

- The Terms of Reference for the current inquiry do not reflect the Government's full commitment in the Energy White Paper *Securing Australia's Energy Future*. Instead the Terms of Reference restrict the Productivity Commission to an examination of energy efficiency measures that deliver a private benefit rather than "the full range of options to improve energy efficiency" including "the potential economic and environmental benefits" as stated in the Energy White Paper¹.
- The most recent Communique from COAG (3 June 2005) confirmed the commitment from all Governments to pursue national cooperation on climate change policy including energy efficiency.
- The Productivity Commission needs to take into account recent investigations that have a bearing on the current Inquiry into Energy Efficiency. The final reports of the Productivity Commission *Review of Building Regulation* (November 2004) and *Review of Competition Policy* (April 2005) provide an important context for the examination of Energy Efficiency.
- The Commission's interpretation of the Terms of Reference has taken an unusually and unnecessarily narrow approach. Rather than taking the more traditional approach to the evaluation of public policy options, where a policy is considered favourable if any disadvantage that results from a proposed policy is outweighed by the advantages to the broader economy or the public benefit, the Commission has applied a 'strict pareto' criteria to the evaluation of energy efficiency policy options. This has unnecessarily narrowed the scope of the inquiry by insisting that proposed energy efficiency measures cannot be recommended if there is even one person who does not benefit.
- ACF supports the evaluation of the effectiveness of energy efficiency programs as part of good policy implementation, but lack of evaluation in the past should not be used as a reason to delay planned energy efficiency measures.
- There is overwhelming evidence that energy efficiency measures deliver private as well as public benefits however the commission has underestimated the benefits and overestimated the costs throughout the draft report.
- The Commission should acknowledge that a full evaluation of the public and environmental benefits of energy efficiency, which is outside the terms of reference of the current inquiry, is the trigger for Government regulatory intervention where there is market failure according to *COAG Principles and Guidelines for National Standard Setting and Regulation and Competition Policy*.
- The Commission should withdraw recommendations 11.1; 7.1;7.2; 7.3; 8.1; 8.2; relating to mandatory energy efficiency standards and regulatory intervention unless the Inquiry Terms of Reference are expanded to examine the public and environmental benefits of regulatory intervention.
- The Commission should evaluate the full implications of a delay in introducing the Government's commitments under the National Framework for Energy Efficiency, including the private economic impacts on companies that have already invested significant funds to ensure their company meets proposed energy efficiency requirements.
- ACF supports the further investigation of interval metering devices.

¹ Department of Prime Minister and Cabinet, 2004; *Securing Australia's Energy Future*.

- The Commission should investigate further market instruments and policy options to deliver energy efficiency. Carbon levies and emissions trading are two ways to change the price of energy in a way that drives greenhouse gas emission abatement and hence supports energy efficiency actions. However, for many decision makers energy prices alone are insufficient to drive enhanced energy efficiency and other policies will be required. We also note the need to ensure social equity by enabling low-income consumers to be protected from any impact on electricity prices.