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Energy Markets and Programs Division
Department for Manufacturing, Innovation, Trade, Resources and Energy
GPO Box 1264
Adelaide SA 5001

Dear Sir/Madam,



I write to you in relation to the Department for Manufacturing, Innovation, Trade, Resources and Energy's *Review of the South Australian Residential Energy Efficiency Scheme (REES)* Issues Paper.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

While the REES is designed for households and has a focus on low-income customers, it is very important to note that rising electricity prices are having a major impact on the business community and many businesses are struggling with rising power bills, just like many households are. Indeed, 87 per cent of respondents to the September 2012 edition of the *Business SA Survey of Business Expectations* indicated that higher electricity prices are having a negative impact on their profitability.

Furthermore, while many businesses are trying to reduce their electricity usage and cut costs, more needs to be done to encourage businesses to invest in improvements in energy efficiency. Just below two thirds of respondents to the September 2012 edition of the *Business SA Survey of Business Expectations* indicated that they have plans in place to improve energy efficiency.

If an energy efficiency scheme is going to continue in South Australia, Business SA would prefer a national scheme that includes the business community, such as that being considered under the National Energy Savings Initiative.

In the absence of a national energy efficiency scheme, Business SA supports the REES continuing, but recommends that it be extended to include small and medium sized businesses, as well as commercial landlords, so that the problem of mixed incentives in the landlord-tenant relationship is mitigated.

This position was first proposed in the Business SA report, *A Greenprint for the Future – Creating a Sustainable South Australia*, released in late 2009 and reiterated in the 2010 pre-election document, *A Charter for a Prosperous South Australia*.

For small and medium sized businesses, many of the energy savings that can be made are similar to households – such as through more efficient lighting and hot water systems. Computers and refrigeration may also provide scope for substantial energy savings. Energy audits would help many small businesses, given that a lack of information and resources is a major barrier to taking up energy efficiency opportunities. Other barriers include long payback periods, tenant-landlord relationships and electricity being a small proportion of costs.

The primary objective of any energy efficiency scheme should be to reduce energy consumption and energy costs. Reducing greenhouse gas emissions should not be a primary objective, but will be a benefit from such a scheme, unless the carbon intensity of electricity rises.

Serious consideration needs to be given to whether an extended/expanded REES or National Energy Saving Initiative will include tradeable certificates. The carbon tax and the renewable energy target already place prices on greenhouse gas emissions and renewable energy generation respectively. Another price, this one on energy savings, would add to the complexity, confusion and administrative burdens of the energy market. That said, the ability to trade energy saving certificates could result in a more efficient outcome in terms of the cost-effectiveness of achieving a given level of energy savings.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

Nigel McBride

Chief Executive Officer