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Victorian Energy Upgrades

Department of Energy, Environment and Climate Action

By Email Only: energy.upgrades@deeca.vic.gov.au

17 February 2025

Dear Sir or Madam,

Victorian Energy Upgrades – Energy Management Information Systems Consultation Paper

AGL Energy (AGL) welcomes the opportunity to provide feedback to the Department of Energy, Environment and Climate Action (the Department) in response to the abovementioned Consultation Paper (the Paper).

About AGL

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move and work. Proudly Australian for more than 185 years, AGL supplies around 4.5 million¹ energy, telecommunications and Netflix customer services. AGL is committed to providing our customers simple, fair and accessible essential services as they decarbonise and electrify the way they live, work and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

AGL's Role in the Victorian Energy Upgrades Program

AGL is a liable entity under the VEU program and while we do not directly undertake energy efficiency activities at our customers' premises, AGL is required to procure and surrender a designated number of Victorian Energy Efficiency Certificates (VEECs) each year. As a long-standing participant in the VEU program, AGL recognises its value in reducing greenhouse gas emissions through total demand reduction for energy and the improvement the scheme brings to the energy efficiency of our customers' homes and businesses.

AGL's Views on the Paper

AGL commends the Department's efforts to expand the range of qualifying activities under the VEU program, especially as AGL has been (and remains) concerned around VEEC creation volumes. The changes contemplated in this Paper will support this objective by enabling EMIS products for commercial and industrial consumers, potentially unlocking significant energy savings for those consumers and in turn driving VEEC creation. Where relevant, we have also sought to provide feedback to the Department on any areas of concern or potential refinement in the solution proposed.

AGL's responses to the consultation questions in the Paper are set out within **Appendix A** attached herewith.

¹ Services to customers number is as of 31 December 2024.



If you have any questions in relation to this submission, please contact Liam Jones on ljones3@agl.com.au.

Yours sincerely,

Liam Jones

Liam Jones
Senior Manager Policy and Market Regulation



Appendix A – AGL’s Responses to Consultation Questions

| Consultation Question | AGL Feedback |
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| <p>1. <i>Are there any other benefits to EMIS products you would like to express?</i></p> | <p>AGL believes there are clear benefits for EMIS in the VEU, and as such, it should be supported on the basis that:</p> <ul style="list-style-type: none">a. New activities will contribute to the creation of much-needed VEECs, potentially easing ongoing supply concerns.b. EMIS is likely to provide meaningful insights and integration capabilities to deliver meaningful, cost-effective emissions reductions and energy savings for customers.c. Beyond the direct benefits, it may unlock or identify further value for consumers through recommendations, ideally facilitated under the VEU.d. Advanced EMIS may support energy system stability through demand response capabilities. |
| <p>2. <i>Are you aware of any issues with the supply chain required to implement an EMIS activity into the VEU program that the department should consider?</i></p> | <p>AGL does not have any specific or current issues to raise in relation to the supply chain for EMIS.</p> <p>In a general sense, we point out high-level considerations such as:</p> <ul style="list-style-type: none">a. The need to consider any interaction with the Department of Home Affairs’ Cyber Security Legislative Package² which includes measures such as Security Standards for Smart Devices (noting this is more concerned with consumer-grade connectable products).b. Ensuring there is sufficient capacity in the supply chain including a satisfactory number of approved suppliers to maintain competition and adequate skilled labour to support consumer demand. |
| <p>3. <i>Do you agree with the three-tier categorisation of EMIS products based on their capabilities?</i></p> <ul style="list-style-type: none">a. Yesb. <i>If not, please detail why and suggest an alternative method of categorisation of EMIS products.</i> | <p>Yes – AGL is supportive of DEECA’s three-tier categorisation.</p> |

² <https://www.cisc.gov.au/resources/online-forms/consultation-on-subordinate-legislation-form>



4. *Do you agree that the Advanced tier products should be introduced at least six months after the Basic and Integrated products?*

- a. *Yes. If yes, why?*
- b. *If not, please detail why and suggest an alternative approach.*

No – AGL disagrees with the need to delay the introduction of Advanced EMIS for an additional six months on the basis that:

- a. Adequate risk assessments will likely occur on the purchaser side through their own internal governance processes, noting that prospective customers of EMIS are more likely to be sophisticated energy users.
- b. It will further delay customer decisions to consider EMIS under the VEU as procurement processes (which themselves are time-consuming) are unlikely to commence until after EMIS is approved. This could be compounded by the requirement for products to have two years of suitable data before being approved (see also AGL’s response to Question 6 below). AGL is concerned that by the time this occurs, the VEU will have new targets and potentially a different VEU structure (subject to outcomes of the strategic review process).

AGL believes the present challenges in the VEEC market establish sufficient urgency to expedite the introduction of this (and other) activities. As such, AGL contends that DEECA should seek to fast-track their risk mitigation activities.

5. *Do you foresee concerns or risks to consumers related to the capabilities presented in the Advanced EMIS classification?*

We agree that consumers will want to ensure that any investment in Advanced EMIS will support quantifiable, safe and reliable benefits for their businesses.

However, as mentioned in response to Question 4 above, we believe that prospective customers of EMIS will seek to assess this risk themselves as part of their purchasing decision.

6. *Do you agree with the proposed approach to develop a register of proven (demonstrated by at least two years of suitable data) products for the EMIS activity?*

- a. *Yes*
- b. *No, please explain why.*

While AGL agrees with the need for a register of approved products, we do not agree with the requirement to establish capability via two years of suitable data which we contend is unnecessarily onerous and will create further delays.

SaaS EMIS tech is iteratively developed and only accepting ‘proven’ solutions does not align with the VEU objective to encourage investment, employment and innovation in industries that supply energy efficiency products and services. The VEU should aim to be more ambitious and increase risk appetite in the C&I space as there are multi-layers of risk management within entities

that are large energy consumers (above 500MWh/a) that will determine solution suitability and best fit.

Furthermore, the VEU should design the EMIS approval process to be flexible to the iterative SaaS/EaaS product development cycles and not require frequent re-registering of the product as this would add burden to developers and reduce the attractiveness of this incentive to providers in the supply chain. The audit program of the implemented EMIS should be sufficient to assess how well activity providers and their delivery partners design, configure and embed the EMIS with the facility management personnel and protocols at the site. If seeking reassurance of energy savings, a post creation audit could compare energy consumption data YoY and interviews with facility manager would uncover what works well with EMIS and what challenges constrain its optimal deployment.

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7. *Do you agree with the proposed approach that facilities must have a minimum annual consumption of 500 MWh and facilities with energy consumption greater than 5000 MWh per year should only be rewarded for installing an Integrated or Advanced EMIS?*
- a. Yes
 - b. No, please explain why.

No – AGL disagrees with the proposed minimum annual consumption thresholds.

The small consumer upper limit in most NEM states is 100MWh/a. Those businesses in the 100MWh-500MWh should have access to all types of EMIS, provided they see commercial value in the product at the price it is offered and at the co-payment levels already set out in this consultation.

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8. *Do you agree that facilities with Basic EMIS should be limited to claim 125 VEECs annually and facilities with Integrated and Advanced EMIS should be limited to claim 1,000 VEECs annually?*
- a. Yes
 - b. No, please explain why

No – AGL disagrees with the proposed annual VEEC limits for both Basic and Integrated/Advanced EMIS.

AGL contends that the potential energy savings and emissions reductions that could be achieved by consumers of EMIS necessitates a level of incentive that is commensurate and reflective of the level of reductions they are contributing to VEU targets. This warrants removing any caps or limits on the number of VEECs.

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9. *Do you agree with including EMIS product eligibility requirements that will enable flexible demand?*
- a. *If yes, please provide further detail, e.g. what capabilities do you think should be required and how should compliance be evidenced?*
 - b. *If no, please explain why you do not agree with the inclusion of flexible demand.*

Yes – AGL is supportive of enabling flexible demand capability for Advanced EMIS products.

EMIS solutions should have onsite controllers that have the ability to automatically flex customer demand in response to real-time market pricing signals (e.g. AEMO pool price and/or other predictive models) and renewables penetration indicators. They should also have the capability to receive and respond to requests from

energy retailers (& AEMO, networks) to flex their demand (i.e. increase/decrease consumption) via API and/or other accepted data integration protocols.

The EMIS would have a holistic energy view of the site and can potentially act as both the compliant point of connection device and master controller of “downstream” DER assets. Adopting already established and similar functioning emergency backstop mechanism controls, via IEEE 2030.5:2018 using CSIP-Aus (protocol), would build on existing infrastructure deployed by multiple DER OEMs and Victorian DNSPs and ensure adding another device (the EMIS) into the energy mix doesn’t add unnecessary complexity in the transition to a smarter more efficient grid. Thus, EMIS device would act as the point of connection/limiting device. The device would then be required to have an on-board computer, and capabilities for remote connection (WiFi, 4G/5G, Wired), NMI provisioning, and communications to site DER assets. The device capabilities could extend to include power metering inputs. Compliance and product registration of EMIS could mimic that of smart inverters, being evidenced by the CEC’s Inverters with Software Communications Client list, which SAPN administer and would streamline compliance activities.

10. *Do you agree with the proposed approach to include a provision in the Specifications requiring EMIS providers to adhere to the Australian Privacy Principles?*

- a. Yes,
- b. No, please explain why

No – AGL questions the need for specific requirements to adhere to Australian Privacy Principles (beyond any legal or privacy obligations they may ordinarily hold).

In circumstances where the APPs are primarily concerned with the use of personal information – any information or an opinion that could identify an individual – we are uncertain as to the application with respect to EMIS. I.e. how does the EMIS capture personal information?

11. *Would you be interested in becoming accredited to provide this product through the VEU program?*

- a. If yes, what tier of EMIS would you be interested in supplying or installing?
- b. If no, please provide further information.

AGL is considering all its options and does not currently have a definitive position on this question.

12. *Do you agree with the proposed minimum co-payments required for each classification?*

- a. Yes
- b. if not, please suggest an alternative approach.

Yes – AGL supports the proposed minimum co-payments on the basis that the proposed amounts are likely to exceed the level of contribution required from consumers in any event.



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| <p>13. <i>Do you see any potential for the proposed EMIS activity to be misused? If yes, please detail possible solutions?</i></p> <p>a. <i>Yes, please provide further information.</i></p> <p>b. <i>No</i></p> | <p>No – AGL does not reasonably foresee any potential misuse of the EMIS activity.</p> <p>We believe the product specifications and complexity of the product will likely prevent or mitigate any misuse.</p> |
| <p>14. <i>Do you agree with the proposed approach for consumer to provide proof of payment of two years in advance?</i></p> <p>a. <i>Yes</i></p> <p>b. <i>No, please provide an alternative approach.</i></p> | <p>No – AGL does not agree with this proposed approach.</p> <p>First, AGL notes that the Paper is unclear as to the proposed workings of this requirement. On one reading, it is open to interpretation that the customer would need to <i>wait</i> for two years after taking out EMIS before receiving their incentive. On an alternative reading, the requirement is for the customer to <i>pre-pay</i> two years of EMIS but still receive the incentive up-front. AGL suggests that further clarification is required to identify the correct interpretation, notwithstanding that they are both undesirable, but for different reasons.</p> <p>Assuming the latter interpretation (pre-payment) is DEECA’s intention, AGL notes that this should not be pursued for the following reasons:</p> <p>a. This would not be commercially attractive for prospective customers – they would be required to invest a significant amount of capital upfront.</p> <p>b. This approach does not align with typical SaaS pricing models (monthly or annual subscription fee). It’s very rare to get a 24-month upfront subscription fee offer on a software solution as it limits the providers ability to recoup investment in product development through margin increases in a reasonable timeframe.</p> |
| <p>15. <i>Do you agree with the suggested timeframes for installation and commissioning of the EMIS product?</i></p> <p>a. <i>Yes</i></p> <p>b. <i>No, please provide an alternative approach.</i></p> | <p>AGL does not have any specific feedback to offer in relation to this question.</p> |
| <p>16. <i>Do you have a suggestion for a more appropriate way to ensure the provided incentives are accurate for this activity?</i></p> | <p>AGL advocates for a hybrid approach that allows for deemed savings to be claimed 60 days after the commissioning of the EMIS and the system remains eligible for further claims of energy savings beyond the deemed savings baseline under the PBA method as a top up and recognition of deeper energy savings.</p> |
| <p>17. <i>Do you agree with the proposed method for determining baseline energy consumption?</i></p> | <p>No – AGL disagrees with the proposed method for determining baseline energy consumption and in</p> |



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- a. Yes
 - b. *No, please provide an alternative approach.*

particular the requirement to provide two years of billing data from their energy retailer.

This will be problematic for instances where:

- a. The customer is new to a site; or
- b. The site is new or has had a use change.

AGL argues it is overly prohibitive to require a customer to occupy a site for two years before being able to seek to improve the energy efficiency of that site.

18. *Do you agree with the proposed method for determining incentives for submetering?*

Yes – AGL agrees with the proposed method.

- a. Yes
- b. *No, please provide an alternative approach.*

19. *Do you have any information relating to the expected cost of EMIS products that may help inform the final design of the activity?*

AGL does not have any specific feedback to offer in relation to this question.

- a. Yes
 - b. *No, please provide an alternative approach.*
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