

**Department of Industry:** Review Methodology

Independent Review of the Intergovernmental Agreement (IGA) for the Greenhouse and Energy Minimum Standards (GEMS) Legislative Scheme

| Report Name | Review Methodology: Review of the Intergovernmental Agreement (IGA) for the Greenhouse and Energy Minimum Standards (GEMS) Legislative Scheme |
| --- | --- |
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| Date | 20th August 2014 |
| Version | 1.7 (website) |

  
The views expressed in this report are those of the authors, not necessarily those of the Department of Industry (nor do they reflect government policy).



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# Introduction

The purpose of this method report is to agree with the Department of Industry and the E3 Sub-Committee, on behalf of the E3 Program, the detailed approach for conducting this review, including number of interviews, stakeholder groups, topic guides, interview questions timescales and deliverables.

The review is being undertaken as part of Government’s commitment within the GEMS Act. It has been brought forward 12 months to address opportunities raised by the federal government’s deregulation agenda to reduce regulatory burden on industry.

The purpose of the project is to provide an independent and objective review of the GEMS Act, the Intergovernmental Agreement (IGA) and the E3 Program which will be a key influence in determining future development.

Following testing with the Department of Industry (DoI) and early feedback from stakeholders, the objectives of the review have been refined and are to:

1. **review and evaluate the operation of the national administrative framework for the IGA, including the ACT** and recommend, as appropriate, any changes in the context of the Government’s commitment to reduce the regulatory burden on industry while continuing to help increase energy productivity and reduce associated energy costs and greenhouse gas emissions of Australian households and businesses. This will include the documentation of advantages and disadvantages of any opportunities identified for process efficiencies**.**
2. **assess the implementation of the E3 Program against its objectives, and the operation of the IGA.** This is about assessing whether the design of the E3 program is fit for purpose and meets the objectives of the program as defined in the GEMS Act and the intended operation of the GEMS IGA**;** and
3. **consider ongoing funding contributions by Commonwealth, State and Territory Governments based on experience during the first two years of the GEMS Act, and options for the long term funding arrangements of the Program beyond financial year 2015-16**, including in relation to cost recovery. This will include the identification of, alternative cost effective and viable policy, process and funding models that could be used in Australia.

# Elements of Work Conducted to Date

## Inception meeting

The project team at Databuild attended a project inception meeting with representatives from DoI. The meeting covered introductions, project scope and approach developments required by DoI in order to progress the contract. It also gave opportunity for further discussion around the rationale for this research and how the research findings will be used. Discussions were initiated with regards to the changing objectives and scope of the project, resulting in:

* Submission of a re-costed proposal submitted and agreed with DoI
* Scoping workshop stage to ensure the project team have a full and clear understanding of the brief in order to design the methodology.

## Scoping Workshop

On 1st July the project team at Databuild delivered a scoping workshop with representatives from DoI. The meeting covered introductions and background, expectations and limitations around each area of the review, stakeholder groups and approaches to ensure representative sampling of those groups. The discussion has been considered in developing this methodology in particular regarding:

* Stakeholder selection
* Hypotheses to test and question areas

A high level program logic map has also been developed as a tool to base exploration of the ‘theory of change’ underpinning the GEMS, IGA and the E3 program.

Figure : Logic Map

Logic Map highlighting Market Failoure, GEMS activities, Outputs, immediate outcomes, intermediate outcomes, ultimates outcomes.

## Literature review

A number of documents have also been reviewed to inform sampling strategy, scope of the review and interview questions:

* **Attachment A: Opportunities to reduce unnecessary red tape costs on individual, businesses and community organisations** - This table was not initially created to inform the GEMS review, however it was noted during the workshop that it provides a useful guide to the three main areas where opportunities for improvement are thought to exist by some of the active participants already engaged in the E3 process. That is: The GEMS administrative Process; E3 process for examining and developing regulatory proposals for GOAG; Legislative Changes aiming for lowest burden. It is understood that the final position for each of the detailed items has not yet been reached and that this Review will inform the position to be taken.
* **Attachment B: Industry Comments Regarding the GEMS Review** – this paper has beencompiled by the Industry Representatives of the E3 Committee.
* **Survey on Community Views on Energy Affordability – Australia, Nov 2013.** Sponsored by Energy Efficiency Council, Choice, Brotherhood of St Laurence. This brief report provides a summary of consumer concern about electricity costs and a consumer preference for government support to help homes and business save energy over other policies to reduce costs or subsidise consumers.
* **Low Carbon Lifestyles: A Practical Guide for Households, Oct 2012, Climate works, CSIRO** - Commissioned by Origin Energy. A series of guidance documents for households in South Australia, Victoria, NSW. Each contains recommendation for energy efficiency to reduce emissions and energy bills around: small equipment and behaviour change; appliance and electronics; Heating, cooling and hot water and cleaner energy. The guides include many recommendations that are dependent on decisions to move to higher Star rating for a product.
* **The E3 website** - including product information.
* **Alternative models and funding schemes used in other countries** – this information has been used to compile scenarios to prompt interview participants to discuss what, if any alternative cost effective and viable policy, process and funding models that could be used in Australia.
* **Presentation: Alternatives to Command and Control: Towards Efficient and Effectives Regulatory Strategy. Neil Gunningham** – This paper provides an overview of the advantages and disadvantages of a deregulated government approach. Further discussion is required to understand the implications for Energy Efficiency particularly with respect to Consumer Protection and the provision of Consumer Information

**E3 Program Impact Projections, George Wilkenfild, March 2014** - Drawing on the best available data from impact evaluation studies, regulatory impact statements and product profiles, this report estimates the historical and projected impacts of the Equipment Energy Efficiency (E3 Program) on energy use and greenhouse gas emissions in Australia. It also estimates the value of energy saved, and compares this to the costs imposed by the Program. This is the fifth impacts study completed for the E3 Program.

## Topic guides and Interview Questions

The discussions at the inception meeting, scoping workshop and literature review informed the development of a master topic guide to provide general context, research objectives and scope for all interviews and a series of detailed topic guides for the following stakeholder group types, including:

* Government: Strategic and Planning Leads (DoI, E2WG, State SCO representatives and other Federal bodies) [**Type A**]
* DoI E3 Staff: Sector and Process Leads [**Type B**]
* State and Territory Representatives of the E3 Committee [**Type C**]
* Technical Experts [**Type D**]
* Product Manufacturers (E3 Review Committee members, individual manufacturers) [**Type E**]
* Consumer Bodies, Consumer Protection Agencies, Retailers and Environmental Groups [**Type F**].

These topic guides have subsequently been used to develop the detailed interview questions, online questions and analytical tools. These will be reviewed and finalised following the completion and feedback from the stakeholder workshops.

# Summary of methodology

In summary, we propose to complete the review in following steps:

* **Step 1: First tranche (24 interviews)[[1]](#footnote-1)** DoI staff, Federal government agencies, State and Territory Government bodies, E2WG, State SCO representatives and experts. As well as seeking participants’ responses to the interview questions this first round of interviews will provide a perspective to be tested in the second tranche of interviews. These interviews will run in parallel with the stakeholder workshops.
* **Step 2: Up to three stakeholder workshops** will be held with consumer and industry groups, manufacturers and other stakeholders to identify issues, themes and ideas to be incorporated or addressed in the interview questions. Workshops will be by invitation only. Participants in these workshops will be representatives of:
  + Consumers groups and NGOs
  + Industry and other stakeholders – 2 workshops are anticipated for these groups.
* **Step 3: Second tranche (73 interviews)2** will be carried outacross the remaining stakeholder groups: manufacturers; consumer groups; retailers; NGOs; test laboratories and certifiers.
* **Step 4: Develop and communicate online review tool** to encourage input from a broader audience through the E3 website. To be completed concurrently with step 3 and following the completion of the stakeholder workshops (step 2)
* **Step 5: Analyse the data** to identify the key themes. The final presentation of results and report structure will depend on the data collected during the stakeholder interviews.
* **Step 5: Preliminary presentation** of themes and findings to DoI and E3 Sub-Committee to determine what / if any additional analysis is required before reporting. Databuild will review any impact on timelines if required.
* **Step 6: Reporting.** A progress update report will be provided to support the E3 meeting on the 27th October. A draft progress report will be discussed with DoI and E3 Sub-Committee before the final progress report is issued. Following steps 5 and 6 the full report will be prepared. We have assumed there will be two draft iterations of the report. The final report will be submitted to the Department of Industry on or before 28 November 2014.

DoI and E3 Sub-Committee will be kept up to date with key learnings from the project, in particular stages 1-3 (stakeholder discussions) during project update meetings. Figure 2 illustrates the timing of the main activities of the review.

Figure : Updated project Gantt chart

**Research element**

7

14

21

28

2

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16

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30

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18

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24

Inception

Workshop and develop logic

Review of previous research

Develop Contact Database

Methodology development & topic

guides

Secondary research and recruitment

Workshops to test topic guides

Tranche 1:-DoI, fed gov, States,

experts, restilers, test labs, retailers

(50 interviews)

Tranche 2: manufacturers, Consumer

groups (47 interviews)

Online review tool

Data analysis to identify key themes

Preliminary Presentation

DoI and Fed Gov

Detailed Analysis

Reporting

Progress update to E3 committee (23rd

Oct) (First draft of report)

Two iterations of report and summary

(including feedback from workshop

and E3)

Project management

Day to day contact, handling queries,

and project updates

June

May

**Project stage**

Strategic plan

Research and preliminary

analysis

July

August

September

October

November

Table 1 summarises the Stakeholder groups to be included in the review. For each group the table lists:

* The reason for inclusions in the sample
* The approximate number of interviews to be held
* The primary focus of the questions and issues to be covered.

The following section 3.1 expands on the approach to be taken for each group.

Table : Stakeholder groups overview

| SH Group | Selection Criteria | Int. | Primary focus of questions |
| --- | --- | --- | --- |
| DoI E3 staff | Knowledge of Planning processes and priorities, funding arrangements | 2 | **Type A**  Expectations and delivery of E3, GEMS, IGA process and objectives.  Planning product selection process  Opportunities to improve coordination between federal and state Governments  Funding breakdown inc. alternative arrangements applied elsewhere in Govt.  Opportunities for cost effectiveness: improvements to process and communication  Alternative schemes (to E3, GEMS, MEPS) and implications (inc. whole of scheme; part of scheme; individual product initiatives) |
| DoI E3 staff | Process knowledge | 5 | **Type B**  Expectations and delivery of E3, GEMS, IGA process and objectives  Planning product selection process  Opportunities to improve coordination between federal and state Governments  Opportunities for cost effectiveness: improvements to process and communication  Alternative schemes (to E3, GEMS, MEPS) and implications(inc. whole of scheme; part of scheme; individual product initiatives) |
| State representatives on the E3 Committee | State perspective  Funding knowledge  Understanding of State industry impacts  Knowledge of E3 work  Topic specialists | 11 | **Type C**  Expectation and delivery of E3, GEMS, IGA process and objectives  Planning product selection process  Opportunities and implications for process improvement  Opportunities to improve coordination between federal and state Governments  Opportunities for improvements to communications  Funding alternatives and requirements  Alternative schemes (to E3, GEMS, MEPS) and implications. All contributions valid. Prompts include: whole of scheme; part of scheme; individual product initiatives |
| Technical experts / consultants | Industry perspective  Knowledge of OS alternatives  Process knowledge (particularly RIS) | 6 | **Type D**  Opportunities for cost effectiveness: improvements to process and communication  advantages & disadvantages of overseas alternatives.  The international community’s view of the Australian program and the influence it may have beyond Australia. |
| Manufacturers Peak Bodies (E3 Review Committee) | E3 review committee membership.  Process knowledge  Peak industry body – knowledge of industry sector | 6 | **Type E**  Expectation and delivery of E3, GEMS, IGA process and objectives  Opportunities and barriers to participate in the GEMS program  Opportunities for cost effectiveness: improvements to process and communication  Alternative models and process (Including funding)  - Pros and cons for their industry sector  - view on consumer expectations  - view of breadth of responses within the sector  - experience of operation in different markets wrt to scheme operation and consumer expectation |
| Manufacturers: Product sectors | Indicates level of consumer interest and expectation for energy efficient product options.  This list is a subset of products covered by E3. | 34 | **Type E** |
| Retailers | Understanding of consumer purchasing patterns and preference.  Obligations under the legislation and participation in the program | 6 | **Subset for Type F**  The retailers expectation  Their perception of customer expectation  Their interaction with suppliers  Any evidence of consumer patterns OS  Opportunities and barriers to participate in the GEMS program |
| Consumer Perspective | Knowledge of consumer perspective including impact on Low Income Households | 15 | **Type F**  Opportunities and barriers to participate in the GEMS program  Perspective on the role GEMS plays in consumer protection and consumer information.  Consumer views of the effectiveness of the information supplied and whether is changes behaviours (ie has E3 met its objectives )  View on alternatives: pros & cons |
| Environmental Groups |  | 3 | **Subset for** **Type F** |
| Other Government Bodies | Strategic and Planning function with a broader context of the regulatory, industry and/ or energy environment | 4 | **Type A** |
| Test Labs / Certifiers | In depth knowledge of aspects of the compliance process and/ or comparative knowledge of overseas practices. | 5 | **Subset of Type D**  How could the process be improved and costs be reduced (at registration and for compliance) |
| **TOTAL IDENTIFIED** | 97 |  |  |

# = primary product sector has representation of the E3 review committee by at least one industry body. The review will seek broader representation than E3.

## Sampling Strategy and Approach for Each Stakeholder Group

Stakeholder groups for inclusion in the interview process have been selected based on how they are involved in the IGA, GEMS process in one or more of the following capacities:

* Determining policy and strategic planning for policy implementation
* Administering current processes within IGA, GEMS and E3
* Affected by policy and processes (consumers and manufacturers)
* Able to provide an independent view of alternatives to the policies and processes, derived from practices overseas.

To ensure that we seek input from the broadest range of affected stakeholders and not only those that already have a voice, our approach to stakeholder selection will vary for each stakeholder group.

Interview style and timing

For each stakeholder group there are many topics to be discussed. To facilitate a broad discussion within the limited time and in a way to enable analysis the interviews are divided into three main areas which cover each of the main objective areas:

1. Has the IGA, GEMS and E3 met their objectives?
2. What, if any, alternative cost effective and viable policy, process and funding models could be used in Australia?
3. How could the existing process be made more efficient, whilst maintaining an even market for all competitors and achieving an appropriate level of risk control?

Interviews use open questions, closed questions, hypotheses and scenarios to structure the discussion. Prompts are provided to interviewers to allow the discussion to be flexible, whilst exploring certain areas in more depth. Only a limited number of key topics are possible to discuss with each stakeholder group in the time available, so they have been prioritised accordingly. These will be reviewed following the tranche 1 interviews and stakeholder workshops.

**Recruitment strategy**

Stakeholders will be recruited through email invitation from DoI, with the process facilitated by Databuild. Databuild will follow the email release with an initial telephone conversation to confirm that the individual is the most appropriate respondent and arrange a time for the structured interview, anticipated to take 30 – 45 minutes. Where one or more respondent is expected to contribute from one organisation this will be confirmed at the time of the first call.

Government Strategic / Planning Leads [Type A]

Justification for Inclusion in Review Sample: Involved in setting priorities and negotiating budgets within the broad government and policy framework.

Target Groups: E3 leads, The Deregulation Team, The Energy Regulator, The Energy Sector Team (including Peak load)

Timing: 1ST Tranche

Key Hypothesis to Test: The IGA, GEMS legislation and E3 are effective in defining, implementing and communicating standards and energy efficiency information at a level that assists the consumer to choose energy efficient products without placing an undue burden on suppliers and achieving a sufficient level of energy reduction for the money invested.

DoI E3 Staff: Sector and Process Leads [Type B]

Justification for Inclusion in Review Sample: Running sector/industry groups and/or administering elements of the E3/GEMS process.

Target Groups: E3 industry leads; process leads; compliance leads.

Timing: 1st Tranche

Key Hypotheses to Test:

* The planning and consultation process identifies the right products which should be subject to energy standards in a manner that meets consumer requirements and industry planning processes.
* The process (consultation, registration, administration and compliance) is effective in defining and communicating standards at a level that assists the consumer to choose energy efficient products without placing an undue burden on suppliers.

State and Territory Representatives of the E3 Committee [Type C]

Justification for Inclusion in Review Sample: Involved in agreeing priorities, providing funding and supporting implementation at State and Territory level.

Target Individuals: State and Territory Government Representatives

Timing: 1st Tranche

Key Hypothesis to Test: The IGA, GEMS legislation and E3 are effective in defining, implementing and communicating standards and energy efficiency information (through the energy rating label, app and website) at a level that assists the consumer to choose energy efficient products without placing an undue burden on suppliers and achieving a sufficient level of energy reduction for the money invested.

Technical Experts and Test Laboratory [Type D]

Justification for Inclusion in Review Sample: The provision on an independent view of models used overseas and / or how that experience could provide an input into the Australian market and legislative arena.

Target Individuals: As per Table 1.

Timing: 1st Tranche

Key Hypothesis to Test: Compared to models practised overseas the process (consultation, registration, administration and compliance) is effective in defining and communicating standards at a level that assists the consumer to choose energy efficient products without placing an undue burden on suppliers.

Consumer Bodies [Type F]

Justification for Inclusion in Review Sample: To ensure that we have representation of the consumers view we will seek from a broader sample than initially proposed including:

* Consumer Groups
* Environmental Groups
* Retailers
* Federal and State/ Territory based consumer protection groups
* Marketing and sales representatives from product suppliers (as part of the discussion with industry)

Target Individuals: Report authors and sponsors within Consumer Groups, Market and Sales representatives of product suppliers and Retailers, Officials of Government consumer protection groups.

Timing: 2nd Tranche

Key Hypothesis to Test: The IGA / GEMS provides for effective consumer protection and consumer information.

Manufacturers [Type E]

Justification of Inclusions in Review: Either identified as an area for significant energy saving potential (by Impacts of the E3 Program, March 2014) or there is a reasonable market expectation for energy efficient products (identified in the report “Low Carbon Lifestyles: a practical guide for households.”). This is a subset of the all products covered by E3.

**Table 2: Product producers to be included in the review**

| **Sector** | **Product Area** |
| --- | --- |
| Cooling | Air Conditioners (residential and commercial) |
| Gas Appliance | Domestic Gas Cooking Appliances  Gas Water Heaters |
| Home Entertainment | Televisions |
| Lighting | CFL, Halogen Incandescent and LEDs |
| Swimming Pool Pumps | Swimming Pool Pumps |
| Refrigeration | Domestic and Commercial Refrigeration |
| Space Heating | Reverse cycle A/C as heater  Gas Space and Decorative Heaters |
| Washing and Drying | Clothes Dryers  Clothes Washers |
| Water Heaters | Electric Water Heaters  Gas Water Heaters  Heat pump water heaters  Solar Water heaters |
| Building sector | Insulation (currently measured through R values) |
| Motors | Motors |

Sampling Strategy: For each product area the, review will seek out least 3 manufacturers. Ideally, manufacturers (that supply the Australian market) from Australian, European, Asian and American Brands, depending on their presence and approximate market share. Where market share data is not available we will seek input from mainstream and niche suppliers.

Where a manufacturer produces more than one product type they will be interviewed about the range of products they supply to the Australian market requiring energy labels.

Sample size estimate of 36 company interviews based on following assumptions:

* Companies from 3 jurisdiction and 11 sectors, but with some companies providing multiple products.
* Single interview with all relevant stakeholders for 50% of companies
* Two interviews will be required to capture all relevant stakeholder for 50% of companies
* No additional contingency.

Target Individuals: Within each company the review will seek input from:

* Marketing and Sales – for their perspective on product differentiation, customer expectation and managing the difference between different markets (global or state based), differing product for different markets and regulation. This group will include those who were known to have participated in consultation exercises.
* Compliance specialist – for their perspective of the registration and compliance process
* Sustainability /CSR – alignment with company position

Timing: 2nd Tranche

Key Hypotheses to Test:

* The process (consultation, registration, administration and compliance) is effective in defining and communicating standards at a level that assists the consumer to choose energy efficient products without placing an undue burden on suppliers.
* From your experience of selling your product in overseas markets what are the benefits and disadvantage of alternative models

## **The E3 website engagement pages**

In addition to the stakeholder interviews other interested parties will be invited to contribute to the review via the E3 website. A summary ‘landing’ page, hosted on the E3 website for the review will be developed, which will explain the purpose of the review, views we are seeking and what they will be used for. The website will provide a link to an online survey, developed and hosted by Databuild, which will ask structured questions in line with those posed through the stakeholder interviews. The online response forms will also be structured to ensure consistency in length of response. In this way a degree of comparative analysis will be allowed. The questions for the online survey will be reviewed following the initial stakeholder workshops as the question sets are structured for the following key audiences:

* Consumers or consumer body Product Supplier
* Regulator or government body

The existence of the online review tool will be promoted through the E3 website, as part of the recruitment letter and in discussions between DoI and its stakeholders. The online tool will be made available after the stakeholder workshops.

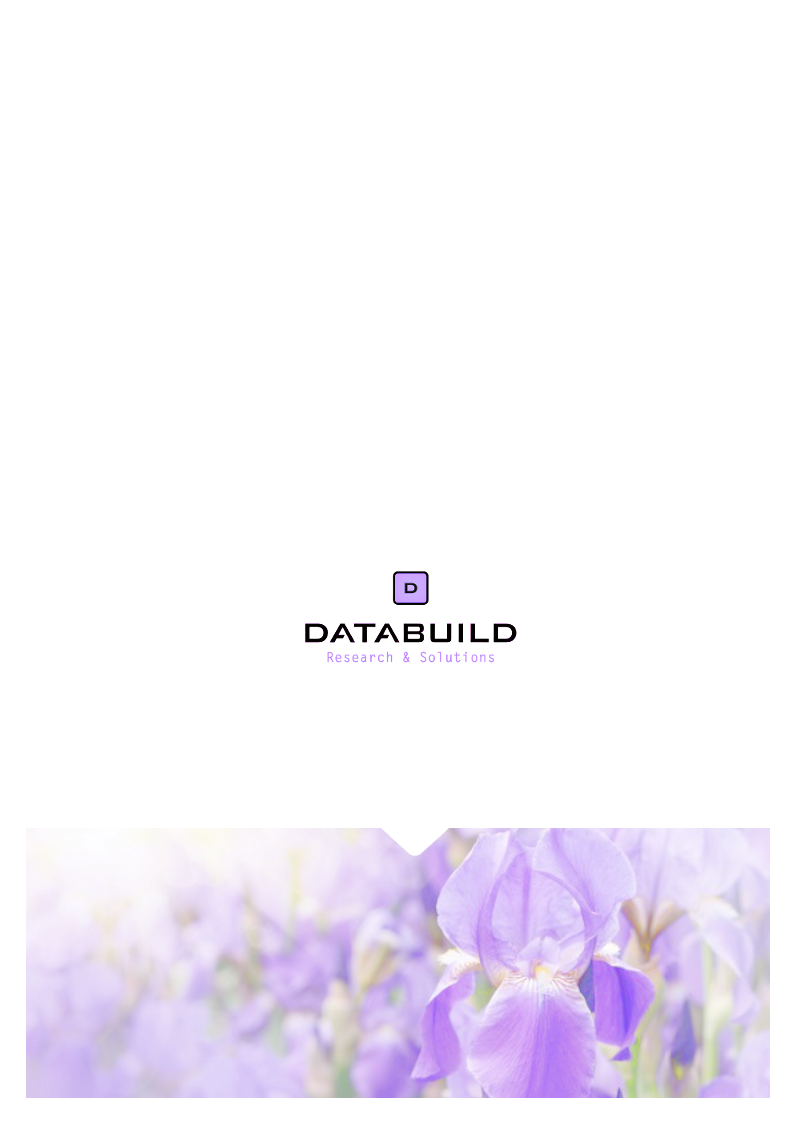
* The online tool allows completed surveys to be submitted directly to the database enabling an initial level of data collection. There is no need for DoI to consolidate online survey data.

## Challenges and Risks and mitigations

Table 3 lists the risks to the efficient and effectives delivery of the review and actions that will be employed to mitigate those risks.

**Table 3: Review risks and mitigating actions.**

| **Risk** | **Mitigating Action** |
| --- | --- |
| The review does not obtain a representative view | The sampling strategy given in this methodology report |
| Low stakeholder contribution from some groups | DoI invitations to participate, persistence in interview recruitment by Databuild. Broad advertisement of online survey tool. |
| Large number of interviews not completed on time | Databuild are comfortable with the current capacity of the team, but should issues arise (either through challenges getting respondents to participate, or through team capacity issues), we have additional researchers who can be brought into the interviewing team.  Interview questions for consumer groups and manufacturing will be completed after the initial workshop. The completion of these workshops affects the critical path of completing all stakeholder interviews on time. |
| Managing stakeholder expectations | The breadth of the review and the breadth of stakeholders is large resulting in a risk of not meeting all stakeholder expectations on all issues. The online survey tool is the mitigating action to manage this risk. The risk should be regularly reviewed as the project progresses |
| The review does not give sufficient attention to matters that can best contribute to improving the effectiveness of the scheme and benefits it provides | The question set has a broad focus and with a common theme to explore benefits and disadvantages. |



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1. The majority of interviews (77) will be carried out by telephone with 20 interviews completed face to face. The face to face interviews will be discussed and agreed with DoI once individuals have been identified [↑](#footnote-ref-1)