



GWA Heating and Cooling
GPO PO Box 6089
Silverwater NSW 2128
Tel.: 02 8748 9100
Fax: 02 8748 9113

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Committee Secretary
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600. Australia

Dear Committee Secretary,

Inquiry into the Renewable Energy (Electricity) Amendment Bill 2010, the Renewable Energy (Electricity) (Charge) Amendment Bill 2010 and the Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Bill 2010

GWA Heating and Cooling wishes to submit the following supplementary comments on the above mentioned Bill in addition our submission dated 24 May 2010 and comments made to the Senate hearing on 28 May 2010.

We made the point in our submission of 24 May that:

“We believe there is risk in the short to medium term of understating the SREC target which may result in undermining the value of the SREC to the consumer.”

And further commented:

“We believe setting an annual target could lead to a situation that if more SREC’s are generated than is estimated for the target to be taken up by the liable parties, it will result in a collapse of the SREC value as smaller operators in the market will not be able to deal with the delay in their cash flow and sell SREC’s at unsustainable values.

This will result in destabilisation of the SREC, added uncertainty for the Hot Water Industry and potentially smaller operators leaving the Industry resulting in lesser competition.

If this situation were to occur, then the consumer and the Hot Water Industry would be adversely affected as the consumer enjoys competitive pricing for Hot Water products which also drives innovation within the Industry.

Therefore, to avoid having to take unplanned intervention due to the unintended consequences of unforeseen swings in the market, we suggest that a mechanism be developed

that enables the Clearing House to adjust the target on a quarterly basis to reflect what is happening in the market and ensuring SREC stability is maintained.”

Employment

Another perspective is an annual target could act as a cap on the number of Solar and Heat Pump water heaters being taken up; this would result in an annual “Boom and Bust” scenario that would see manufacturing shut down once the target had been reached and not restart until a new target “season” is announced.

Also, if the outcome of this legislation resulted in the SRES values collapsing and undermining the Solar and Heat Pump Hot Water markets, there would be a swing to the lowest cost of compliance which is a fully imported Instantaneous gas hot water product.

Both of these scenarios would result in job losses in the Australian Hot Water manufacturing industry that would flow onto suppliers and installers as well.

Water Wastage

In addition, instantaneous gas products have significant start up water losses as reported in “Water Efficiency Labelling for Instantaneous Gas Water Heaters” commissioned by the Australian Government dated 2008.”

The study conducted under AS4552 found these products have daily water wastage between 35 – 70 Litres per day.

To put this in to context, estimated current national sales for this product for 2010 is 195,000 units growing to 250,000 units by 2013 [this is based on current State and Federal legislation].

Total hot water market size is estimated at 710,000 units per year.

If we take the average of the reported water wastage at 52 L/day and based on 2010 expected sales of 195,000 units;

Then $195,000 \text{ units} \times 52 \text{ L/day} = 10,140,000 \text{ L/day}$ of wasted water, or 40 of Sydney’s \$1.9b desalination plants running at full capacity of 250,000 L/day which would require some 2,200 wind mills to offset the energy required to run them.

This does not take into account the existing stock of installed Instantaneous water heaters.

Our organisation sells these products, however we recommend a water saving device be installed together with the heater.

Running Costs

There is a growing trend for Instantaneous gas to be connected to bottle LPG in non natural gas reticulated areas, resulting in running costs of 3 times that of a Heat Pump.

With 1 in 4 households a rental property, the landlord has little incentive to consider the energy and water bills of the tenant who is often the least likely to be able to afford such increases.

Therefore a significant number of households are not in the position of being able to implement energy and water efficiency measures.

We appreciate the opportunity of participating in the development of sound policy and continue to offer our ongoing assistance in the development of the Enhanced Renewable Energy Target legislation.

Yours Sincerely,

Len Place
Corporate Affairs Manager