

Strata and the ESS

A submission for the inclusion of Strata common areas in the ESS!

Overview

Among other goals, the ESS was established to “create financial incentives for anyone who improves their energy efficiency and saves on their energy consumption”¹

In a report² to the Minister, IPART itself detailed two of the key objectives of the scheme as

- “to assist households and businesses to reduce electricity consumption and electricity costs”
- “to reduce the cost of, and the need for, additional energy generation, transmission”

In spite of these stated objectives, the current interpretation of the rules excludes the common areas of strata properties from the most beneficial methodologies for creating Energy Saving Certificates (ESCs). This occurs because the common areas of strata properties are deemed to be “residential”

This document sets out an argument for the inclusion of common areas of strata properties in the Deeming Energy Savings Method (DESM) for determining the allocation of ESCs to energy saving projects.

ESS and Strata

In its July 2010 “Report to Minister”, IPART detailed the intent of the ESS as follows”

“The ESS is established under Part 9 of the *Electricity Supply Act 1995* (the Act), which sets out the following objectives for the scheme:

- to assist households and businesses to reduce electricity consumption and electricity costs
- to complement any national scheme for carbon pollution reduction by making the reduction of greenhouse gas emissions achievable at a lower costs, and
- to reduce the cost of, and the need for, additional energy generation, transmission”

The Scheme Rule provides several methods for calculating the ESCs applicable to a project. In terms of lighting upgrade projects the most commonly used method is the Deemed Energy Savings Method (DESM), and more particular, the Commercial Lighting Energy Savings Formula (CLESF). As the name indicates, this formula is to be used for lighting upgrades in commercial premises.

The Rule defines commercial premises as: “buildings classified under any of the following Building Code of Australia” (‘BCA’) classes: 5, 6, 7, 8, 9a, 9b and 10”. To date, common areas of strata buildings are not included in this definition. For that reason the Project Impact Assessment Method (PIAM) is to be used for lighting upgrade projects in common areas of strata properties.

The major difference between the CLESF and the PIAM is that the first allows for upfront creation of ESCs for a period of 10 years, and latter allows for an upfront creation of 5 years. Since discount factors are applied for every year ESCs are created upfront, effectively the PIAM only allows for upfront ESC creation of 3 years.

While there is an opportunity to claim the remaining ESCs after the 5 year period, this method significantly reduces the upfront financial incentive in comparison with the CLESF. This can make the difference between an strata building Owners Corporation deciding to go ahead with implement lighting upgrades or not, and would appear to defeat the purpose and or intent of the ESS.

To detail the inconsistency of this, it is possible to implement identical lighting upgrades in a commercial building and a strata property, (with both buildings being of equivalent size and construction and containing the same light fixtures) but with a different number of ESCs being created upfront for each building classification. Although the energy saving potential is the same, it is not treated equally.

In addition, the current rule allows for reclassification of car parks of strata plans so that they can be assessed under the CLESF (because of the way they are treated under the BCA). This provides an “apparent” inconsistency in the application of the Rule.

¹ An article by Evan Economo, Gagens Lawyers in FM Magazine, August 2010 <http://www.fmmagazine.com.au/energy-watch/nsw-energy-savings-scheme-offers-dollars-for-action/>

² Compliance and Operation of the NSW Energy Savings Scheme during 2009 <http://www.ess.nsw.gov.au/documents/ESS-SchemeReport-2009.pdf>



Strata Properties

The common areas of strata properties are currently excluded from the DESM. Traditionally, hallways, stairs, fire stairs, car parks and back-of-house areas of a strata building are permanently lit. This occurs even though the spaces are actually occupied as little as 2% of the time and generally no more than 15% of the time.³

Many experts believe western society buildings are over lit. Lighting levels in Australia are generally determined by Australian Standard AS/NZS 1680.1, a Standard that is mandated by the Building Code of Australia (BCA). However, even these light levels are often significantly exceeded in strata buildings. While this may be reasonable for aesthetic reasons in entrances and hallways, it is generally unnecessary in fire stairs and car parks.

In a recent project undertaken by enLighten Australia the lighting in the fire stairs of a central Sydney residential tower, was up to 5 times the requirement of the Standard. (Replacing the pre-existing lighting with new technology achieved energy reductions of just over 93%.)

The ESS excludes the use of the DESM for calculating ESCs for strata lighting efficiency upgrades. If we ignore the use of the BCA to determine "What is residential?" and use a common sense argument, we could easily consider the common areas of Strata to be commercial. To support this, the following points are pertinent:

- Common areas of a building are not used for sleeping, the key determination of "residential"
- Common areas are owned by a registered, tax paying, ABN holding entity – the Owners Corporation
- Decisions to spend money on repairs and maintenance are made by the Owners Corporation and are generally a "commercial" decision

The Potential Benefits

With approximately 80,000 strata buildings in NSW the potential for energy reduction in common areas is as much as 420,000 megawatts of energy or 450,000 tonnes of CO2 annually⁴.

Unlike commercial properties that tend to be geographically centralised, strata properties are widely dispersed throughout the community. The load reduction on infrastructure would therefore be more widespread. Spreading energy consumption reductions across the wider infrastructure will allow for expansions in the customer base of the energy suppliers without the need to upgrade the supply system

Encouraging the uptake of energy efficiency upgrades in strata is also a simple way to offset energy cost increases to the general community. With savings of up to 93% possible, energy-efficiency upgrades in residential strata properties has the potential to significantly reduce running costs, more than offsetting the forecast cost increases in electricity over the next 5 years.

Conclusions

We believe that the full inclusion of the common areas of residential strata buildings in the ESS meets the intent of the scheme. The inclusion would assist the scheme by providing additional Certificates at a time when there is still a short fall, but most importantly it would significantly encourage the uptake of highly efficient technology in an environment that consumes electricity twenty four hours a day. Strata can potentially contribute to a reduction in base load demand of up to 1 gigawatt per day.

The argument for the inclusion of Hotels and Motels in the CLESF is as valid for the common areas of strata properties!

enLighten Australia subsequently requests IPART and the Minister to consider the points made in this document and review the current exclusion of common areas of strata buildings from the DESM

Regards

David Whitfield
CEO

³ enLighten Australia is currently undertaking monitoring of common areas to determine actual occupancy of a range of "typical" strata buildings

⁴ This assumption is based upon replacing 10 fluorescent fixtures per building with a Chamaeleon light or similar