



20 May 2019

Tina Maiese
Department for Energy and Mining
Adelaide, South Australia, 5000
Submitted electronically via email:

tina.maiese@sa.gov.au

Review into the South Australian Retailer Energy Efficiency Scheme

Alinta Energy welcomes the opportunity to provide a submission to the South Australian Department for Energy and Mining's (**the Department**) Review into the South Australian Retailer Energy Efficiency Scheme *Issues Paper* (**the Issues Paper**).

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW, including 1,700MW of gas-fired generation facilities and 1,070MW of coal-fired generation facilities, and approximately 1.2 million electricity and gas customers including around 630,000 in east coast markets.

Alinta Energy's position relating to a number of the Issues Paper's design points are outlined below. Alinta Energy recommends that the Department focus on these areas to further guide and inform the Retailer Energy Efficiency Scheme's (**REES** or **the Scheme**) further development.

Alinta Energy considers that:

1. The energy efficiency schemes currently in existence across various Australian States and Territories should be harmonised.
2. The costs of administering the REES scheme should be shared between energy retailers and the Government.
3. Any changes to the list of approved REES activities should seek to expand the scope opportunities to improve energy efficiency and/or demand response, rather than placing limitations and/or restrictions on these activities.
4. In preference to setting targets for specific sectors of society, a multiplier/bonus system should be adopted as the means to encourage activities to be performed for these groups.

These positions are further explored in greater detail below.

1. Harmonised energy efficiency schemes

Alinta Energy operates across the National Energy Market, as well as the Western Australian energy markets, and as such is exposed to regulatory developments across all levels of government.

The consistency and efficiency of regulatory programs is vital for the electricity sector, given the impact regulatory inefficiency has on our ability to provide affordable energy products to our customers. As the Department is aware, several State and Territory Governments have established separate energy efficiency schemes, namely New South Wales, Victoria, Australian Capital Territory and South Australia.

Whilst Alinta Energy supports providing incentives for investment in energy efficiency, we believe this would be most efficiently and effectively achieved through 'harmonisation' of the existing State-based energy efficiency schemes. This approach would provide the most efficient means of achieving the objectives of all these schemes, both from a Government administration and business compliance perspective. This approach is preferred given that the cost, complexity and illiquidity created by having several unique schemes is overly burdensome on consumers. Alinta Energy therefore suggests that the relevant jurisdictions work together to harmonise their energy efficiency schemes.

In the event that South Australian Government decides to continue with REES as an individual State-based scheme, Alinta Energy has provided the following responses to the key sections of the Issues Paper.

2. Shared funding model

Alinta Energy shares the concern raised in section g) of the Issue Paper relating to the fairness of the current REES funding model. Specifically, that non-beneficiary South Australian households are currently subsidising beneficiary households.

Alinta Energy believes that the impacts of this cross-subsidy could be reduced by diversifying the REES funding model. We therefore believe that the REES program should be materially subsidised by the South Australian Government.

3. Ensuring the Scheme is open to the broadest group of beneficiaries

Any changes to the list of approved REES activities should seek to expand opportunities to improve energy efficiency, rather than placing limitations and/or restrictions on these activities. Instead, retailers and the market should be allowed to determine the most efficient way to meet targets to ensure the objectives of the scheme can be achieved at the least possible cost to energy consumers. Alinta Energy would also be in support of the

scheme including demand response opportunities, so long as this does not become a mandatory part of the scheme.

Furthermore, broadening the scope of recognised activities will mean that a greater number of customers will be eligible to benefit, including many who are currently paying a REES charge but do not meet the necessary conditions of the activities themselves.

In response to the consultation questions under section b) of the Issues Paper, Alinta Energy believes that:

- REES should focus on energy efficiency opportunities in both the residential and commercial sector and should not impose minimum activities for different sectors;
- Additional commercial activities should be included to maximise the number of pre-approved measures under the Scheme;
- The Scheme should not impose restrictions (such as on energy savings from lighting upgrades) in an attempt to focus commercial activities on small business.

In response to the consultation questions under section c) of the Issues Paper:

- Lighting upgrades should remain an eligible activity;
- If lighting upgrades do remain, they should not be restricted to certain sectors or regions where LED upgrades are less likely to be business as usual.

In response to the consultation questions under section h) of the Issues Paper:

- REES should not require a minimum number of activities or a minimum amount of energy savings to be delivered at each home or business.

4. Adoption of multiplier / bonus systems in place of sector targets

Alinta Energy acknowledges the importance of supporting low income household (priority groups) and customers in regional areas. However, specific targets for these sectors should be removed due to the risk of illiquidity and market saturation resulting in growing compliance costs that are passed on to customers.

As an alternative mechanism, Alinta Energy supports is the use of multipliers and/or bonuses, to encourage retailers to favour those sectors, whilst avoiding unreasonable costs to consumers and/or forcing retailers into a state of non-compliance if a certain sector becomes saturated.

In response to the consultation questions under section b) of the Issues Paper:

- There should not be a residential sector target, however, incentives to encourage activities at residential premises via the use of a multiplier should be considered.

In response to the consultation questions under section d) of the Issues Paper:

- The scheme should retain a focus on assisting low income households, however, this should be achieved with the use of multipliers/bonuses, rather than targets;
- There should be specific incentives to encourage activities in remote or regional areas, however, this should be achieved with the use of multipliers/bonuses, rather than targets.

Conclusion

Alinta looks forward to participating in the ongoing consultation process and would encourage consideration of the points raised above. If you have any queries in relation to this submission, please contact me via email: mikesearles@alintaenergy.com.au or by phone 02 9372 2606.

Yours sincerely,



Mike Searles

General Manager, Safety & Sustainability