

**ABCB Proposed NCC 2022 Residential Energy Efficiency  
Provisions**

*Strata Community Association (SCA) Submission*

**5 November 2021**

## Introduction

Strata Community Association (SCA) is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title or Owners Corporations Management) in Australia and New Zealand.

Our 5,000 individual and corporate members include strata/body corporate managers, support staff, owners' representatives and suppliers of products and services to the industry. SCA proudly fulfils the dual roles of a professional institute and consumer advocate.

Direct employment in specialist strata management companies is approaching 10,000 people. More significantly, they are pivotal in an estimated \$6.7 billion in annual economic activity.

Based on the 2020 Australasian Strata Insights Report, more than 2.2 million people live in flats and apartments, the vast majority being strata titled.<sup>1</sup> This figure does not include other forms of strata title such as townhouses and community titled developments. Nor does it include businesses operating in strata titled commercial buildings. The estimated value of property under strata title in 2020 exceeds \$1.3 trillion.<sup>2</sup>

As the growth of apartment and strata living has intensified over the last decade, the strata management strata services industry has grown in lock step to serve it. Strata managers navigate through a maze of Commonwealth, State and Territory legislation and regulation ranging from actual strata specific legislation, regulation, workplace, health, and safety issues and building codes as well as measures applicable to the management of body corporate funds.

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<sup>1</sup> Hazel Easthope, Sian Thompson and Alistair Sisson, *Australasian Strata Insights 2020*, City Futures Research Centre, UNSW, Accessed at <https://cityfutures.be.unsw.edu.au/research/projects/2020-australasian-strata-insights/>

<sup>2</sup> Ibid, p6

## SCA's Response

### Understanding strata – how the strata sector and energy efficiency interact

The strata property sector, encompassing developments such as apartment buildings and townhouse precincts, is significantly impacted by the effects of residential energy use, including increased costs arising from inefficiencies in supply and in some cases, appliances and technology used.

### Key Themes

SCA has responded to the consultation's several key themes, that if addressed, will provide greater certainty to strata managers, as well as owners, residents, tenants, and consumers who wish to live in a strata complex.

Through direct feedback to each of the questions posed in the discussion paper in this submission, we have highlighted key concerns in relation to the following areas:

### Statement of the Problem

SCA's alignment with the United Nations Sustainable Development Goals (SDGs) also entails support for substantive action to decrease carbon emissions and to incorporate the built environment into future sustainability planning, while increasing the efficiency and performance of buildings.

### Objectives and Options

SCA believes that the Consultation Regulation Impact Statement (CRIS) published by the ABCB identifies the issues associated with residential energy usage and the effects on dwellings, households as a result of current parameters applicable to energy generation and usage.

Two options aimed at addressing underlying issues associated with energy use and efficiency in residential settings are outlined in the consultation by the ABCB:

- **Option A:** A maximum annual energy use budget based on 70 per cent of the Option B benchmark (i.e., a compliant dwelling must achieve savings equivalent to 30 per cent of the societal cost of applying the equipment and building fabric performance level of the benchmark building specified in Option B).
- **Option B:** A maximum annual energy use budget (based on 'societal cost') for the elements of a building regulated by the NCC (space conditioning, heated water systems, lighting and pool and spa pumps). The budget is based on a 'benchmark home' built within specific characteristics, including:
  - *Building shell performance level: equivalent to a 7-star NatHERS rated dwelling.*
  - *Heating equipment: equivalent to a 4.5 star rated (GEMS 2012) heat pump heater (Annualised Energy Efficiency Ratio, AEER = 4.5) 47.*
  - *Cooling equipment: equivalent to a 4.5 star rated (GEMS 2012) heat pump cooler (Annualised Coefficient of Performance, ACOP = 4.5) 48.*
  - *Water heater: instantaneous gas.*
  - *4 Watts per square metre of lighting.*

In terms of direct application to strata settings, SCA supports the implementation of Option B for Class 2 Buildings (including many strata developments such as apartments) to address underlying issues associated with energy use and provide for greater efficiency in this context.

### **Framework for Analysis**

SCA supports assessment of the impact on occupant amenity for measures undertaken as part of the proposed options, while outlining our opposition to measures that will not address cost impacts that exist for Class 2 Buildings to retrofit or install more sustainable energy infrastructure.

### **Impact on Households**

SCA urges consideration of the complexities and unique circumstances affecting the installation of sustainable energy measures in Class 2 Buildings, as well as the impacts on social and economic equity for consumers as a result of measures proposed in the ABCB's consultation.

### **Other Impacts**

SCA are broadly concerned with the disparities in ability for Class 2 Buildings to realise benefits and savings associated with undertaking of measures outlined in the CRIS, in comparison with freestanding homes (Class 1 Buildings).

## Discussion Paper Questions – Direct Responses

### Statement of the Problem

**Q1. Does the CRIS adequately identify and define the problem?**

Yes.

**Q3. Does the CRIS establish a case for amending the energy efficiency provisions of the NCC?**

Yes.

### Objectives and Options

**Q4. Does the CRIS present clear, well differentiated options for amending the NCC that can achieve the stated policy objective?**

The options are clear.

**Q7. Of the options discussed in this chapter, which would be the most effective at achieving the stated objectives and why?**

**Answer - Class 1:** Option A

**Answer - Class 2:** Option B

**Q8. Which is your preferred option? (Answer required)**

**Answer selection matrix - Class 1:** Option A.

**Answer selection matrix - Class 2:** Option B.

SCA has indicated its preference for Option A for Class 1 Buildings (such as freestanding homes) and Option B for Class 2 Buildings (such as apartments) due to the significant differences in each product and its ability to improve and incorporate energy efficiency. The most significant factors that influence this decision are:

- A commitment from the strata industry to make energy efficiency improvements, as well as other improvements that increase built environment sustainability. Option B has the ability to achieve significant reductions and aid this commitment.
- The comparative difficulty to meter and measure electricity within apartment complexes when compared to that same ability to measure in freestanding homes. The ability to measure is directly linked to the ability to make energy efficiency savings through understanding issues, and even in new buildings, this process is more complex in Class 2 buildings.

- Strata management (of Class 2 buildings) is more complex than the management of freestanding homes (Class 1) and has the capacity for more issues to arise that lead to loss of energy efficiency, or for owners corporations and bodies corporate to potentially not fulfil their maintenance obligations if not managed professionally, or understanding their quite complex obligations, even if for only a short period of time.
- More complex electrical and energy systems are in place in strata titled complexes (Class 2 and some Class 1a) than in freestanding homes. These include more complex metering and off-market and private energy sources dependent on how the Class 2 building has been built, is being monitored, and what products it has chosen, such as an embedded networks. This complexity will make it more difficult to deliver than those of a freestanding home, again reinforcing our position for the differentiation of options between these classes.
- Facilities within strata complexes that are often necessary for their function represent a greater drain on energy efficiency and are harder to make improvements to and ensure ongoing maintenance than those in freestanding homes. Strata complex facilities that cause this include pools, especially rooftop pools, lifts, water heating units and lighting in common areas.

#### **Q9. What should the objectives of the residential energy efficiency provisions of the NCC be?**

To reduce energy use, reduce greenhouse gas emissions, improve occupant health and amenity, and improve the resilience of a building to extreme weather and blackouts.

### **Framework for Analysis**

#### **Q13. How would industry most likely respond to the proposed whole-of-home changes under each of the proposed options?**

##### **Answer - Class 1:**

Continue to install the same equipment and install PV (to meet the energy budget).

##### **Answer - Class 2:**

Continue to install the same equipment and install PV (to meet the energy budget).

#### **Q15. In some cases, smaller windows are assumed to be used to constrain costs or achieve compliance with the proposal. Should the impact on occupant amenity be valued and how?**

Yes.

**Q20. Would the cost of applying the whole-of-home proposal to renovations be broadly similar to the cost incurred in new dwellings?**

No, as costs are typically higher in renovations than in new dwellings.

In Class 2 Buildings, it is often very costly to retrofit and renovated to make energy efficiency upgrades.

There are low impact, easy steps that can make to lighting, installing solar and timers on lights, but heating and cooling systems, lifts, pools, and other common areas in older buildings are expensive, and sometimes impossible to upgrade.

Each building is different, and presents unique issues, but renovations on existing buildings are quite often very challenging and are not based on good data or metrics in the absence of data and monitoring equipment.

**Q21. Would the benefits resulting from applying the whole-of-home proposal to renovations be broadly similar to the benefits received by new dwellings?**

No, as benefits for renovations are also typically lower than for new dwellings.

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## **Impact on Households**

**Q34. What are the implications of these findings for social equity and the problem of split incentives?**

There are several factors to consider for the social equity of people living in strata communities (Class 2 dwellings):

- The increased complexity of the installation, maintenance and management of any equipment and construction materials that contribute to energy efficiency.
- The difficulty, if decisions are made down the path, to retrofit and renovate energy efficiency into Class 2 dwellings.
- The comparative difficulty to measure and manage electricity and energy related systems in Class 2 buildings.
- The demographics of strata residents, which includes younger cohorts, more first-time property buyers and more diverse demographics than freestanding homes (Class 1).

- That owners corporations, who are the legal entities formed to manage strata complexes, depending on their makeup and whether they engage professionals to help manage their complexes, have differing levels of expertise and the ability to understand options in an incredibly complex space and manage towards positive outcomes.

## Other Impacts

### **Q37. Are there any other unintended consequences not described in the CRIS that are likely to arise from the proposed options?**

Yes.

The unintended consequences include the ability, depending on which option is chosen, to potential place residents living in Class 2 Buildings at a disadvantage due to them being left with a higher burden and cost to meet the chosen objectives.

As stated within the consultation paper, Class 1 Buildings will find it easier to realise the savings and will entail less cost impositions.

This reality, in conjunction with the other points listed throughout our consultation response is why we have chosen to advocate for Option A for Class 1 dwellings, but only Option B for Class 2 dwellings.

There are significant differences between delivering energy efficiency in freestanding homes (Class 1 buildings) and apartments (Class 2 buildings), as outlined throughout our submission.



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