

Energy Efficiency Inquiry
Productivity Commission
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Inquiry into the Economic and Environmental Potential Offered by Energy Efficiency

SPI Electricity Pty Ltd (formerly TXU Electricity Pty Ltd) has been involved in the preparation of the Energy Retailers Association of Australia (ERAA) submission on this consultation – refer to Submission number 26. SPI Electricity Pty Ltd endorses the approach taken by the ERAA in its Submission but would like to emphasise the following points:

- The inquiry should develop the rationale for seeking the ‘most energy efficient processes and technologies’. The assumption should be tested that ‘barriers’ are in place and necessary to be removed if ‘processes and technologies’ actually in use are not the most efficient. Although actual energy use is determined from the effect of a range of influencing components, including design, construction, maintenance and operation of buildings, plant and equipment, it may also be a function of optimising choices relating to other competing elements for available funds. Whether considering energy use in the industrial, commercial or domestic sector it would be unlikely that consideration of ‘most energy efficient’ arrangements would be the deciding factor. Collectively, then, energy efficiency would end up being sub-optimised and the achievement of the most energy efficient processes and technologies remote and not desirable.
- Noting that net benefits are being considered ‘from the point of view of the person making the improvement’ (ie. to individual producers and consumers) the inquiry should also develop the rationale for ‘cost effectiveness’ to recognise the total costs being faced by individual producers and consumers and not just energy related costs. Energy producers and consumers have competing demands for available funds, and energy cost efficiency is a component part. With a total cost view, and an economy wide view, sub-optimal outcomes for energy efficiency could be expected and valid.
- A fuller analysis recognising social and environmental benefits and costs for energy efficiency gains would consider the benefits and the appropriate beneficiaries for these benefits. Any additional cost following possible changes in policy could then be more appropriately allocated to the beneficiaries.

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