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**Response to Review into the South Australian Retailer Energy Scheme  
REES Issues Paper April 2019**

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Green Energy Trading (GET) is one of Australia's largest originators of environmental credits and operates across a range of renewable energy and energy saving schemes. GET is not presently active in the REES scheme as it is a direct-liability scheme and effectively closed to businesses with a similar business model to ours.

GET is a member of the Energy Savings Industry Association (ESIA) and the Energy Efficiency Council (EEC) and we support the submissions that these organisations have made. We would however like to expand and elaborate in several key areas.

**SA should move to a certificate-based scheme to reduce costs**

The SA scheme as presently designed (direct obligation) involves a higher pass-through cost to customers compared to the certificate-based schemes operating in Victoria and NSW. The Australian Energy Market Commission (AEMC) in their December 2018 Electricity Price Trends report identified the different components that made up a typical electricity customers bill, including the pass-through cost associated with energy savings schemes.

The cost pass-through of the different Energy Savings schemes are summarized in Table 1 and for comparative purposes we have included the level of energy savings ambition on a per capita basis in the second column. On a \$ per MWh saved basis (third column) the Victorian and NSW schemes are one-third the cost of the SA scheme.

**Table 1 – Comparative pass-through costs of Energy Savings Schemes**

Jurisdiction with scheme	Residential pass-through 2019-20 <sup>1</sup>	MWh/capita energy savings 2020 <sup>2</sup>	\$/MWh saving
Vic	\$12	0.94	\$12.70
NSW	\$7	0.59	\$11.90
SA	\$13	0.37	\$35.10
ACT	\$29	0.64	\$44.60

(1) AEMC Residential Electricity Price Trends Report 2018.

(2) ESIA Industry Report Nov 2017

Certificate-based schemes have been shown to deliver greater competition amongst solution providers and have enabled innovative business models to develop and flourish. Key benefits of certificate-based schemes are:

- Energy efficiency solution providers have access to market-based pricing and can build a business case over the life of the scheme knowing that they will have a market for the energy savings. They are not subject to the contracting vagaries of the energy retailers.

- A certificate-based scheme supports the development of local businesses and is more likely to deliver transformation in the delivery of energy savings services. Aggregator businesses like ours provide market access, compliance and working capital support to local businesses that would typically not get an opportunity to participate in REES.
- A certificate-based scheme supports businesses with innovative and diverse business models that have a greater opportunity to participate in the scheme without having to run the gauntlet of Retailer contracting requirements.
- A certificate-based scheme is much more transparent and provides pricing and market discovery that facilitates competition and lowest cost outcomes.

Moving to a NSW or Victorian approach would significantly reduce costs and expand opportunities for SA customers and businesses.

### **SA should support demand reduction activities**

Market-based schemes have proved to be successful in transforming solar PV and Efficient lighting industries. To date very little in the way of efficient air conditioners and refrigeration have been supported under the various state energy savings schemes.

From data in the Australian Energy Market Operators (AEMO) Integrated System Plan the capital cost of building a peaking gas turbine plant is more than \$1,100 per kW. If we also allow for the cost of energy losses and network investment (will be location dependent) the cost of supplying an additional kW of electricity demand is likely to exceed \$1500 per kW.

A similar level of support should be provided to activities which reduce electricity demand. This does not however happen with the way our electricity market works which preferences supply side options at the expense of demand side options.

We believe that the REES scheme should be expanded to also support activities that reduce electricity demand and that this should be couched in terms of a required target to deliver a defined amount of peak demand reduction. Due to the expanded installation of roof-top solar PV the peak period will be between 6.00pm to 9 pm in summer.

Methodologies currently exist for a range of energy savings activities and these can readily be adapted to kW peak demand savings rather than energy savings.

We welcome the opportunity to discuss and elaborate on any of the above points.

Yours sincerely

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Group Chairman