Justice and Equity Centre

Energy Security Safeguard policy reform consultation paper

20 February 2026

Justice and Equity Centre
ABN 77 002 773 524
www.jec.org.au

Gadigal Country
Level 5, 175 Liverpool St
Sydney NSW 2000
Phone + 61 2 8898 6500
Email contact@jec.org.au

About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

Contact

Kira van Os
The Justice and Equity Centre
Level 5, 175 Liverpool St
Sydney NSW 2000

T: +61 2 8898 6500
E: kvanos@jec.org.au

Website: www.jec.org.au

The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

Contents

Recommendations

Recommendation 1

That regulation, oversight and enforcement mechanisms in the schemes be strengthened, involving at a minimum:

- *requiring installers to be accredited and 'listed' subject to licensing and compliance;*
- *granting IPART powers to suspend, ban and pursue further enforcement action for misconduct in the Schemes;*
- *pursuing further measures for robust, independent product standard setting, verification and accreditation for use in the schemes.*
- *streamlining complaints resolution, including by requiring ACPs to have EWON membership.*

Recommendation 2

That DCCEEW enhances pathways of entry to the Schemes, including integrating with other consumer touchpoints with energy information where possible. This should include consideration of a mechanism for simple consumer 'sign-up' to identify targeted household circumstances for the generation of 'warm lead' connections to accredited providers.

Recommendation 3

That the ESS and PDRS include a target for identified cohorts and typologies of households who otherwise face barries to access upgrades through the Schemes, due to location, housing situation or income, and who would be materially impacted by scheme interventions in line with the wider objectives of the Consumer Energy Strategy.

Recommendation 4

That ambitious targets remain and penalty/shortfall payments be exclusively directed to support the schemes through a mechanism - such as an enhanced Safeguard Acceleration Program or other measures - to enable additional support for interventions for identified household cohorts.

Recommendation 5

That support for electrification in the Energy Savings Scheme be increased, through setting an ambitious electrification sub-target that is additional to the existing overall target.

Recommendation 6

That targets for the Peak Demand Reduction Scheme be:

- *set for the coming years until at least 2030, ensuring any review is only able to increase targets, and*

- *ambitious, evidence-based and in alignment with and support of NSW Consumer Energy Strategy objectives and the objectives of other relevant NSW Government energy transition policy.*

Recommendation 7

That the Peak Demand Reduction Scheme objectives be reframed to focus on maximising flexible demand, with opportunities to respond to both peak and minimum demand circumstances.

Acronyms list

Acronym	Full name
ACCC	Australian Competition and Consumer Commission
ACP	Accredited Certificate Provider
CER	Consumer energy resource
DCCEEW	Department of Climate Change, Energy, the Environment and Water
ESS	Energy Savings Scheme
EWON	Energy and Water Ombudsman of NSW
IPART	Independent Pricing and Regulatory Tribunal
JEC	Justice and Equity Centre
PDRS	Peak Demand Reduction Scheme
REPS	Retailer Energy Productivity Scheme
VPP	Virtual power plant
WDRM	Wholesale Demand Response Mechanism

1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) Energy Security Safeguard policy reform consultation paper (the Paper).

We strongly support ongoing strengthening and augmentation of both these schemes, to ensure they are better integrated with the objectives and programmes of the Consumer Energy Strategy, and support improved energy and climate outcomes.

In this context we commend the broad scope of the changes being considered in the Paper. The Safeguard Schemes have significant potential to contribute more meaningfully to positive outcomes for households in NSW.

It is increasingly apparent that the significant investments required to enable the energy system transition will have a material impact on energy costs to consumers. As the Consumer Energy Strategy asserts, it is also clear that many household cohorts will need support to efficiently electrify to benefit from and contribute to, the NSW energy system transition. The Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) (the Schemes) are crucial tools in mitigating these impacts, supporting households and improving equity, and promoting the affordability and sustainability of energy services in NSW.

Accordingly, the proposal to support electrification in the ESS is particularly welcome and should be pursued aggressively. Electrification involves a fundamental, long-term improvement in efficiency, and as such should be broadly aligned with the schemes overarching objectives. Household and commercial electrification are critical to achieving emissions reductions targets, ensuring the energy transition is efficient and reducing energy costs. Policy reform of the schemes should reflect this and robustly embed electrification. Alongside this, schemes must also promote the efficiency and flexibility of electricity demand to ensure any activities undertaken will have maximum impact today, as well as optimum ongoing benefit in the context of the continued NSW energy system transition.

Optimising the ESS and PDRS' ability to support the NSW Consumer Energy Strategy's objectives necessitates a degree of intervention and shift from a purely 'market focussed' scheme delivery. There are limitations to a market schemes ability to optimise impact, and they are not capable of delivering equitable outcomes. In fact a purely market-based approach can and has lead to perverse outcomes.[1] Accordingly, we strongly support proposals to introduce targets for electrification and target populations. However, this is not sufficient and these reforms must be complemented by a more robust scheme architecture, with improves transparency, standards and robust regulation to prevent misconduct. This must include stronger measures of accreditation and penalties for misconduct and fraudulent behaviour.

Finally, we strongly recommend the overarching approach to scheme policy and rule reform be future focussed, rather than narrowly responsive to current market dynamics – this is particularly

---

[1] NSW Department of Climate Change, Energy, the Environment and Water, 2025, Final statutory review report: NSW Energy Savings Scheme, p 32.

important in relation to the setting of targets and the treatment of standards. Building robust schemes now and committing to these structures will help to provide the certainty and predictability on which long term objectives can be built.

2. Reforms must prioritise consumer outcomes and equity

The Schemes' ability to meet their objectives is contingent upon consumers – particularly households – being delivered promised value and good outcomes. It must be recognised that the experience of today's consumers powerfully influences the future 'buy-in' and success of the schemes. This relies on quality and standards and ensuring transparency and compliance.

However, 'buy-in' alone cannot overcome barriers to participation for many households to participate in the Schemes. Certain cohorts – often those who can most impact scheme objectives and will benefit most from interventions – require intervention and more structured and targeted support. The success of the schemes therefore relies on ensuring a supply of certificates from diverse activity sources, including those which can consider the 'additionality' - of impact and benefits - achieved by providing access to cohorts who otherwise would not be able to access scheme benefits.

In considering policy reforms which may improve consumer outcomes and equity, we highlight the need to not only consider the objectives of the Schemes directly, but those of the NSW Consumer Energy Strategy these schemes are broadly intended to enable and align with. The ESS and PDRS are important levers to achieve the outcomes envisioned in the Strategy – and the other actions arising from it - and net zero targets more broadly.

2.1 Preventing poor outcomes requires stronger regulation

Scheme integrity is paramount to ensuring the market aspects can function effectively and long-term objectives can be achieved. The NSW Independent Pricing and Regulatory Tribunal (IPART) has faced a considerable task regulating the Schemes in the context of emerging technologies and growth in Accredited Certificate Providers (ACPs). There has been evidence of issues with installations in the ESS, PDRS and consumer energy resources (CER) more generally.[2] These are unacceptable and critically endanger the viability and success of the schemes.

While there has been enforcement action, this is insufficient and much more must be done to prevent poor customer outcomes and respond strongly if they occur. This means both strengthened regulation and transparency of installers and products, as well as clearer pathways to address disputes, non-compliance and misconduct. This aligns with IPART's risk-based approach to compliance[3] - and we contend the high risk of harm to consumers and the larger consequences for trust in scheme and the energy transition, warrant more robust measures. The consequences of poor consumer experiences are not discrete and able to be limited or resolved by restitution. They come with the real risk of fundamental loss of confidence in critical technology

---

2 For example see NSW Government, 2025, NSW Energy Savings Scheme final statutory review report, p 32; CHOICE, 2026, Bad solar battery deals: The red flags to watch out for; EWON, 2025, Submission to IPART Monitoring the Retail Electricity and Gas markets in NSW 2024-25, pp 9-14.

3 IPART, 2025, 2023–24 Energy Security Safeguard Report to the Minister, p 13.

– such as heat-pump hot water systems and batteries (particularly those configured for VPP and external control). These risks can be avoided by setting the parameters of the Schemes and participation in them clearly and robustly.

2.1.1 Improved oversight of installers

More robust oversight of installers is needed to ensure the integrity of the scheme and positive outcomes for consumers. The NSW Consumer Energy Strategy actions to increase compliance of technical and safety standards demonstrates a clear commitment which must be reflected in reforms to the architecture of the ESS and PDRS.

We recommend some form of proactive accreditation requirement for installers to help improve quality and safety – for consumers and installers - as well as transparency and the capacity to monitor and respond to complaints and compliance issues. Some currently measures within energy and elsewhere, could be expanded or adapted for this purpose. Regardless, we recommend multiple avenues through which compliance issues can be identified, including IPART and the Building Commission NSW. The 'administrative burden' of this accreditation could also be minimised by aligning with existing licenses held by tradespeople or registration for initiatives such as the recently created installer portal. [4] Regardless, this accreditation should be subject to compliance with scheme requirements and relevant technical standards as we discuss in next section.

An accreditation of installers improves transparency of installer and ACP activity. This would address the identified issue of installers switching between ACPs if their services to one ACP are terminated due to misconduct. This transparency would also help with identifying and reporting installation quality issues at a more granular level, which in turn can help to IPART identify compliance priorities. It would also enable any moves to subject installers and ACPs to independent dispute resolution through EWON.

Having a public list of installers may also help with ongoing efforts to better connect ACPs and installers operating in regional/remote areas, thereby facilitating better access to the scheme for consumers in these areas.

In any case, we view a form of accreditation as a necessary part of any measures to target disadvantaged consumer cohorts through the ESS and PDRS schemes. Only 'accredited' installers should be able to undertake activities impacting groups such as rebate holders, low-income households and social housing tenants.

2.1.2 Enhanced powers for IPART

We strongly support granting IPART additional powers to address misconduct in the schemes in support of wider measures to strengthen quality and standards assurance. The proposal to empower IPART to suspend persons from participating in the Schemes is necessary and appropriate, but not sufficient. The highlighted examples of misconduct occurring in these Schemes would appear to be serious enough to warrant much stronger enforcement action, including fines and penalties, legal action for misleading and deceptive conduct and in some

---

4 https://www.energy.nsw.gov.au/nsw-plans-and-progress/regulation-and-policy/installer-portal

cases – such as where installers have faked evidence of installation – prosecution for fraud. At the very least IPART should be empowered to permanently ban persons or entities from participating in the Schemes if it deems them not fit or proper to be accredited. Further, IPART should be able to pursue additional enforcement actions where appropriate, including legal action or referral to other legal or regulatory bodies such as Fair Trading or the ACCC.

We recommend IPART be granted similar powers to those held by the Essential Services Commission in its administration of the Victorian Energy Upgrades program,[5] including prosecution of offences. IPART and regulators of similar Schemes in other jurisdictions have historically used their compliance and enforcement powers lightly, seemingly viewing compliance as endangering scheme participation. The recent action taken by the Essential Services Commission to cancel the accreditation of a provider, and consider additional enforcement action, for fraudulently claiming certificates sets a precedent for stricter enforcement.[6] Stricter enforcement is not a risk to the scheme but provides certainty for providers and participants. It ensures greater protection for consumers by disincentivising misconduct and, where appropriate, prevents poor providers from undermining the objectives and trust in the Schemes.

2.1.3 Effective product registers

The integrity of the Schemes is also highly reliant on the quality of products offered in them, this includes the required product capabilities as well as the performance standards.

As noted in the paper, third party registers have presented issues leading to poor outcomes for consumers. Existing actions are helpful but insufficient and mostly reactive in nature. Expanding the breadth of third-party registers may help, but does not fully resolve the issues due to a lack of robust independence. For instance, the Clean Energy Council have industry membership and at risk of the perception they may accredit members products that do not meet standards which deliver the best outcomes for consumers (this may be particularly relevant in relation to interoperability)[7].

While accelerated reforms to GEMS are an important part of progress, further options should be explored to ensure no gaps in product quality assurance, particularly in relation to interoperability. For example, DCCEEW could explore sharing testing and accreditation for particular products with other jurisdictions that operate similar schemes (e.g. Victoria's Victorian Energy Upgrades scheme or South Australia's Retailer Energy Performance Scheme).

2.1.4 Practical pathways for dispute resolution

It is currently not clear to consumers where to direct complaints about upgrades undertaken through the Schemes. This can mean pathways for individual redress are not always practically available. Consumers need more clarity on where to direct different complaints and pathways must be streamlined where possible. We consider the Energy and Water Ombudsman of NSW (EWON) is well-placed to provide independent dispute resolution in the Schemes. Our

---

5 Essential Services Commission, 2024, Compliance and Enforcement Policy, pp 17-19.
6 Essential Services Commission, 2026, Business banned from Victorian Energy Upgrades program over false claims, doctored photos
7 Renew Economy, 2026, Australia's home battery boom risks locking households into closed ecosystems

experience shows that consumers broadly consider all energy-related issues – including products such as batteries and other CER – as linked to their energy use and falling under the purview of EWON. Moreover, this would align with the NSW Consumer Energy Strategy's action to Begin public consultation to expand EWON's jurisdiction to new energy services providers, such as VPPs and demand response services.[8] In practice, this could involve requiring ACPs to have EWON membership and would be enabled by requiring a register or accreditation of installers. We refer to EWON's submission to this consultation for more detail.

Recommendation 1

That regulation, oversight and enforcement mechanisms in the schemes be strengthened, involving at a minimum:

- *requiring installers to be accredited and 'listed' subject to licensing and compliance;*
- *granting IPART powers to suspend, ban and pursue further enforcement action for misconduct in the Schemes;*
- *pursuing further measures for robust, independent product standard setting, verification and accreditation for use in the schemes.*
- *streamlining complaints resolution, including by requiring ACPs to have EWON membership.*

2.2 More robust measures to enhance demand

The existing 'market only' approach is not sufficient, and more proactive measures to identify households and link them with appropriate activities are required. This is particularly important in relation to objectives to target those households in most need or enable the schemes to better reach households where interventions would have most impact.

We are aware of current initiatives to consolidate NSW Government energy related programs, information and outreach activities into a single platform. We strongly support this initiative and recommend it be utilised as a means of enhancing awareness of the schemes and direct identification of households with specific characteristics – such as connections, gas hot water or other appliances, poor insulation, targeted geographic or building typology, etc – relevant to the expanded interventions available through the scheme. Strategically this aligns with actions in the NSW Consumer Energy Strategy to give energy customers practical resources they need to make informed energy decisions (actions 20-22).[9]

Where information and resources are being updated, they could be streamlined to direct consumers to the right support/incentives available to them. This is especially helpful if used to support target populations to access the scheme. We recommend strong links be established between the ESS and PDRS, and other government support programs such as rebates and loan Schemes. Community outreach programs can also provide an effective pathway to scheme

8 NSW Government, 2024, NSW Consumer Energy Strategy, p 53.
9 NSW Government, 2024, NSW Consumer Energy Strategy, p 48.

participation, especially if community educators have the capacity to assist consumers to navigate the Schemes.

Critically, these measures should not rely on consumers seeking information. Consideration should be given to enabling consumers to provide simple relevant information. Such as:

- tenure status;
- existence of a gas connection;
- current gas hot water or heating;
- broad level of insulation. – i.e. less than an acceptable minimum standard
- geographic location;
- rebate eligibility;
- receipt of EAPA support; or
- social Housing provider (where relevant).

Providing this information could enable the targeting of measures and the provision of safe, 'warm leads' to accredited providers of relevant interventions (particularly those who may be able to provide 'supported' interventions).

Recommendation 2

That DCCEEW enhances pathways of entry to the Schemes, including integrating with other consumer touchpoints with energy information where possible. This should include consideration of a mechanism for simple consumer 'sign-up' to identify targeted household circumstances for the generation of 'warm lead' connections to accredited providers.

2.3 Equitable access requires market intervention

We strongly support measures to increase equity in the Schemes but recommend strong guardrails and oversight must be put in place to protect vulnerable consumers from the risk of harm.

Adding sub-targets for identified populations or household 'typologies would be an effective measure to ensure greater alignment with the Consumer Energy Strategy and enable more diverse cohorts of consumers to access upgrades through the schemes. Any potential impact on scheme costs from such measures are acceptable in relation to the wider benefits and impact enabled. In any case, we encourage more robust analysis to identify scope and materiality of wider benefits which accrue from targeting household groups and typologies.

The target populations in each scheme should be determined based on impact and the magnitude of barrier to access, in alignment with the objectives of the Consumer Energy Strategy and wider climate and energy policy. We recommend DCCEEW be given flexibility to determine target populations based on these principles. As noted in the previous section – in relation to the enhancement of measures to build and identify demand - at a minimum, these target populations could include:

- those living in social and community housing;
- rebate and EAPA recipients;
- low-income households;

- those living in ‘affordable’ rental properties.

Exploration of a regional target population could also be supported by measures to increase installers in regional areas. In any case, targeting by these characteristics should also be augmented by consideration of aspects of the home, such as nature of gas appliances and connections, and quality of insulation. These factors help enhance the scope for interventions to optimise impact.

For example, the schemes may be enhanced to target locations with identified network reliability, solar excess or constraints, where more efficient and flexible electric load provides multiple benefits not only to the individuals impacted, but systemically – through capacity to contribute to addressing peak demand, reliability, minimum system load and other issues.

We recommend that reforms to the Schemes to target populations – such as the central information and ‘household registration’ mechanism discussed earlier - be complemented by measures to further reduce barriers faced by these populations to accessing energy upgrades. Target populations should be considered in the context of the wider NSW Consumer Energy Strategy and other programs incentives available. Consideration must also be given to the structural barriers that remain in place independent of the Schemes. For example, rental providers may not have sufficient incentive to access the Schemes unless paired with other mechanisms such as minimum energy efficiency standards.

Recommendation 3

That the ESS and PDRS include a target for identified cohorts and typologies of households who otherwise face barries to access upgrades through the Schemes, due to location, housing situation or income, and who would be materially impacted by scheme interventions in line with the wider objectives of the Consumer Energy Strategy.

2.4 Shortfall payments should support scheme outcomes

Scheme integrity and success depends on ambitious, transparent targets and proportionate penalties for shortfall. In this context we strongly disagree with measures to ‘avoid’ the accumulation of penalties through setting lower targets.

We recommend maintaining, or even strengthening targets, and directing penalty or shortfall payments to support the objectives of the scheme, particularly those related to equity and other targeted objectives. The current approach minimises penalties and does not allow the funds from these payments to contribute to the purpose of the scheme or the wider objectives of the Consumer Energy Strategy. While penalty payment rates have so far been relatively low his fundamentally undermines the schemes and the value consumers ‘fund’ through the cost impact of them on retail bills.

The market stimulus mechanism similar to the Safeguard Acceleration Program could be adapted and expanded as a means to reinvest shortfall payments in support of the schemes expanded objectives. This would both improve certainly for providers and help to provide flexibility to reach identified cohorts through a transparent public process. It would also help improve the overall equity of the cost impact of the scheme, ensuring the scheme costs – disproportionately funded

by disadvantaged groups unable to fund upgrades themselves – are better contributing to addressing inequity in consumer energy outcomes

Recommendation 4

That ambitious targets remain and penalty/shortfall payments be exclusively directed to support the schemes through a mechanism - such as an enhanced Safeguard Acceleration Program or other measures - to enable additional support for interventions for identified household cohorts.

3. Energy Savings Scheme reforms

We welcome reforms to strengthen and expand the ESS to ensure it better promotes the affordability and sustainability of energy services in NSW. The opportunity to enable electrification is significant, but requires some consideration to ensure optimum impacts and that benefits are shared fairly.

3.1 Supporting electrification

Greater implementation of electrification measures supports ESS objectives, emissions reductions and the wider objectives of the NSW Consumer Energy Strategy. Further co-benefits can also be realised with little or no impact on reliability. Indeed, efficient and flexible electrification supports more efficient utilisation, lower unit cost of energy, and greater reliability at both peak and minimum times. Seen in this context, an electrification objective – properly structured – is perfectly aligned with the key objectives of the ESS. In practice, implementing flexibility involves requiring appliances installed under either scheme:

- Have a high standard of efficiency,
- Are interoperable (where relevant),
- Are capable of flexible use and are controllable with an ability to shift energy use away from peak periods.

While we regard it as reasonable to assert efficient, flexible electrification as an overarching objective of both schemes - on balance, option 1b (sub-target) presented in the paper[10] is broadly the most appropriate longer term policy option to support electrification. This option represents the most appropriate trade-off between administrative complexity and appropriately signalling the value of fuel switching alongside electricity saving activities. We do not support a standalone scheme at this time, due to:

- the cost/complexity of establishing and administering a new scheme;
- the risk of more thinly traded markets preventing market equilibrium;
- there not being a strong basis for different liable parties under the two schemes.

Initiatives to adjust fuel conversion metrics have so far proved complex, creating a blunt tool to compare different activities. As the paper notes, adjustments to the conversion factor can

---

10 See Table 1 in NSW Department of Climate Change, Energy , the Environment and Water, 2025, Energy Security Safeguard policy reform consultation paper, pp 14-15.

inadvertently lead to the ESS favouring one type of fuel saving.[11] Unless DCCEEW seeks to explicitly give preference to one type of fuel switching over the other in the ESS, this would be an inappropriate outcome.

3.2 Scheme targets and certificate supply

The sustained surplus of certificates in the ESS demands a review of its targets. It is crucial to set ambitious, evidence-based targets (linked to the Governments emissions reduction commitments and Consumer Energy Strategy targets for energy efficiency improvements and electrification). That is, the applicable targets set under the NSW Consumer Energy Strategy should guide targets within the ESS to form a complementary set of policies and targets.

We recommend the electrification sub-target be additional to current targets, in practice this would raise the overall ESS target.

With a robust penalty mechanism in place, setting the targets 'too high' would proportionally have less impact on the market than setting the target too low. Short-term bill impacts (due to additional liability for retailers) are relevant, but we would expect this to be outweighed by long-term benefits particularly where the scheme is better focussed on equity objectives. That is, where the scheme benefits are 'disproportionately' targeted that those groups who are not able to reap CER benefits themselves.

At this point in a very mature market, introducing certificate expiry would also help mitigate the risks of ongoing oversupply. Given that DCCEEW's analysis shows that around 97% of available certificates were produced in the previous 3 years,[12] we recommend that the expiry period be set to 3 years. This also aligns with the expiry period of Peak Reduction Certificates.

Recommendation 5

That support for electrification in the Energy Savings Scheme be increased, through setting an ambitious electrification sub-target that is additional to the existing overall target.

4. Peak Demand Reduction Scheme reforms

With the PDRS still being relatively new, reforms must focus on providing stronger, clear signals to reward peak demand reduction and flexibility where it is most impactful. At a high level, we support the introduction of new activities to facilitate scheme outcomes and increase supply of certificates.

We will provide further feedback directly on the accompanying Energy Security Safeguard rule change consultation, but at a high level:

---

11 NSW Department of Climate Change, Energy , the Environment and Water, 2025, Energy Security Safeguard policy reform consultation paper, p 14.

12 See Table 2 in NSW Department of Climate Change, Energy , the Environment and Water, 2025, Energy Security Safeguard policy reform consultation paper, p 17.

- We strongly support introducing incentives for batteries in multi-dwelling residential sites and recommend further incentives for multi-unit dwellings be explored. For example, a similar incentive could be applied to electrifying shared heating or hot water infrastructure with flexible load.

- We support allowing combined Cheaper Home Batteries Programme (CHBP) discounts with PDRS incentives for target populations that otherwise face barriers to accessing batteries, including rentals and low-income households. However, it should be required for these batteries be registered as part of a Virtual Power Plants (VPP) or similar controlled flexibility response schemes to enable maximisation of actual impact.

- We recommend introducing an additional PDRS activity for upgrading residential resistive electric hot water systems to heat pumps, where they are configured or controlled to avoid the peak demand window.

- We strongly recommend setting robust interoperability requirements for household batteries and controllable load products provided through PDRS activities. We highlight our previous submissions on this matter[13], and the increasing recognition of the serious long-term risks to consumers and scheme objectives from unnecessary proprietary lock-ins.

4.1 Scheme targets

We strongly disagree with any proposal to reduce PDRS targets, or undermine the certainty by adjusting targets annually. This is inconsistent with the Government's objectives and initiatives to keep energy bills low and build a flexible, stable and reliable energy system.

The robustness of the PDRS is undermined by reducing targets and would be further undermined by setting targets annually based on market conditions. As with the ESS, we recommend the PDRS targets be set ambitiously and be grounded in evidence and linked to other relevant government commitments and targets. An improved mechanism for penalty payments, as discussed in section 2.4, would mitigate the risks of poor outcomes if supply is materially lower than expected. This would also provide a mechanism to support uptake of impactful interventions.

Setting PDRS targets annually would undermine certainty in the PDRS, thus also potentially further decreasing supply. We recommend DCCEEW set ambitious targets for the PDRS until at least 2030, which can be complemented by actions to support the necessary supply to become available in the market. At a minimum, targets should not be reduced.

Recommendation 6

That targets for the Peak Demand Reduction Scheme be:

- *set for the coming years until at least 2030, ensuring any review is only able to increase targets, and*

[13] See Justice and Equity Centre, 2025, Submission to ESS and PDRS statutory reviews 2025; Public Interest Advocacy Centre, 2023, Submission to peak demand reduction scheme consultation paper.

- *ambitious, evidence-based and in alignment with and support of NSW Consumer Energy Strategy objectives and the objectives of other relevant NSW Government energy transition policy.*

4.2 Accounting for seasonal peaks

Rather than focussing on particular peaks – summer or winter - we recommend considering a wider reframing of the PDRS scheme to promote load flexibility in support of system reliability, efficiency and affordability.

The increasing likelihood of expanded peak issues, and the rapidly rising issue of 'minimum system load' are all very broadly issues where flexible response will be critical. Accordingly, there are options to reframe the scheme as a 'flexibility scheme' with activities and mechanisms to respond to both peak and minimum demand circumstances. It is timely to set this architecture in place now. It should not be delayed until minimum demand – in particular - becomes a critical challenge, as this is likely to happen rapidly. Actioning such reforms now aligns with the PDRS's broader objectives and supports a 'smoother' transition over the coming years – where volatility is likely to become an increasingly apparent feature - maximising benefit to the people of NSW.

We strongly disagree with the paper's characterisation of measures to address different reliability as risking being counteractive.[14] For example, high efficiency electrical installations should not be characterised as an impactor on minimum demand/system load, nor can it be assumed that efficient air conditioning is only effective at addressing summer peaks given the effectiveness of pre-heating in winter. These measures are also strongly complemented by the overall thermal efficiency of the building, and should therefore be considered in the context of housing efficiency measures in the NSW Consumer Energy Strategy. In any case, more efficient and flexible electrification must be seen in the full context of its impact, including:

- Improving 'gross' efficiency – due to the superior efficiency of electric fixtures,
- Enabling scope for improved network 'utilisation',
- Enabling more scope to utilise and share excess solar,
- Enabling more 'load' to be flexible in responding to local and systemic peaks and minimums,
- Providing more efficient options to support system reliability and security, and
- Alleviating long-term, overall system augmentation requirements.

A broader focus on flexibility in the PDRS would be further complemented by measures to enable demand response at the household level. We advocate for expansion of the WDRM to household and other small users' loads, to allow consumers to see further benefits of wholesale demand response. This becomes even more important to provide greater incentives, and as more consumers access the ability to shift demand. For more detail see previous submissions including submission to the Review of the Wholesale Demand Response Mechanism (p 20) or submission to NEM Wholesale Market Settings Review (pp 10-11).

[14] See Table 4 in NSW Department of Climate Change, Energy , the Environment and Water, 2025, Energy Security Safeguard policy reform consultation paper, p 28.

Recommendation 7

That the Peak Demand Reduction Scheme objectives be reframed to focus on maximising flexible demand, with opportunities to respond to both peak and minimum demand circumstances.

5. Continued engagement

We would welcome the opportunity to discuss these matters further with the Department and other stakeholders. Please contact Kira van Os (kvanos@jec.org.au) to arrange any follow up.

Appendix: answers to consultation questions

Question 1: How should the Energy Security Safeguard provide incentives for electrification upgrades in the longer-term? Please include reasons and evidence to support your answer.

On balance, option 1b (sub-target) presented in the paper is broadly the most appropriate longer term policy option to support electrification. For more detail see section 3.1.

Question 2: What objectives should any Energy Savings Scheme (ESS) target change seek to achieve?

It is crucial to set ambitious, evidence-based targets (linked to the Governments emissions reduction commitments and Consumer Energy Strategy targets for energy efficiency improvements and electrification). For more detail see section 3.2.

Question 3: Do you support the NSW Government's proposal to introduce Energy Savings Certificate (ESC) expiry in the Energy Savings Scheme (ESS)? If so, do you support the proposed 5-year timeframe?

At this point in a very mature market, introducing certificate expiry would also help mitigate the risks of ongoing oversupply. Given that DCCEEW's analysis shows that around 97% of available certificates were produced in the previous 3 years,[15] we recommend that the expiry period be set to 3 years. This also aligns with the expiry period of Peak Reduction Certificates.

Question 4: Do you support the NSW Government's proposal to review and set the Peak Demand Reduction Scheme's (PDRS) targets annually to 2030? If not, what would be a better approach?

We strongly disagree with any proposal to reduce PDRS targets, or undermine the certainty by adjusting targets annually. We recommend DCCEEW set ambitious targets for the PDRS until at least 2030. For more detail see section 4.1.

Question 5: What factors and additional evidence should the NSW Government consider in evaluating target options for the Peak Demand Reduction Scheme (PDRS)?

We recommend the PDRS targets be set ambitiously and be grounded in evidence and linked to other relevant government commitments and targets. For more detail see section 4.1.

Question 6: Do you support the NSW Government's proposal to maintain the Peak Demand Reduction Scheme's (PDRS) primary focus on addressing summer peak demand while monitoring its contribution to other reliability risks? If not, please provide an alternative proposal for the role of the PDRS to 2030 with supporting evidence.

---

15 See Table 2 in NSW Department of Climate Change, Energy , the Environment and Water, 2025, Energy Security Safeguard policy reform consultation paper, p 17.

Rather than focussing on particular peaks – summer or winter - we recommend considering a wider reframing of the PDRS scheme to promote load flexibility in support of system reliability, efficiency and affordability. For more detail see section 4.2.

Question 7: Do you agree that use of third-party product registers is suitable for products eligible for Energy Security Safeguard incentives? If not, why not? What other opportunities could the government consider to ensure the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) support products that perform as expected?

While accelerated reforms to GEMS are an important part of progress, further options should be explored to ensure no gaps in product quality assurance, particularly in relation to interoperability. For more detail, see section 2.1.3.

Question 8: Do you support the Independent Pricing and Regulatory Tribunal (IPART) being empowered to suspend or ban persons from participating in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) and publishing a list of suspended persons? If not, why not?

The proposal to empower IPART to suspend persons from participating in the Schemes is necessary and appropriate, but not sufficient. For more detail see section 2.1.2.

Question 9: How should bans from participating in the Energy Security Safeguard's Schemes be structured? For example, what should their duration be?

We recommend IPART be given discretion to determine the most appropriate ban period. At the very least IPART should be empowered to permanently ban persons or entities from participating in the Schemes if it deems them not fit or proper to be accredited. For more detail see section 2.1.2.

Question 10: Are there additional or alternative actions the NSW Government should consider to improve installation quality in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS)? and **Question 11: What further actions could the NSW Government take to improve consumer protections and experience within the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS)?**

We recommend that regulation, oversight and enforcement mechanisms in the schemes be strengthened, involving at a minimum:

- requiring installers to be accredited and 'listed' subject to licensing and compliance;
- granting IPART powers to suspend, ban and pursue further enforcement action for misconduct in the Schemes;
- pursuing further measures for robust, independent product standard setting, verification and accreditation for use in the schemes.
- streamlining complaints resolution, including by requiring ACPs to have EWON membership.

For more detail see section 2.1.

Question 12: Do you support the NSW Government in publishing guidance to help set market expectations around when different types of Energy Security Safeguard Rule changes can be expected?

We have no comments on this question.

Question 13: Do you support the NSW Government publishing guiding principles for activity development? If so, please provide any feedback on the draft principles set out above.

We have no comments on this question.

Question 14: How should demand-side barriers to participation in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS) be addressed? If you support policy options including a sub-target or certificate multiplier, please outline proposals to mitigate risks of poor consumer outcomes.

The existing 'market only' approach is not sufficient, and more proactive measures to identify households and link them with appropriate activities are required. This is particularly important in relation to objectives to target those households in most need or enable the schemes to better reach households where interventions would have most impact. For more detail see section 2.2.

Question 15: Do you support the proposal for the NSW Government to develop expanded market stimulus capacity to address supply-side barriers to participation in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS)?

We have no comments on this question.

Question 16: Should any storage technologies be added or removed to those proposed? Please include evidence to support your answer.

We have no comments on this question.

Question 17: Do you support the proposed 10,000MWh participation threshold for the Energy Savings Scheme (ESS), including for Small Resource Aggregators (SRAs) operating virtual power plants (VPPs)? If not, please include evidence to support your answer.

We have no comments on this question.