



AREMA SUBMISSION ON INITIAL MINIMUM DISTRIBUTED ENERGY RESOURCE TECHNICAL STANDARD

9 April 2021

About AREMA

Established in 1967, AREMA (the Air-Conditioning & Refrigeration Equipment Manufacturers Association of Australia) represents the interests of air-conditioning and refrigeration equipment manufacturers and importers active in the Australian market. Our members include leading companies involved in supplying over 80% of air conditioners to the Australian market. We work with government and industry on policy formulation and regulation to achieve the best outcomes for our members and the wider community.

Our aim is to:

- Help reduce the environmental footprint of air conditioning and refrigeration in Australia
- Encourage members to design and manufacture energy efficient equipment
- Encourage our members to deliver real energy savings to consumers
- Reduce ozone depleting substances (ODS) and greenhouse gases in a safe and controlled manner
- Work closely with government to ensure the safe implementation of standards that will benefit end users and product designers
- Work with other local and global associations to ensure we adopt world's best practice
- Provide a unified voice for representation to government and industry on key issues
- Represent the air conditioning and refrigeration industry on key standards committees and, where possible, assist members to interpret these standards.

Overarching Position

AREMA recognises that South Australia does have a significant problem on its hand in relation to energy supply that it needs to address. We advise that making haste slowly is the best approach to ensure outcomes are what are intended, and no perverse outcomes occur.

AREMA believes that South Australia should not pursue an independent path, particularly in as short a time frame as outlined in the discussion paper, on setting a technical standard for demand response covering air conditioners. Rather we contend that a national approach prepared with thorough consultation and careful consideration of all the issues will lead to better outcomes for both Australians and South Australians particularly.

There is a very high risk of perverse outcomes if South Australia proceeds with the type of measures and timeframes outlined in the discussion paper. Quite simply, the air conditioning industry will, over the short term, not be able to meet these requirements and supply of new air conditioners to South Australia will be dramatically reduced, with industry estimates of – at least for the first year or two - of there being no split system air conditioning equipment available.

If this were to occur there would be two outcomes. There would be significant sales of air conditioners made out-of-state (which would defeat the purpose of the measures) and lead to loss of economic activity in South Australia and/or there would be profound impact on the South Australian economy as a result of split systems being unavailable, including:

- Almost all the nearly 900 split system air conditioner installers in South Australia would be unable to operate¹. There are also individuals with more extensive licenses that also work on split systems. Given the standard employment multipliers used by the Federal Government (covering administration workers, transport, suppliers and the like) to estimate the impact of the air conditioning industry, this means between 2,500 to 3,000 people will either lose their employment or have significant reduction in their income.
- Construction of apartments, many of which are designed for split system air conditioners, would also be largely stalled.
- Given the very small size of the South Australian air conditioner market (0.003% of the global market) it is quite unlikely that companies will feel a need to respond with new designs. If there are companies that decide to meet the South Australian design rules over the next few years, they will likely only cover their biggest sellers, which are those products that are the most inexpensive and just meet MEPS. If the proposal goes ahead as outlined for the first time in Australian history the energy efficiency of air conditioners sold to a market will become increasing inefficient.

Detailed Points

When South Australia proceeds with demand response measures, there are a number of specific topics AREMA contends should be addressed, namely:

1. The standard set must be AS/NZS 4755.2. The reason for this assertion is that by working collaboratively through the standards process is the best way South Australia can ensure industry will be able to meet the requirements that will be asked of it, that it is up to date and can deliver the outcomes South Australia needs.
2. Companies must have reasonable time (years, not months) from formal adoption of 4755.2 to when it takes effect to enable design and transition of models. In GEMs processes, this period is up to three years and models that are registered prior to the transition date can be sold. Particularly given the cyber security concerns here, this transition will be more challenging than those under GEMs and the amount of transition time needs to fully take the challenges into account.
3. The South Australian Government suggests that there will be a requirement for devices to respond wirelessly. Given the lack of an industry standard, the fact that servers to manage air conditioners today are located overseas, and the challenges involved in incorporating demand response into wireless system, AREMA encourages the South Australian Government to reconsider its approach on this issue and engage in further consultation.
4. External devices should be allowed to be used to enable equipment to meet the requirements as easily and cost effectively as possible.
5. There must be no additional costs for testing and registration under a South Australian system

¹ This assessment is based on the number of individuals with a national license (Australian Refrigeration Council) for installation of split systems in South Australia.

6. Units under 4 KWs should be excluded, as the costs are many times greater than any potential benefit. In the Queensland trial of demand response, split systems air conditioners smaller than 4kw were precluded as the costs clearly outweighed the benefits.

Final Points

AREMA recognises South Australia's challenges and would be pleased to work collaboratively with the South Australian Government to address issues around demand response. Please do not hesitate to contact us if we can be of any assistance.

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