



Australian Government

Department of Climate Change, Energy,
the Environment and Water

WELS Regulator response

2020 Independent Review of the Water Efficiency
Labelling and Standards Scheme and
Intergovernmental Agreement

October 2022

About this document

This document outlines the Water Efficiency Labelling and Standards (WELS) Regulator's response to recommendations in the 2020 Independent review of the WELS scheme and Intergovernmental Agreement (the review). This response was prepared in consultation with the WELS Officials Group, representing all state and territory governments.

The review was finalised in 2021 then tabled in parliament and published on 28 September 2022. The review is available at waterrating.gov.au/about/review-evaluation/2020-review

Why is the WELS scheme and Intergovernmental Agreement reviewed?

The WELS scheme is administered under the *Water Efficiency Labelling and Standards Act 2005* (WELS Act) within the Department of Climate Change, Energy, the Environment and Water (the department).

Under Section 76 of the WELS Act, the Commonwealth minister must cause an independent review of the WELS scheme and IGA every 5 years. The review reports must also be tabled in parliament and provided to all Water Ministers.

These reviews serve a valuable purpose in that they:

- offer an independent evaluation of WELS scheme performance
- consider views of all stakeholders – the WELS Regulator, state and territory coregulators, WELS scheme participants, and industry and consumer groups
- make recommendations to ensure the WELS scheme remains relevant, contemporary, efficient and continues to deliver against the objectives of the WELS Act
- improve regulatory practice.

Regulator's response

The 2020 review considered the scheme and the Intergovernmental Agreement (IGA) separately using three categories – design, effectiveness and efficiency including cost.

The review proposed 15 high-level recommendations.

The review recommendations include detailed information that could be considered in responding to the recommendations. The detailed considerations can be found in the report and are not replicated here. The Regulator's response responds to both the recommendations and the detailed considerations.

The options for the WELS Regulator response against each recommendation are:

- **Accepted** – accepted in full where the response is primarily the responsibility of the WELS Regulator.
- **Accepted in principle** – where the implementation is dependent on the action or agreement of others such as state and territory governments or industry and government committees.

When considering the recommendations in their entirety, themes emerge about how the responses could be organised into a program of work. This program of work is set out in the WELS Strategic Plan 2022 – 2025 available at waterrating.gov.au.

Scheme recommendations and responses

Design of the scheme

1.1 Continue to be alert to, and actively research, industry and environmental changes.

Accepted

The WELS Regulator will continue to proactively engage with industry, co-regulators, trading partners, the regulated community and consumer groups. This includes through formal engagement with the WELS Officials Group (WELSOG) and WELS stakeholder advisory group (WELSAG), Standards Australia committees and JAS- ANZ Technical Advisory Committee.

Engagement in industry events will continue to be an informative opportunity to exchange information about the operational and product innovation space.

1.2 Develop a framework which will prioritise a product range that is most likely to impact on the WELS scheme achieving its objectives in reducing water consumption.

Accepted in principle

The WELS Regulator will investigate the design of a sustainable product assessment framework that can be used to determine which additional water-using and water-saving products could be included in the scheme, and the associated cost-benefit analysis and implementation considerations.

Implementation could require changes to testing procedures, Australian and New Zealand Standards, ICT systems, the costing model for the scheme and legislative changes.

1.3 Continue to strengthen interactions between the WELS Scheme, E3, WaterMark and the NCC to build consistency of approach and clarity for industry

Accepted in principle

The WELS Regulator will invest in improving the registration process and experience where possible for businesses registering appliance products through the Equipment Energy Efficiency (E3) program and WELS or registering plumbing products through WaterMark and WELS. We will collaborate with our coregulators on this.

We will also collaborate with the administrators of the voluntary Smart Approved WaterMark program in areas of mutual interest.

We will seek improvements to national and international standards and codes through the relevant standard setting committees and boards, engaging industry and government in the codesign of changes, to increase clarity for industry.

1.4 Work with Standards Australia to clarify and simplify testing regimes

Accepted in principle

The Standards Australia committees propose and determine changes to the standards. The committee works in partnership to codesign changes.

The WELS Regulator will continue to participate and engage in Standards Australia committees to enable WELS-related standards to remain current or be improved.

Effectiveness of the scheme

2.1 Strengthen the water conservation message with consumers by drawing on partnerships with other water conservation groups, local and state/territory governments and water utilities and enhance education about the WELS Scheme

Accepted in principle

The WELS scheme is drawn on by many industry, consumer and government groups to advise consumers in Australia about how to save water, sustainable building design and to set minimum water efficiency of products that can be installed. We will ensure that the scheme remains a trusted framework that other regulations, schemes and programs can rely on.

The WELS Regulator will support and develop a range of communication products to strengthen the water conservation message.

2.2 Modify product labelling

Accepted in principle

As part of strengthening the message of water conservation to consumers, including First Nations people and people of New Zealand, we will undertake market research to understand what information consumers want to know about the efficiency of WELS products and how effective the labelling information is in meeting their needs.

If consumers would benefit from changed information in the labelling, which is mandated in the WELS Australian New Zealand Standard, we will propose changes to the standard through the Standards Australia committee.

2.3 Continue to set minimum star ratings in conjunction with NCC

Accepted in principle

The WELS Regulator will continue to work with the Australian Building Codes Board as the administrator of the National Construction Code, to align minimum star ratings to satisfy conditions for the minimum water efficiencies of products.

The minimum water efficiency of products that can be registered under the WELS scheme has been considered by the relevant Standards Australia committee and is in the process of being implemented.

Efficiency and cost of the scheme

3.1 Continue to build communication and education with industry, including annual compliance communications, and clarification of areas driving issues with registration and testing

Accepted

The Regulator will continue to support industry to register products for the Australian market and provide the ratings that are also used for the New Zealand market.

We will engage and consult with industry and other stakeholders on changes to how the scheme operates, how it is funded, on changes to the registration database and on changes to requirements of the regulated industries. This includes formally through the WELS stakeholder advisory group WELSAG, Standards Australia committees and the JAS- ANZ Technical Advisory Committee, and through voluntary surveys and workshops or proactive engagement.

We will expand our communication product range to support our regulated industries.

We will publish annual compliance targeting plans.

3.2 Align processes with E3 for appliances and WaterMark for plumbing products to reduce the burden on industry, including a reduction in both the duplication of processes, which can lead to delays, and of cost.

Accepted

Opportunities to align registration processes with the GEMS Energy Rating and WaterMark schemes will be explored collaboratively. By engaging with a wide range of external stakeholders, improvements will be made to the user experience when registering products and searching the registration database to find products or water efficiency information.

Under the 2022 Machinery of Government changes, the WELS Regulator is located within the same department as the GEMS Regulator, which facilitates greater collaboration and alignment of the administration of both schemes.

We will collaborate with our coregulators on areas that are mutually beneficial, such as joint initiatives in communication activities and compliance programs.

3.3 Drive continuous improvement in reviewing the star-rating system, streamlining and strengthening registration practices and reducing non-compliance

Accepted in principle

The WELS Regulator will address this recommendation by considering the star-rating system through the Standards Australia processes for reviewing standards.

Streamlining registration practices will be explored through the investment in improvements to the registration system.

We will strengthen our compliance program to increase the range of activities and the reach of the program to monitor and respond to non-compliance.

3.4 Develop and implement a model that can review fee structures annually based on expenditure and income

Accepted

The WELS Regulator will deliver two Cost Recovery Implementation Statements (CRIS). The first will be an administrative update of the 2014 CRIS review to align with current government policies and templates required under the Australian Government Cost Recovery Guidelines. It will reflect the existing cost model.

The second CRIS will be a full review that considers whether the current cost model remains fit for purpose. It will consider options proposed by industry and government both in the independent review and through stakeholder engagement during the second CRIS.

Intergovernmental Agreement recommendations and responses

Design, effectiveness and efficiency of the IGA

1 Update the IGA in order to support the WELS IGA to remain relevant by:

- correcting outdated references
- embedding WELSAG as a forum for industry and consumer engagement
- including a specific mandate for WELSOG to consider the issue of inclusivity
- tasking WELSOG with considering appropriate ways for the WELS Scheme to reach all Australians

Accepted

The WELS Regulator will work with the WELS Officials Group to update the IGA so that it is current and fit for purpose.

2 Drive five-yearly reviews of the IGA.

Accepted

The WELS Regulator will include the review of the IGA as part of the 5-yearly scheme reviews.

3 Implement improvements that will support the administration of the IGA including:

- considering whether current legislative inconsistencies justify amending relevant laws and if so, the best way to do this
- preparing annual operating plans to assist with planning
- considering involving additional Regulators, such as for the plumbing industry, to advance reforms of the WELS scheme
- adding a stronger focus on delivering improvements within specific timeframes within WELSOG.

Accepted in principle

Correction of fact: The report states that the Queensland Government's WELS legislation is mirroring the WELS Act 2005 but in fact was amended in 2014 to include 'applied provisions'.

The WELS Regulator will work with the WELS Officials Group to determine if, and when, legislative changes are needed, and to consider the range of proposed administrative improvements.

4 Implement improvements that will strengthen the efficiency of the administration of the IGA and WELSOG including:

- continuing to hold WELSOG meetings virtually and, where possible, sequencing them to be held after WELSAG meetings or forums
- reconsidering the WELS Scheme registration fee structure to ensure better alignment between expenses and revenue
- publishing the existing IGA and any updates online

Accepted

The WELSOG meetings will continue to occur at least annually after WELSAG meetings.

The scheme fee structure will be considered in the review of the scheme cost recovery arrangement, which will begin in 2023.

The existing and any future IGAs will be published on waterrating.gov.au.