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By email: mara.putnis@dcceew.gov.au

Dear Mara,

Commercial Building Disclosure Program

Thank you for the opportunity to meet with you and David Atkins regarding the review of the Commercial Building Disclosure (CBD) Program and for your follow up email of 10 September with additional information including on the Renewable Energy Indicator (REI).

In response to the proposal to expand the CBD Program, we make the following response:

Recommendation:

That hotels are not included in the CBD scheme until the following matters are resolved:

- NABERS incorporates the Renewable Energy Indicator (REI) into its assessment and accreditation, whether that energy supply is a result of a conscious decision of the property or of the energy provider to government.
- NABERS factors in a “heritage” rating so that heritage buildings are not disadvantaged
- The Commonwealth resolves that its accommodation procurement will not have the effect of excluding hotels or otherwise disadvantage those that do not meet a particular NABERS rating, given the current inability of NABERS to not take into account renewable energy sources or heritage.

Summary of Key Issues

The AHA understands the rationale of the CBD program in that it is intended to incentivise buildings to be as energy efficient as possible. However, we note that business is generally getting on with the job of increasing energy efficiency without the need for “stick” from government.

It is a fact that embracing hotels in the CBD program and linking it to government procurement will impact positively or negatively on the value or earning capacity of a building (the “stick”).

Renewable Energy

The additional information concerning the Renewable Energy Indicator (REI) is useful in demonstrating that the source of the energy used in buildings is an important issue in the overall energy rating. The source of energy could either be at the initiative of the property owner/manager, or as result of investment by governments or energy providers. In either case, the outcome is the same, and any property using renewable energy should be recognised



in the NABERS energy rating. Alternatively, the totality of the NABERS and REI ratings be taken into account should any accommodation procurement decision be linked to NABERS.

Incorporating the REI into the NABERS scheme would recognise the efforts being made by properties and industry to improve their energy efficiency. In that regard we provide details below of the scheme being implemented by AHA NSW.

Heritage

In the review of the CBD program and NABERS in 2019, the AHA and Accommodation Australia raised the issues of how to equitably treat heritage or older. The examples in your email show that any building can improve, and this is not disputed. However, heritage building have a different starting point for the NABERS rating, and therefore the rating should include a factor that removes that disadvantage.

It is not fair that on the one hand governments prohibit making changes to the building fabric of heritage hotels, and on the other hand provide a lower NABERS rating retrospectively.

As the consultation papers state, it is very difficult and, in most cases, far more expensive for older buildings to be retrofitted. That difficulty can be caused by the materials and fabric of the building itself, or more inhibiting, by other government or regulators prohibiting change due to heritage reasons that allegedly interfere with the materials or fabric of the building, e.g. prohibiting roof top solar on slate roofs.

Scheme should be voluntary

In our view, until these important issues are resolved to our satisfaction, the scheme should be voluntary for hotels and there should be no impact on procurement.

Procurement

The key issue for hotels is that they may suffer financially from being excluded from tenders or bookings due to government or private procurement principles, particularly when there are inequities in the NABERS system. Even if the concerns raised here are addressed, if the NABERS indicator is linked to procurement, there would need to be further consultation as to what guidance would be given to government procurers as to what rating level would be recommended, or more concerningly, required.

Short Term Rental Accommodation

Buildings used in part or in full for short term rental accommodation would not be subject to the scheme so any disadvantage created by incorporating hotels in the NABERS and linking it to procurement could further disadvantage commercial hotels.

Our members provide a total of about 160,000 rooms. The number of short-term rental properties available on-line on average is also about 160,000. At a time when the rental market is clamouring for long term rentals, the CBD scheme would give a competitive advantage to short term rentals



Renewable Energy Power Purchase Schemes

Below provides useful background information on the first AHA NSW Power Purchase Agreement.

Background and Commencement

- AHA NSW partnered with Engie (wholesaler) and Simply Energy (retailer) to secure a 10-year aggregated electricity procurement scheme for hotel members (PPA)
- As part of the agreement, **100% of the AHA members' load is contracted from a NSW solar farm**
- The deal provides price certainty and stability for participating hotels over a 10-year period
- The PPA commenced in 2020 and runs through until 2029

Participation

- **260 NSW hotels** and **one brewery** (Tooheys at Lidcombe) signed up to the first PPA
- This represents a collective **load of approximately 150,000 MWh/annum (or 150 GWh)**
- This is the equivalent energy supply of 10,000 Australian households per year

Economic Savings

- The NSW PPA includes a fixed price for the procurement of solar-generated energy, and a floating price for the non-solar component.
- For 2022 and 2023, **the average price under the PPA is 9.87c/KWh**
- A recent competitive quote from a large multi-hotel owner for 1 July 2022 – 20 June 2024 include a peak rate of 36c/KWh, a shoulder rate of 25c/KWh and an off-peak rate of 18c/KWh
- For one of the hotels in this portfolio, the PPA **results in savings of 47%** over this competitive offer.
- A typical monthly bill under the PPA is \$6,569, compared with \$12,452 under the market offer. This represents annualised savings of \$70,592.

Environmental Benefits/Savings

- Participating hotels are contracted to purchase 100% of their annual electricity load from local NSW solar farms in Parkes and Griffith
- 150,000 MWh/year procured from the solar farm by AHA members leads to a **saving of 123,000 tonnes of CO₂ equivalent per year**

Conclusion

Thank you for taking the time to discuss our issues and the opportunity to make a submission. We would welcome further consultation and trust you will take into account our concerns and recommendations.

Yours sincerely,

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NATIONAL CEO AHA

JAMES GOODWIN
CEO ACCOMMODATION AUSTRALIA