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## Victorian Energy Upgrades (VEU) program Strategic Review Consultation Paper

AGL Energy (AGL) thanks the Department of Energy, Environment and Climate Action (DEECA) for the opportunity to respond to the Strategic Review Consultation Paper for the Victorian Energy Upgrades (VEU) program.

AGL welcomes the strategic review of the VEU to better align the program design, activities and administration to the evolving needs of the market and customers as Victoria's energy system continues to transition and decarbonise.

We have provided a summary of our key points under each section of the Consultation Paper below. You can find the full length of our responses to the consultation questions in **Appendix A**.

### About AGL

At AGL, we believe energy makes life better and we are passionate about powering the way Australians live, move and work. Proudly Australian for more than 185 years, AGL supplies around 4.5 million energy, telecommunications and Netflix customer services<sup>1</sup>. 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 the largest electricity generation portfolio within the National Electricity Market (NEM) of any ASX-listed company, with a total operated generation capacity<sup>2</sup> of 7,982 MW as at June 2024. 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 emission, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We continue to innovate to enhance the way Australians live, and to help preserve the world around us for future generations.

### 1. Program purpose and objectives

#### Program challenges and opportunities for the next 5 years (Q1, Q3)

Reform of the VEU should focus on addressing the key challenges and opportunities below to reduce scheme costs and ensure the benefits of efficiency upgrades get to more customers more quickly:

- Rapidly increase VEEC creation and supply to help drive down high certificate prices and support a liquid and transparent certificate market.
- Enable new activities and methods, by supporting more timely, efficient and agile ways to bring new activities into the program.
- Make it easier for customers to access the incentives by meeting customers where they are, ensuring they can access information and incentives where it's easiest for them.

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<sup>1</sup> Services to customers number is as at 31 December 2024.

<sup>2</sup> FY24 installed capacity is the AEMO registered capacity, also taking into account the three 25 MW upgrades to Bayswater Power Station Units 4, 2 and 3 in FY20, FY22 and FY23 respectively



- Ensure customers retain access to VEU incentives to support electrification to complement the Government's targeted phase out of some residential gas appliances.
- Allow banking and borrowing and increase flexibility in liable entity compliance to reduce scheme costs and increase liquidity in the VEEC market.
- Improve communications from the department to ensure information is accurate and comprehensive to all market participants.

As noted in our submission to the VEU 2026-27 interim target setting consultation, we believe the most pressing challenge to address within the VEU is the expected VEEC shortfalls across the market and the need to increase creation activities. This year is expected to present an acute challenge across the industry to meet its 7.3 million VEEC target, with some analysts forecasting that the estimated 2.4m VEEC surplus from the end of 2024 will be exhausted by the end of 2025. This would lead to a significant market shortfall<sup>3</sup>.

The VEU's historic reliance on low-cost upgrades to meet VEEC targets have reached saturation and have not yet been replaced with alternative activities at the required scale. Introduction of new activities such as induction cooktops are welcome but have not yet addressed the gap between supply and demand. This imbalance has driven very high sustained certificate prices in Victoria, with certificates trading above the \$90 penalty price at \$110 (as at 7<sup>th</sup> March 2025). This is the highest price among comparable schemes in Australia.

Sustained high VEEC prices and low market liquidity are very problematic for VEEC market participants and are directly impacting Victorian energy consumers. The expected shortfall of certificates forces retailers to buy certificates from the spot market at higher prices, thereby increasing costs. As the market price approaches the tax-effective penalty price, it may become prudent (and/or unavoidable) for some retailers to pay the shortfall penalty. Lack of certificate supply and very high prices leading to shortfalls and penalties is bad for all customers – shortfall increases retail electricity prices and does not support additional greenhouse abatement or energy efficiency activity.

Low liquidity and tight supply/demand also increases the 'cost of carry' as retailers must hold onto all certificates they can obtain for longer. The current VEU cost estimation methodology as an input into the VDO does not account for these unexpected shortfalls and creates an undue financial strain on retailers. There have been instances where sellers could not deliver on their forward VEEC contracts. They also could not buy the certificates from the market to fulfill these contracts. For a prudent retailer, alternate energy acquisition strategies do not work when the market is not functioning correctly.

From an energy affordability perspective, a systemic shortfall is also unfavourable to participating and non-participating Victorian energy consumers. As well as increasing the VDO, the VEU interim target setting RIS noted that *'historically, non-participants benefitted from the program, as they saved more money on their energy bills because reduced electricity infrastructure costs outweighed the impact of program pass through costs. However, this is no longer the case for all target options'*<sup>4</sup>

#### Program purpose and objectives (Q4)

As renewable energy grows and the grid continues to decarbonise, the VEET Act should adapt its purpose and objectives to support a broader suite of activities beyond GHG reductions.

The focus on GHG reduction is useful as it provides a common metric to compare energy savings across gas and electricity and supports the Victorian Government's continued reporting obligations for the legislated net zero targets in Victoria. However, through the continued decarbonisation of the grid, the efficiency gains achievable through traditional activities will continue to decline. Strategically adopting and harmonising with NSW's energy saving metric (MWh) over time may best serve this purpose. This

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<sup>3</sup> Green Energy Markets, VEEC Monthly Snapshot (November 2024)

<sup>4</sup> Victorian Energy Upgrades 2026 -27 Targets Regulatory Impact Statement (p 50)



would mean upgrades of existing electric appliances would attract similar incentives to the current incentives to replace gas appliances with electric ones, and would furthermore create a market signal which rewards energy efficiency and demand management in a net zero future.

As noted in the consultation paper, the existing program objectives and purpose do not fully capture emerging opportunities such as upgrading switchboards – a necessary precursor for electrification – or effectively incentivise activities like energy orchestration, battery installs, and thermal efficiency and insulation improvements, which could provide energy efficiency benefits but may not as directly contribute to GHG reductions.

The review should consider expanding purpose of the VEET Act to:

- enable cost effective energy savings and improve energy affordability for households and businesses
- support customers to electrify and scaling the electrification market
- improve electricity system reliability and reduce system costs (including through supporting enhanced visibility, control and integration of customer energy resources)

#### Activities or products that could enter the VEU (Q2)

Consistent with the broader purpose for the VEU, the following activities or products could be incorporated into the program to improve customer affordability, reduce electricity system costs, and support ongoing GHG emissions reduction:

- **Demand response and orchestration** – The Victorian Government is forecasting increasing stresses on the grid from minimum and peak demand events. Not only this, both demand response and orchestration related activities are recognised under the NSW Peak Demand Reduction Scheme (PDRS). The increased incentivisation of these types of activities could be brought forward in Victoria through the VEU or through a separate, state or national scheme.
- **Battery storage** – AGL supports the consideration of battery storage system activities to be included within the VEU, in the instance that the Victorian government does not intend to create a similar, separate demand reduction scheme like NSW. As the grid decarbonises, demand management activities will likely generate the next best GHG abatement, behind electrification, when compared to electrical appliance efficiency alone.

These new areas should be considered in addition to immediate priorities within the current core focus of the VEET:

- **Re-introducing insulation and thermal efficiency related activities** – incorporating insulation upgrades and other thermal efficiency measures to reduce energy consumption and enhance building performance should be a key priority. Improving the insulation provides an enduring improvement in energy efficiency, improves comfort and well-being, reduces GHG emissions and enables greater flexibility to manage energy use.

The inclusion of this type of activity aligns with Climateworks' Renovation Pathways recommendations to prioritise Thermal Shell upgrades in Victoria<sup>5</sup>. Electrification benefits are maximised through quality insulation installations. We also note the Victorian Government's intention to introduce new minimum requirements for rental properties to have ceiling insulation at an R value of 5.0 installed when there is currently no insulation present. We believe this activity could be recognised as an eligible activity under the VEU (under the assumption that the additionality requirement under the VEET Act is amended), or alternatively, that any additional top-ups above the 5.0 level of insulation could be recognised as an eligible activity. We recognise that there are existing thermal barrier activities such as double-glazed windows which is favourable to

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<sup>5</sup> <https://www.climateworkscentre.org/project/renovation-pathways/>



the program and consumers.

With this inclusion, we would also advocate for comprehensive accreditations and certification requirements for insulation installations. Currently, the ACT is the only state where certification is required to install insulation in homes, whereby installations must be carried out by a certified and trained installer under the EEC's professional certifications program with at least one certified installer present on-site during installation to ensure safety and efficacy.<sup>6</sup> We would want to see a comprehensive standard for accreditation across jurisdictions.

- **Activities for businesses** – AGL believes that eligible activities could be increased for businesses. We recommend the VEU strategic review to look at most common activities under project-based methods and identify them as deemed activities where suitable.
- **Retaining and strengthening support for electrification of residential gas use** – incentives to support household electrification under the VEU may be put at risk by changes to the regulatory environment to support the phase out of certain gas appliances. While this may be consistent with a pure approach to additionality it would be a perverse outcome that increases VEU costs, undermining customer affordability and the Government's objectives under the Gas Substitution Roadmap. Protections and incentives to support customers to electrify are essential.

#### Sub-targets for vulnerable customers (Q5)

AGL supports enhanced focus to help vulnerable customers. Supporting vulnerable customers to lower energy bills through improved energy efficiency and increased electrification provides sustainable, ongoing benefits. Barriers to these customers accessing and benefitting from VEU incentives should be reduced as far as practical.

However, the VEU program does not appear to be well suited to providing targeted support for vulnerable customers. Relevant Government, community and retail programs that are better placed to target support for vulnerable customers should be designed to maximise and leverage the contribution of VEU incentives.

We do not support the introduction of separate or sub-targets for priority groups within the VEU program design. The creation of sub-targets is likely to add significant administrative and compliance costs to the VEU program. There are many practical challenges that must be considered, including privacy risks. Previous attempts within the VEU, such as introducing activities relating to home energy audits, faced issues with low customer engagement within these cohorts. This will be further complicated by APs not being able to make unsolicited contact with customers due to telemarketing and doorknocking bans. Reaching disengaged and/or vulnerable cohorts is a complex and pervasive challenge across the energy sector, and not one limited to the VEU. This issue reflects broader systemic barriers, including low awareness, low trust, and difficulties in verifying eligibility, which complicates APs and retailers in providing effective and meaningful engagement.

Implementing sub-targets is more practical for schemes like the South Australian REPS, which place obligations on retailers who have more of a direct engagement in delivering energy-saving activities. This contrasts with the market-driven approach of the VEU, where emissions reductions are achieved through a certificate trading system and APs are the ones that have the interface with customers. The person engaging the VEU activity may also not be the electricity or gas retail customer in many cases. For example, insulation and electrification activities are likely to be engaged by building owners rather than tenants.

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<sup>6</sup> <https://www.ameliorinsulation.com.au/insulation-standards-and-compliance-requirements-for-installers-in-australia/>



## 2. Customer Experience

### Who is missing out and how can barriers be addressed (Q10)

We agree with the discussion paper's summary of cohorts that are not benefiting to the same degree as other participants within the program. Barriers to accessing to electrification upgrades include (but are not limited to) lack of awareness, financial barriers, language or cultural barriers, and or renters not being able to change the appliances in the residence they occupy.

Inequitable access to electrification may also be worsened with fewer people connected to the gas network, as this will mean the capital recovery and operating costs will be spread across a smaller number of customers. Many of these customers may already face financial barriers to electrification due to high upfront costs.

We believe that to better address barriers faced by vulnerable customers, including culturally and linguistically diverse communities (CALD), renters, and low-income families, the VEU program could adopt a segmented approach with targeted strategies for each group. This could include working to align other Government programs and broader promotion of the VEU program alongside more direct community-level engagement and educational initiatives. Partnering with financial counsellors, as suggested in the discussion paper, could also enhance accessibility and understanding.

Reforms that increase the number, effectiveness and ease of accessing VEU activities will inherently reduce barriers and help bring the benefits of energy efficiency upgrades to all groups.

AGL is helping our customers decarbonise the way they live, move, and work. We are supporting our customers to make better informed decisions on how they can electrify their homes through the [Electrify Now](#) platform. As an Australian-first for energy retailers, the Electrify Now website provides residential customers with personalised recommendations which demonstrate the financial and carbon savings if their home switched to solar, battery, heat pump hot water, reverse cycle space heating, induction cooktops or an electric vehicle (EV). Customers can pick and choose which types of upgrades best suit their budget and lifestyle.

## 3. VEEC market design

### AGL supports the borrowing and banking of VEECs (Q 15)

The VEU program is currently the only scheme that does not allow borrowing, unlike the NSW ESS and the Renewable Energy Target (RET) schemes, which permit carrying over up to 10% of liability into the following year without penalty if there are insufficient certificates in the market. In contrast, the VEU scheme imposes penalties with no flexibility if obligations are not met. Introducing a borrowing mechanism could alleviate certificate shortages and improve market stability/liquidity. While the VEU program already allows banking of certificates for up to six years, borrowing would provide additional flexibility and should be considered a supportive measure.

### Improving responsiveness when setting and amending requirements for prescribed activities (Q 17)

To enhance the responsiveness of the VEU program to better adapt to changes in the energy market, there is an opportunity to create more agile mechanisms when introducing new activities into the program that adapt to emerging technologies or consumer new trends and needs. A more agile activity introduction cycle would enable faster testing and implementation of new activities. This is particularly important for the commercial and industrial sectors, where projects often take 18 to 24 months to complete, and delayed activity approvals can hinder investment decisions. By streamlining the process and being open to piloting new activities as proof of concept, the program could better align with market trends.



#### 4. Accredited Persons (APs), Aggregators, installers and Products

##### Requirements to become and operate as an AP (Q 18)

While we are not directly involved, AGL does engage with APs, and it is worth noting that we have concerns regarding the current implementation of the fit-and-proper test for APs. Specifically, there appear to be gaps in the verification processes to ensure that accredited parties fulfill their obligations under the scheme. Instances have been observed where APs participants engage in trades without delivering the corresponding VEECs, only for their businesses to shut down and later re-enter the market under new entities, seemingly bypassing the fit-and-proper test.

Additionally, there are cases of entities operating multiple businesses that engage in trading without delivering the required savings. These issues highlight a need for more robust checks and balances within the fit-and-proper accreditation framework to safeguard the quality of service provided by APs.

Thank you for the opportunity to respond to the consultation. Further commentary is provided in **Appendix A**. We would be very happy to meet with the DEECA to discuss any of our comments. If you have any queries about our submission please contact Manager, Policy and Market Regulation, Jenny Kim at [JKim2@agl.com.au](mailto:JKim2@agl.com.au).

Yours sincerely

Ralph Griffiths  
General Manager, Policy and Market Regulation



## Appendix A – AGL’s Responses to Consultation Questions

### Program purpose and objectives

Consultation Question	AGL Feedback
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1. *What are the big opportunities for the VEU program in the next five years?*

Reform of the VEU should focus on addressing the key challenges and opportunities below to ensure the benefits of energy efficiency upgrades can get to more customers more quickly and to reduce overall scheme costs:

- Rapidly increase VEEC creation and supply to help drive down high certificate prices and support a liquid and transparent certificate market.
- Enable new activities and methods, by supporting more timely, efficient and agile methods to bring new activities into the program.
- Make it easier for customers to access the incentives by meeting customers where they are, ensuring they can access information and incentives where it is easiest for them.
- Ensure customers have access to support and VEU incentives to support electrification to complement the Government’s targeted phase out of some residential gas appliances.
- Allow banking and borrowing and increase flexibility in liable entity compliance to reduce scheme costs and increase liquidity in the VEEC market.
- Improve communications to ensure information is accurate and comprehensive to all market participants

#### **Rapidly increase VEEC creation to drive down the VEEC price**

As noted in our submission to the VEU 2026-27 interim target setting consultation as well as our opening statement, we believe the most pressing challenge to address within the VEU is to increase creation of VEECs. This year will present an acute challenge across the industry to meet its 7.3 million VEEC target, with some analysts forecasting the estimated 2.4m VEEC surplus from the end of 2024 will be exhausted by the end of 2025, which will lead to a significant market shortfall.

The VEU’s historical reliance on low-cost upgrades to meet previous VEEC targets have largely reached market saturation and have not been commensurately replaced with alternative activities. Introduction of higher quality, lower frequency upgrades such as induction cooktops are a welcome reform but have not reduced the gap between supply and demand enough. This imbalance has driven up, and sustained very high certificate prices in Victoria, which are above the \$90 penalty price and a VEEC price of \$110 (as at 7<sup>th</sup> March 2025), which is the highest among comparable schemes in Australia. The market, in theory should be incentivising more activities to occur due to the high incentives available for APs and customers, however this is not occurring.



Continually high VEEC prices has been and continues to be very problematic for VEEC market participants, as well as negatively impacting Victorian energy consumers. The expected shortfall of certificates in 2025 forces retailers to buy certificates from the spot market at higher prices and thereby increases their costs. It also extends the need to hold onto these certificates until they are required, which ties up more capital and raises the 'cost of carry.' The current VEU cost estimation methodology as an input into the VDO does not account for these unexpected shortfalls and persists an undue financial strain on obliged retailers. There have been many instances where sellers could not deliver on their forward VEEC contracts. They also could not buy the certificates from the market to fulfill these contracts because the VEEC prices are extremely high. For a prudent retailer, alternate energy acquisition strategies do not work when the market is not functioning correctly.

A systemic shortfall is also unfavourable to participating and non-participating Victorian energy consumers. As well as increasing the VDO for all energy consumers, the interim target setting RIS noted that 'historically, non-participants benefitted from the program, as they saved more money on their energy bills because reduced electricity infrastructure costs outweighed the impact of program pass through costs. However, this is no longer the case for all target options.'

**Enable new activities and methods by supporting more timely, efficient and agile methods to introduce new activities into the program**

To enhance the responsiveness of the VEU program to better adapt to changes in the energy market, there is an opportunity to create more agile mechanisms to introduce new activities.

A more agile activity introduction cycle would enable faster testing and implementation of new activities. This is particularly important for the commercial and industrial sectors, where projects often take 18 to 24 months to complete, and delayed activity approvals can hinder investment decisions. By streamlining the process and being open to pilot new activities as proof of concept, the program could more quickly adapt to market trends.

We mention this also in our response to Q 17.

**Make it easier for customers to access the incentives by meeting customers where they are**

As noted in the consultation paper customers need access to information about on the efficiency upgrades that would suit them and the incentives available to support them. As noted throughout this submission we support reforms to improve the range of activities available to customers, the incentives attached to key activities and the ease with which customers can access incentives. Customers need the right information at the right time in their purchase journey.

**Ensure customers retain access to VEU incentives to support electrification to complement the Government's targeted phase out of some residential gas appliances**



Incentives to support household electrification under the VEU may be put at risk by changes to the regulatory environment to support the phase out of certain gas appliances. While this may be consistent with a pure approach to additionality it would be a perverse outcome that increase VEU costs, undermining customer affordability and the Government's objectives under the Gas Substitution Roadmap. Protections and incentives to support customers to electrify are essential.

**Allow banking and borrowing and increase flexibility in liable entity compliance to reduce scheme costs and increase liquidity in the VEEC market**

The VEU program is currently the only scheme that does not allow borrowing, unlike the NSW ESS and the Renewable Energy Target (RET) schemes, which permit carrying over up to 10% of liability into the following year without penalty if there are insufficient certificates in the market. In contrast, the VEU scheme imposes penalties with no flexibility if obligations are not met. Introducing a borrowing mechanism could alleviate certificate shortages and improve market stability/liquidity. While the VEU program already allows banking of certificates for up to six years, borrowing would provide additional flexibility and should be considered a supportive measure.

We also mention this in our response to Q 14 and 16.

**Communicated timelines and information asymmetry amongst program participants**

A key challenge within the VEU program is the ongoing issue of information asymmetry, which affects market transparency and participant confidence. Inconsistent communication of market-sensitive information and unreliable timelines have led to uncertainty and trading disadvantages. For example, updated regulations and specifications to re-introduce the Refrigerated Cabinet activity into the VEU program was communicated and expected by 1 July 2024 but was suspended close to the go-live date. This highlights the opportunity to enhance communication by establishing a central, transparent channel that ensures all market participants receive critical updates simultaneously. Improving information flow and timeline reliability would increase market confidence and operational efficiency.

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2. *What new activities or products should be incorporated into the program?*

As mentioned in our response to the VEU stakeholder engagement survey, we believe the following activities or products could be incorporated into the program:

- **Demand response and orchestration** – The Victorian Government is forecasting increasing stresses on the grid from minimum and peak demand events. Not only this, both demand response and orchestration related activities are recognised under the NSW Peak Demand Reduction Scheme (PDRS). The increased incentivisation of these types of activities could be brought forward in Victoria through the VEU or a separate state, or national scheme.



- **Battery storage** – AGL supports the consideration of battery storage system activities to be included within the VEU, in the instance that the Victorian government does not intend to create a similar demand reduction scheme like NSW. Though we note that NSW's PDRS is a separate scheme dedicated to reducing peak electricity demand and not necessarily for reducing greenhouse gas emissions (should the VEU continue with the emissions reduction objective).
- **Re-introducing insulation and thermal efficiency related activities** – incorporating insulation upgrades and other thermal efficiency measures to reduce energy consumption and enhance building performance should be considered. The inclusion of this type of activity would support the Climateworks' Renovation Pathways recommendations to prioritise Thermal Shell upgrades in Victoria<sup>7</sup>. Electrification benefits are maximised through quality insulation installations. We also note the Victorian Government's intention to introduce new minimum requirements for rental properties to have ceiling insulation at an R value of 5.0 installed when there is currently no insulation present. We believe this activity could be recognised as an eligible activity under the VEU (under the assumption that the additionality requirement under the VEET Act is amended), or alternatively, that any additional top-ups above the 5.0 level of insulation could be recognised as an eligible activity. We recognise that there are existing thermal barrier activities such as double-glazed windows which is favourable to the program and consumers.

With this inclusion, we would also like to advocate for comprehensive accreditations and certification requirements for insulation installations. Currently, the ACT is the only state where certification is required to install insulation in homes, whereby installations must be carried out by a certified and trained installer under the EEC's professional certifications program with at least one certified installer present on-site during installation to ensure safety and efficacy.<sup>8</sup> We would want to see a comprehensive standard for accreditation across jurisdictions.

- **Activities for businesses** – AGL believes that eligible activities could be increased for businesses. We recommend the VEU strategic review to look at the most common activities under project-based methods and identify them as deemed activities where suitable.
- **Bundling and bonuses** – consumers could be incentivised to bundle or stack upgrades together. For example, an additional number of VEECs could be provided if you couple multiple logical activities together. This could be an entitlement to create a fixed number of VEECs for defined bundles, or a multiple applied to the number of VEECs associated with the individual activities. For example:

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<sup>7</sup> <https://www.climateworkscentre.org/project/renovation-pathways/>

<sup>8</sup> <https://www.ameliorinsulation.com.au/insulation-standards-and-compliance-requirements-for-installers-in-australia/>



- **Electrification bonus** – consumers get a ‘bonus’ for fully electrifying their home or business. This would assist with safe disconnection and abolishment costs and recognise the ongoing and broader transition benefits associated with assisting premises to disconnect from the gas network.
- **Bundled thermal shell and efficient electrical heating upgrades** – customers could get a bonus for combining logical upgrade activities which recognise the synergistic relationship between the activities and help customers manage the upfront cost of undertaking multiple activities at once. Bundling thermal shell upgrades with efficient heating upgrades can magnify the benefits of both activities to improve comfort, savings and ability to control loads and integrate with energy markets (for example enabling demand response through pre-heating and pre-cooling).

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3. *What are the biggest challenges with the VEU program as it currently operates?*

Please refer to our response to question 1 as well as the opening statement.

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4. (a) *Is the current purpose of the VEET Act fit for a future with increased renewable energy generation and increased electricity demand?*

As renewable energy grows and the grid continues to decarbonise, the VEET Act should adapt its purpose and objectives to support a broader suite of activities beyond GHG reductions.

The focus on GHG reduction is useful as it provides a common metric to compare energy savings across gas and electricity and supports the Victorian Government’s continued reporting obligations for the legislated net zero targets in Victoria. However, through the continued decarbonisation of the grid, the efficiency gains achievable through traditional activities will continue to decline. Strategically adopting and harmonising with NSW’s energy saving metric (MWh) over time may best serve this purpose. This would mean upgrades of existing electric appliances would attract similar incentives to the current incentives to replace gas appliances with electric ones, and would furthermore create a market signal which rewards energy efficiency and demand management in a net zero future.

As noted in the consultation paper, the existing program objectives and purpose do not fully capture emerging opportunities such as upgrading switchboards – a necessary precursor for electrification – or effectively incentivise activities like energy orchestration, battery installs, and thermal efficiency and insulation improvements, which could provide energy efficiency benefits but may not as directly contribute to GHG reductions.

The review should consider expanding the purpose of the VEET Act to:

- enable cost effective energy savings and improve energy affordability for households and businesses
- support customers to electrify and scaling the electrification market



- improve electricity system reliability and reduce system costs (including through supporting enhanced visibility, control and integration of customer energy resources)

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*(b) Are there any **limiting features to the current VEET Act objects** that prevent the entry of new energy efficiency, demand management, and/or electrification-enabling activities into the VEU program?*

Please refer to our response to 4 (a)

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*(c) What **factors** need to be considered by the review when conducting its analysis of the **VEET Act purpose and objects**?*

When analysing the VEET Act's purpose and objects, the review should consider how the inclusion of additional qualifying objectives could interact with or cannibalise the activities that support GHG abatement, as well as how this complexity would be managed from a reporting perspective.

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5. *(a) How does the current **VEEC metric** (GHG emissions abated) influence the range of activities incentivized by the VEU program?*

Please refer to our answer to 4(a) and the opening statement.

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*(b) Do you think a **different certificate metric should be used**? Why? Please identify any potential **risks, challenges or unintended consequences** arising from altering the metric.*

Please refer to our response to question 4 (a) and (c).

The GHG reductions metric remains relevant and could be kept in scope for the VEU for now, but the review should consider the inclusion of other metrics such as energy savings (MWh) in alignment to the NSW ESS and the ACT. This could also offer a level of harmonisation across jurisdictional schemes which is beneficial to retailers and customers.

There is nevertheless the risk and challenge of managing two different metrics within the one scheme, and how this complexity will be managed due to the need to continue reporting on emissions reductions as part of Victoria's net zero targets.



*(c) How might the introduction of one or more **VEEC sub-target(s)** influence outcomes for consumers?*

Please refer to our response in the opening statement.

AGL is supportive of enhancing support for vulnerable customers through the VEU program. However, we do not support the introduction of separate or sub-targets as the first mechanism to increase access to priority groups in the VEU program. Previous attempts within the VEU, such as introducing activities relating to home energy audits, faced issues with low customer engagement within these cohorts. Reaching disengaged vulnerable cohorts is a complex and pervasive challenge across the energy sector, and not one limited to the VEU program. This issue reflects broader systemic barriers, including low awareness, low trust, and difficulties in verifying eligibility, which complicate effective and meaningful engagement with disadvantaged communities.

Implementing sub-targets may be more suitable for schemes like the South Australian REPS, which places the obligation on retailers to directly deliver energy-saving activities. This contrasts with the current market-driven approach of the VEU, where emissions reductions are achieved through a certificate trading system where APs own the interface with customers, in turn potentially increasing complexity and undue burden on retailers.

*(d) What **factors** should the review consider in assessing benefits and impacts that the introduction of **a sub-target(s)** would have on the operation of the certificate market?*

As noted in our response to question 5(c), previous attempts within the VEU to increase or prioritise access from disadvantaged cohorts, such as activities relating to home energy audits, faced issues with low customer engagement. We also noted that sub targets may introduce complexity within a market based, tradable scheme like the VEU where retailers do not have the interface with these customer cohorts like APs, or like retailers within the SA REPs scheme who carry out these upgrades directly. This complexity may create stratification between certificates in an already illiquid market.

Other factors to consider including the challenge of identifying households who meet certain vulnerability criteria, as APs will not know who a vulnerable customer is and hence will be challenged in identifying the right customers to support. This will require further validation or verification from their end with either the customer's support and or other government departments or retailers. Vulnerability can also be dynamic in nature. For example, those experiencing financial difficulties may be on payment support programs but might go on or off the program after a certain period. The indicators would need to be more fixed, like being a concession card holder, though even concession card status can also change (outside those on pensions).

As noted above, there should also be consideration of the risk that introducing sub-targets within the VEU program could increase the potential of falsified information from APs, particularly if the qualifying criteria are complex or if the verification and validation of supporting documents are not sufficiently robust. To mitigate this risk, stringent validation processes would be needed, as well as transparent reporting requirements to ensure the integrity and credibility of the program.



6. *What should the review consider in its assessment of the **VEET Act additionality requirements**?*

We strongly support the amendment of the additionality requirement in the VEET Act that currently excludes mandatory electrification and energy efficiency related activities from generating VEECs. Under the current framework, such improvements required by regulation or law are not recognised, despite their contribution to emissions reductions.

In this manner, incentives to support household electrification under the VEU may be put at risk by changes to the regulatory environment to support the phase out of certain gas appliances. While this may be consistent with a pure approach to additionality it would be a perverse outcome that increases VEU costs, undermining customer affordability and the Government’s objectives under the Gas Substitution Roadmap. Protections and incentives to support customers to electrify are essential.

As outlined in the VEU 2026-27 Target Setting Regulatory Impact Statement (RIS), amending the additionality requirement was also the recommended policy measure. The department should consider how the current additionality requirement can further exacerbate program inequity. As for the case with renters, removing incentives for energy efficient upgrades can lead to landlords opting for the lowest cost appliances which are more costly to the consumer in the long run. Removing this restriction would also better position the scheme to increase certificate creation in the short term.

**Customer Experience**

**Consultation Question**

**AGL Feedback**

7. *How can the **VEU program help consumers make informed decisions** about energy efficiency upgrades? How can APs and installers support customer education?*

The paper notes that consumers often receive marketing material from a single AP and assume that upgrades are only available through that provider, leading to a lack of awareness about the full range of eligible products and APs. AGL believes that this limitation is partly due to the commercial incentives and supply constraints faced by APs, who typically promote products they have exclusive access to and those that maximise their certificate generation, rather than the most suitable or efficient option for the consumer, potentially leading to sub-optimal energy efficiency outcomes.

We believe that more can be done around customer awareness and education which in turn builds trust amongst customers. This includes having accessible and easy to understand information online. For example, energy efficiency related information on the ACT Government’s Climate Choice website is segmented by categories of ‘home’, ‘business’ or ‘school’ to assist diverse groups of energy users to navigate information that is relevant to their circumstances and needs. The page ensures visitors are not overwhelmed with the breadth of information by using Plain English and adheres to web accessibility guidelines. The site’s modern design, large font, and visual interest serves to engage site visitors to help them achieve their individualised goals and to understand what to do next to improve the way they consume energy.



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8. (a) *How can the VEU program ensure it is easy for consumers to recognise and understand VEU program discounts and benefits?* Please refer to our response to question 7.
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- (b) *What changes should be considered to increase transparency on the value of savings on offer?* AGL supports increasing transparency to help consumers better recognise and understand VEU program discounts and benefits.
- However, providing price guidance – such as government-issued price ranges – also presents challenges, particularly for certificate-based activities where values fluctuate based on supply and demand in the market. Setting price expectations without regularly updating them may also create a mismatch between consumer expectations and actual market offerings, potentially leading to dissatisfaction. Additionally, increased price transparency could commodify the market, reducing competitive dynamics and potentially leading to a “race to the bottom,” which could negatively impact service quality, and ultimately customer outcomes. AGL suggests enhancing consumer education on how VEU discounts are calculated and where to access price information, empowering consumers to make informed decisions without distorting market competition.
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- (c) *Are there examples from other schemes or jurisdictions that demonstrate effective mechanisms for price transparency?* To our knowledge, there are currently no jurisdictions that have successfully implemented this approach at a high standard.
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9. *How can the VEU program ensure clear and effective avenues for customer recourse when a product or installation fails to meet expectations?* AGL recognises that effective avenues for customer recourse are essential to maintaining trust and satisfaction within the VEU program, particularly as complaints about poor post-sale experiences and uncontactable installers have been persistent issues. While the introduction of the Code of Conduct, requiring APs to have complaints handling processes and privacy policies has been a positive step, we have observed that they have not prohibited poor practices or low-quality installations from occurring.



There is currently a multiplicity of regulatory and licencing bodies already existent in the Victorian energy landscape. We believe that there are sufficient avenues for recourse available, but better coordination could exist between current regulatory and licencing bodies. For example, similarly to how solar provider accreditations are managed, VEU related installation complaints could be triggered for the ESC to take graduated action on APs for poor installations or failure to rectify.

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10. (a) **Who is currently missing out on VEU program opportunities, and why?**

We agree with the discussion paper's summary of cohorts that are not benefiting to the same degree as other participants withing the program, which include but are not limited to:

- Renters
- CALD communities
- Low-income households
- Small businesses

Reaching disengaged and or vulnerable cohorts is a complex and pervasive challenge across the energy sector, and not one limited to the VEU. This issue reflects broader systemic barriers, including low awareness, low trust, and difficulties in verifying eligibility, which complicates APs and retailers in providing effective and meaningful engagement.

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(b) **How can the VEU program better address barriers faced by consumer groups such as vulnerable households, culturally and linguistically diverse communities, renters, and low-income families to access the program?**

As noted in our opening statement, AGL supports enhanced focus to help vulnerable customers. Supporting vulnerable customers to lower energy bills through improved energy efficiency and increased electrification provides sustainable, ongoing benefits. Barriers to these customers accessing and benefitting from VEU incentives should be reduced as far as practical.

We believe that to better address barriers faced by vulnerable customers, including culturally and linguistically diverse communities (CALD), renters, and low-income families, the VEU program should adopt a segmented approach with targeted strategies for each group. This could include broader promotion of the VEU program alongside more direct community-level engagement and educational initiatives. Partnering with financial counsellors, as suggested in the discussion paper, could also enhance accessibility and understanding.

However, while the VEU program has a role to play, it may not be the most effective vehicle for delivering direct, targeted support to vulnerable customers. Instead, relevant government, community, and retail programs – better equipped to provide tailored assistance – should be designed to maximise and leverage VEU incentives.



11. *How can the VEU program increase **participation from business customers**?*

Businesses in Victoria are diverse in their size and operations, and in most cases, differ to the homogenous energy use profiles of residential homes.\* This complexity is compounded by the varying types of businesses sites that exist – from warehouses, to shopping centres, or office buildings – which all elicit their own unique energy use behaviours.

Nevertheless, we believe that the following improvements could be made to better support businesses in implementing energy efficient upgrades and utilising incentives within the VEU:

- **Strategic inclusions of deemed activities for businesses** – AGL supports a strategic approach to expanding deemed activities for businesses or types of commercial buildings. Deemed activities make it easier and simpler for businesses to implement energy efficient upgrades because they use pre-approved activities rather than needing to comply with more cumbersome verification methods which are more costly and time consuming. The compliance burden is high for businesses in completing bespoke verification methods as they require additional documentation like auditing reports and evidence submissions. These compliance obligations can serve as a barrier to businesses investing in upgrades.
- **Bundling and bonuses** – We also support levers such as ‘bundling’ or ‘bonuses’ and believe it could be an effective policy mechanism to encourage larger businesses to engage with the VEU. Businesses do not have as much of a one appliance in, one appliance out model like residential households. For example, in the case for a commercial building to electrify, it may require the removal of gas boiler in the basement of a building coupled with the installation of solar panels on the roof, as well as the updating of their electrical switchboard. Bundling and incentivising a suite of upgrades together may increase the likelihood for a commercial building to electrify.

\*We do note however, that there is a subset of smaller businesses that have similar energy use profiles as residential households, and that this cohort is harder for AGL to identify.

12. *What is the role of the VEU program **supporting businesses to reduce gas consumption** where electrical alternatives are not yet technically feasible?*

Please refer to our response to the previous question where we mention ‘bundling’ and ‘bonuses’. We believe this could encourage businesses to carry out the suite of updates that are usually involved for a business to get off gas.

**VEEC Market Design**

**Consultation Question**

**AGL Feedback**



13. **Should any changes be made to the ESC's powers to ensure VEECs are assessed adequately and effectively? If so, how should ESC powers be changed?**

AGL is not involved in certificate creation under the current scheme, so we do not have an official position on this matter.

14. **What kind of market conditions create opportunities for VEEC traders to operate effectively?**

As previously noted in our response to the Stakeholder Engagement Survey and opening statement, the following areas of the VEU can be improved to create opportunities for VEEC traders to operate effectively:

- **Stabilised VEEC creation** - The removal of residential lighting activities, coupled with a lack of commensurate activities to replace them, and increased ESC compliance scrutiny have continued to constrain VEEC creation. The ban on telemarketing and doorknocking – although a positive change from a consumer experience perspective – has also nevertheless also further decreased customer recruitment for eligible activities.
- **Clear and reliable timelines, with comprehensive communication shared among all program participants** – As noted above, a continued concern for AGL has been the lack of reliability of communicated timelines provided by the department regarding upcoming activities, as past projections and milestones have often not been met.
- **Increased flexibility for retailer compliance** – As previously mentioned, AGL considers there to be a lack of flexibility around retailer compliance when it comes to paying penalties or giving certificates. For example, within the NSW ESS, liable entities that fail to meet their ESC obligation must pay a penalty for each certificate they shortfall, but Scheme Participants also have the option to carry forward up to 10% of its individual energy savings target to the next year under the agreement that they must remedy that shortfall carried forward in the next year. We would welcome this type of flexibility under the VEU.
- **VEEC registry** – There is a need to increase the transparency and usability of the registry, as this will enable traders to better understand the VEEC market. The current registry system only allows users to view VEEC transfer history one certificate at a time, requiring excessive amounts of clicking on the website to determine where a collection of VEECs has been. A summarised view of this data grouped by appropriate traits would significantly improve efficiency and transparency. The ability to bulk certificate history and extract this information would also support better auditing and analysis for all scheme participants.
- **Timely VEEC registration approval times** – AGL is concerned that VEEC registration approval times may currently be exceeding the ESC's stated timeframe of 7-42 days. While it's important that the ESC thoroughly assesses whether



VEECs comply with program requirements after being created by APs, this process should not cause significant delays in approval timeframes.

- **The need for general market stability** – Considering the challenges of the program mentioned above, AGL considers there to be an overarching lack of stability in the market.

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15. How does the **time delay between installation of an energy efficiency upgrade and the registration of corresponding VEEC** affect the **discount** that costumers receive through the program?

Uncertainty in the VEEC market has meant that participants are unable to hedge forward prices of VEECS. In the retail space, the discounts received by customers is reduced to cover this price uncertainty. In the commercial and industrial sector, where it can take 18 to 24 months for a project to create VEECS and price certainty cannot be obtained, this uncertainty can hinder project investment decisions.

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16. How would changes to the requirements for **banking and borrowing** impact the certificate market?

AGL supports the banking and borrowing of VEECs. Please refer to our comments in the opening statement as well as response to question 1 and 14.

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17. How can the VEU program **improve its responsiveness when setting and amending requirements for prescribed activities, and better adapt to changes in the market?**

To enhance the responsiveness of the VEU program to better adapt to changes in the energy market, there is an opportunity to create more agile mechanisms when introducing new activities into the program that adapt to emerging technologies or consumer new trends and needs. A more agile activity introduction cycle would enable faster testing and implementation of new activities. This is particularly important for the commercial and industrial sectors, where projects often take 18 to 24 months to complete, and delayed activity approvals can hinder investment decisions. By streamlining the process and being open to piloting new activities as proof of concept, the program could better align with and adapt to market trends.

## Accredited Persons, Aggregators, installers and Products

Consultation Question

AGL Feedback



18. (a) *Are the **requirements to become an AP** reasonable and proportionate? If not, what improvements could be made?*

While we are not directly involved, AGL does engage with APs, and it is worth noting that we have concerns regarding the current implementation of the fit and proper test for accrediting participants. Specifically, there appear to be gaps in the verification processes to ensure that accredited parties fulfill their obligations under the scheme.

Instances have been observed where APs participants engage in trades without delivering the corresponding VEECs, only for their businesses to shut down and later re-enter the market under new entities, seemingly bypassing the fit and proper test. Additionally, there are cases of entities operating multiple businesses that engage in trading without delivering the required savings.

These issues highlight a need for more robust checks and balances within the fit and proper accreditation framework to safeguard the quality of service provided by APs.

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(b) *Are the **requirements for operating as an AP** reasonable and proportionate? If not, what improvements could be made?*

Please refer to our response to question 18 (a). We have observed that the current requirements are not prohibiting APs from continuing to operate without fulfilling their obligations under the scheme, as mentioned, some APs will engage in trades without delivering the corresponding VEECs.

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19. (a) *What **customer risks** are associated with the **aggregator model**, and how could these be addressed?*

AGL does not have a position on the aggregator model for APs.

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(b) *What **factors influence the decision of installers to work with aggregators** instead of becoming APs themselves?*

Please refer to our response to question 19 (a)

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(c) *Are the current **requirements for APs** sufficient to guarantee **strong customer outcomes***

Please refer to our response to question 19 (a)



**through the aggregator model?**

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*(d) If not, **what changes** to the program should be considered?* Please refer to our response to question 19 (a)

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**20. What has been the experience of product manufacturers seeking to make their products available through the VEU program?** AGL is not directly involved with product manufacturers and therefore does not have a position on this question.

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**21. Are there any other issues or opportunities for the VEU program not covered in this discussion paper that you would like to raise?** No further comments – we have raised our concerns and identified potential opportunities in other sections of the submission.