about the program's benefits, eligibility criteria, and participating and accredited businesses is required. This can help consumers make informed decisions and reduce the likelihood of misinformation or misunderstandings.

Government should continue to fund education and awareness campaigns for consumers to improve energy literacy and strengthen consumer protections.

Recommendations

1. Improve transparency and accountability by redesigning the VEU program to be direct-to-consumer and provide certainty on the level of subsidy for each appliance.
2. Simplify the application and approval process for both consumers and business with a focus on reducing complexity, administrative burden and role of intermediaries. Consider linking VEU product register to the GEMS register.
3. Consider aligning targets to amount of energy saved or reduction in overall energy consumption.
4. Extend the VEU program to include residential and commercial batteries, electrical switchboard upgrades insulation and draught-proofing activities. Government could consider subsiding commercial Virtual Power Plant which would assist with improving reliability and demand and supply at different times of the day.
5. Innovative technology solutions will assist consumers to understand and plan to replace end of life appliances where they live. This could include replacement timeline and costs coupled with available rebates/discounts.
6. Allow Victorians to package or bundle upgrades to ensure changes are made in an integrated way.
7. Implement stricter regulations and oversight to prevent fraudulent activities and ensure that businesses follow the program's rules.
8. Increase funding to guarantee the VEU program is adequately resourced to support consumers and to provide timely support for accredited providers.
9. Continue to fund education and awareness campaigns for consumers to improve energy literacy and strengthen consumer protections.

Cut red tape to support electrification

RACV supports standards to protect the safety of installers and consumers however the complexity and pace of the energy transition can have unintended consequences on business costs.

Compliance and safety regulations have played a significant role in shaping the cost of installations and therefore impacts the cost to the consumer. Further regulations and standards are proposed to improve battery storage safety and grid connectivity, as well as tighter accreditation requirements. Defining clear roles and responsibilities of all Federal and State regulators and government bodies is essential.

Recommendation

10. Streamline the compliance and safety regulatory environment. RACV supports standards to protect the safety of installers and consumers however the complexity and pace of the energy transition can have unintended consequences on business costs and therefore impacts the cost to consumers. Defining clear roles and responsibilities of all Federal and State regulators and government bodies is essential.

Growing a clean energy workforce

One of the most significant risks to electrification is a skilled workforce.

As outlined in Victoria's Clean Economy Workforce Development Strategy[5] projections on the renewable energy transition estimate around 10,000 additional jobs per year until 2030. Occupations in high demand will include architectural, building and surveying technicians, building and plumbing labourers, civil engineering draftspersons and technicians, electricians, electrical engineers and mechanics. New specialist occupations will also be created in areas such as battery storage, energy auditing, home and business electrification and energy efficiency, resource recovery and sustainability.

The *Victorian Skills Plan*[6] states many critical occupations that support the renewable energy transition, from generation to distribution and supply, are already in high demand in other sectors of the economy, particularly construction - for example, construction managers, electricians, and electrical engineers.

Further support is required for reskilling opportunities that respond to new regulatory requirements and shifts to skills demand such as:

- skills to retrofit existing buildings;
- knowledge of new building requirements; and
- experience in embedded energy and building for energy efficiency.

RACV supports the transition to cleaner energy however there will be several additional challenges that could negatively impact consumers.

The transition away from gas heating solutions will drive a substantial increase in demand for refrigeration-qualified installers. As households shift towards electric heating and cooling systems, the need for licensed and skilled professionals will surge, potentially leading to delays in installations and increased service costs due to labour shortages in the field of refrigeration.

With a predicted 4.8 million gas appliances needing to be replaced, demand for installation services will outpace supply. There is a risk that unqualified individuals may attempt to enter the market. This could lead to unsafe installations, non-compliance with regulations, and an overall decline in the quality of workmanship, potentially endangering consumers and increasing long-term maintenance issues.

In time, the phase-out of gas will leave many gas plumbers without sufficient work, creating an urgent need for workforce transition programs. A six-month training course for experienced gas plumbers (with over five years of experience) could enable them to gain the necessary skills to install and service refrigeration appliances up to 18kW in the residential sector.

The ARCtick licensing body should consider introducing a special license class for gas plumbers. This would help address the skills gap while ensuring job continuity for those affected by the transition.

Recommendation

11. Support for existing State and Federal Government workforce strategies on increasing the clean energy workforce. Governments should consider more direct and targeted employer and employee incentives.

[5] See: Clean Economy Workforce Development Strategy 2023-2033
[6] See: 2024 Victorian Skills Plan