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NSW Department of Climate Change, Energy, the Environment and Water

Submitted via: [energysecurity@environment.nsw.gov.au](mailto:energysecurity@environment.nsw.gov.au)



## **2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews**

The Australian Financial Markets Association (AFMA) is responding to the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) consultation on the 2025 Energy Savings Scheme and Peak Demand Reduction Scheme statutory reviews.

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets such as environmental products. We have more than 130 members, from Australian and international banks, leading brokers, securities companies, and state government treasury corporations to asset managers, and industry service providers. AFMA also represents a large number of energy firms, many of whom are the key participants in the Energy Savings Scheme (ESS) and Peak Demand Reduction Scheme (PDRS).

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### **Key Points**

- **AFMA agrees that the ESS and PDRS have functioned efficiently**
  - **The ESS surplus and decreasing price, signals a successful market**
  - **Stacking has been important to the economics of the PDRS**
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### **1. Energy Savings Scheme (ESS)**

AFMA agrees with the suggestion that the ESS could be expanded to support a wider range of technologies. As AFMA highlighted in its submission to the ESS Rule and Regulation Change 2025 submission,<sup>1</sup> we encourage the government to prioritise developing new scalable and durable methodologies to safeguard its continued success and longevity through to 2050. Ensuring scalable and durable methodologies will avoid issues that have arisen in the Victorian Energy Upgrades Program since the retirement of the commercial lighting methodology.

With regard to concerns raised by the Department on a growing surplus of Energy Savings Certificates (ESCs) in section 6.1.2, AFMA takes a different perspective than the one presented in the paper. We consider that low prices combined with a surplus of certificates demonstrates the scheme's success. A high volume of certificates highlights continued confidence and demand in the product. Likewise, as the price of certificates continues to trend down, this also signals a well-functioning market that is delivering the lowest cost solutions to customers.

### **2. Peak Demand Reduction Scheme (PDRS)**

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<sup>1</sup> <https://www.afma.com.au/policy/submissions/2025/r17-25-nsw-dcceew-energy-savings-scheme-rule-and-r.pdf?ext=.pdf>

Section 2.1.3 of the paper raises concerns that stacking presents challenges to identify PDRS impact. While AFMA appreciates this concern however, we caution against compromising the ability to stack incentives. AFMA understands that the ability to stack has been important to the schemes' economics for participants. As the paper highlights, the combined impact of ESCs and Peak Reduction Certificates (PRCs) encouraged significant uptake of commercial heat pump water heaters in the state. AFMA requests that this not be compromised and assesses that as the scheme matures further, this will largely self-correct.

We also note the recent rule change suspending the eligibility of battery installations for the PRC scheme that was made outside of this consultation on the basis that Commonwealth policy was now supporting battery installations. We again caution that preventing certificate stacking may reduce the supply of certificates and increase their cost.

#### **AFMA Recommendations**

- i. Prioritise the development of new methodologies and expansion into new technologies
- ii. Do not compromise incentive stacking

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via [myoung@afma.com.au](mailto:myoung@afma.com.au) or 02 9776 7917.

Yours sincerely,

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