Green Building Council Australia

Building a sustainable future

20 February 2026

Energy Security
Climate and Energy Action
Department of Climate Change, Energy, the Environment and Water

Via email: **energysecurity@environment.nsw.gov.au**

Dear Energy Security team

RE: Energy Security Safeguard policy reform

The Green Building Council of Australia (GBCA) welcomes the opportunity to provide feedback on Energy Security Safeguard policy reform.

GBCA commends the New South Wales Government's leadership with the *Climate Change (Net Zero Future) Act 2023* ensuring whole-of-government climate action to deliver net zero by 2050. The Consumer Energy Strategy is an effective plan for making solar, batteries, and energy efficiency upgrades more accessible.

To meet climate targets and support energy security, our buildings need to become grid-interactive. This means they are electrified, efficient, smart and flexible, so they can support clean energy generation by shifting load to ensure energy is used when it is at its cheapest and cleanest. 'From net zero to zero: A discussion paper on grid-interactive efficient buildings'[1], published by GBCA and funded by NSW Government, outlines opportunities in this transformation.

About the GBCA
GBCA's purpose is to lead the sustainable transformation of the built environment. We do this primarily through our core functions:

- We advocate policies and programs that support our vision and purpose.
- We rate the sustainability of buildings, fitouts and communities through Australia's largest national, voluntary, holistic rating system - Green Star.
- We educate industry, government practitioners and decision-makers, and promote green building programs, technologies, design practices and operations.
- We collaborate with our members and other stakeholders to achieve our mission and strategic objectives.

We broadly support the direction of the proposed reforms, particularly their focus on electrification, flexibility and improved consumer outcomes, and offer the following comments. GBCA encourages the NSW Government to ensure that scheme settings support scalable electrification pathways that align with broader building and climate policy objectives.

[1] grid-interactive-efficient-buildings-discussion-paper_Q0FoGV8.pdf

Energy Saving Scheme Reform

We agree that a dynamic exists where, as electricity generation becomes more renewable:

- The environmental benefits of converting from gas to electricity increase
- The environmental benefits of increasing the efficiency of electricity use decline, while benefits such as cost savings remain
- Energy efficiency savings are important in a context where periods of high-power demand are met through fossil fuel generation.

This dynamic can mean that schemes like energy saver can increase electricity use where it incentivises replacing tasks that were done by gas. It also reduces electricity use where more efficient appliances or better insulation is used. In both cases emissions are reduced.

GBCA advocates that switching from gas should still be encouraged, because it will contribute to a range of state goals including:

- The Consumer Energy Strategy target to increase electrification of existing homes
- The Consumer Energy Strategy goal to keep energy bills low
- Reducing gas demand expectations will likely underpin the NSW gas decarbonisation roadmap expected in late 2026.
- Net Zero Plan Stage 1: 2020–30 has identified a risk of not achieving its 2030 and 2035 emissions target without further action from the NSW government and private sector.
- Greenhouse gas emissions reduction targets in the Climate Change (Net Zero Future) Act 2023.

Where relevant we have structured the submission under the relevant consultation questions from the Policy reform consultation paper.

How should the Energy Security Safeguard provide incentives for electrification upgrades in the longer-term?

Increasing energy security while providing for electrification, productivity and affordable energy can be achieved through ensuring a power system where any increases in electricity demand leads to increased renewable generation, this will allow:

- Increased productivity
- A faster transition
- Flexibility to accommodate contemporary and future energy needs, such as data centres
- Lower bills in the medium term.

It is more important than ever to get energy generation settings right. Alongside onshore wind, solar is already the cheapest source of electricity[2] [3], and its costs keep shrinking[4]. Together with batteries[5], their combined cost will keep getting cheaper versus alternatives.

This means the objective to reduce energy consumption should be secondary to an objective to electrify. As such, while recognising the importance and benefits of energy efficiency, we do not support options that seek to rebalance toward reducing electricity demand over electrification.

The Energy Security Safeguard should continue to provide incentives for electrification and energy efficiency upgrades. In the longer term as households and businesses successfully move away from gas, efficiency upgrades will become a larger proportion of the scheme.

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[2] Renewable power generation costs in 2024, figure S1

[3] CSIRO releases final 2024-25 GenCost report following consultation - CSIRO

[4] Solar photovoltaic panel prices

[5] Price of lithium-ion battery cells, 1991 to 2024

Scheme Targets and Certificate Supply

We note the finding that the certificate surplus indicates the Energy Savings Scheme has overdelivered against its legislated targets. By fixing the Energy Savings Scheme's targets and letting the market determine the required certificate price, the scheme encourages price competition. If targets are being met with lower certificate prices than expected, it provides an opportunity to increase the target and make achieving overall state and national climate targets easier.

What objectives should any Energy Savings Scheme (ESS) target change seek to achieve?

We support the option to increase Energy Savings Scheme targets as it will maintain a price incentive for electrification and support wider emission reduction efforts.

Do you support the NSW Government's proposal to introduce Energy Savings Certificate (ESC) expiry in the Energy Savings Scheme (ESS)?

There are benefits to using increased targets to deal with a credit surplus over giving credits an expiry date. Adding an expiry date adds risk that credits devalue as they approach expiry, which can discourage investment and create volatility in the market. Time limits are best used where early credits are less robust than later credits.

Peak Demand Reduction Scheme Reform

Do you support the NSW Government's proposal to review and set the Peak Demand Reduction Scheme's (PDRS) targets annually?

While we place phasing out fossil gas as a higher priority, we support peak reduction that has co-benefits for households. GBCA supports NSW Government's proposal to review and set the Peak Demand Reduction Scheme's (PDRS) targets annually to 2030. However, to be effective this should be supplemented with additional approaches.

GBCA's The future is electric: A practical guide for grid-optimised precincts[6] sets out the contribution grid-interactive precincts can make in smoothing the transition to a fully renewable national electricity grid. Including through reducing electricity consumption, minimising peak demand, shifting the time of day that electricity is imported from the grid, and utilising electricity when it is in abundance and at its cheapest.

State action to support these aims could include:

- Operate and support an active two-sided electricity market that supports full 'behind the meter' and/or distributed energy resource (DER) participation and provide the products, services and technology interfaces to reward active efficiency behaviours.

- Update building codes, planning rules and electricity regulations to enable grid-interactive technologies such as smart controls, thermal/electric storage and dynamic tariffs.

- Create demand side governance: give an agency responsibility for coordinating demand side participation across the market, not just supply. This should include establishing interoperability and data standards, customer protections and data sharing between retailers, DNSPs and aggregators.

[6] https://gbca-web.s3.amazonaws.com/media/documents/the-future-is-electric--a-practical-guide-for-grid-optimised-precincts.pdf

- Reduce barriers and support innovation in DER, including better data and rules to integrate consumer energy resources (batteries, EVs, controlled hot water, smart appliances).

Evolving Reliability Risks

Do you support the NSW Government's proposal to maintain the Peak Demand Reduction Scheme's (PDRS) primary focus on addressing summer peak demand while monitoring its contribution to other reliability risks?

GBCA notes that while reliability risks can occur in summer and winter peaks, minimum demand can also create reliability risks. Minimum demand risk can occur where rooftop solar supplies underlying demand and the grid requires a minimum amount of synchronous, dispatchable generation. Policies that can mitigate all three while contributing to other goals such as net zero should be prioritised. GBCA notes the example of how a battery registered with a Virtual Power Plant (VPP) may provide capacity to help reduce both summer and winter peaks and help mitigate minimum demand related reliability risks by directing a battery to charge during periods of low grid demand.

VPP-enabled batteries help respond to all three forms of reliability stress (summer peaks, winter peaks, minimum demand). The consultation identifies VPP sign-ups as having a high expected contribution to reliability risks.

GBCA recognises that NSW replaced its general battery rebate with a dedicated VPP connection incentive of up to $1,500, which can combine with federal rebates. GBCA recommends fast evaluation to ensure the program is working as intended and any barriers to maximising take-up are identified and addressed.

GBCA welcomes the opportunity for further discussion. To arrange a meeting, a briefing on our work to date, or for additional clarification of the points made above, please do not hesitate to contact Corwin Wallens, Policy Manager, via email at corwin.wallens@gbca.gov.au

Yours sincerely

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