

Department of State Development
Energy Markets and Programs Division
GPO Box 1264
Adelaide SA 5001

Via email: to DSD.REESReview@sa.gov.au

ATT: John Denlay, REES Program Manager



8 September 2014

Dear John

REES Consultation –thresholds, metric, energy audit specification and energy saving activities specifications

Thank you for the opportunity for AGL to meet with yourself and Inty Khan in Melbourne on 25 August to discuss the proposed 2015 REES thresholds, metric, energy audit specification and energy saving activities specifications. We appreciated this opportunity to verify information and ask further questions.

Attached please find our detailed response to the consultation. AS per the documentation from our meeting, we have reviewed the consultation paper by section and comments asked per section. Where there is no section or question identified, this means that we have no comment or concerns with the proposed methodology.

I would be very happy to provide further elaboration on our response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jenny Gregory'.

Jenny Gregory
Manager Mandatory Energy Efficiency Programs

Attachment A: Responses to REES Consultation questions, Sections 1 - 7

1. General comments

In order for the changes to the scheme to be as seamless and as consistent across activities and participants, AGL urges the scheme administrators for the South Australian Retailer Energy Efficiency Scheme (REES) to publish accredited products and their abatement factors on the website. This could be in obligated retailer / third party providers only section, or the general section. The benefit of it being generally available is to support the uptake of more efficient products by the general public.

We also believe that assistance is given to all retailers and third party providers in being able to use the new metric, especially as it will be more complicated than the current metric.

We do not have any comments on the proposed energy thresholds, targets, large customer calculations or netting out large customers.

Retailing 5,000 retail customer threshold

AGL believes that the social and environmental objectives and outcomes which are embodied in the REES should be applied (as a percentage) to all residential retailers, not just those with over 5,000 customers. The reasons for this view are:

- It is likely that a greater proportion of hardship households will be customers of the smaller retailers due to lower energy pricing (i.e. a hardship customer is likely to be with the retailer with the lowest tariffs).
- Assisting 'hardship' households is a social policy, which should be shared by all energy retailers, not just those with over 5,000 customers – noting that the Australian Energy Regulator (AER) requires *all* energy companies to have Hardship Policies. These policies must include ways to help identify customers who may need help and providing early assistance, and offer a range of programs to help customers better manage their energy bills (i.e. similar to but not the same as REES).
- We do not believe that retailers, through energy audits or priority energy efficiency activities, are in a position to 'provide additional support to residential customers through referral to third party support agencies, applicable Commonwealth and State government concessions and access to energy efficiency advice.' (REES/07, February 2014)

We also note that the AER allows companies to provide customers with Power Purchase Agreements only. These retailers are currently exempt for REES obligations.

Commercial buildings market

We believe that there are additional activities which could be undertaken in the commercial buildings market, particularly related to the replacement of inefficient heating, cooling and ventilation systems.

There are also additional opportunities in the SME industrial market for the replacement of old and inefficient equipment, such as boilers, furnaces and machinery.

Some of these areas are already being covered by the Energy Saver Schemes in Victoria (ESI) and NSW (ESS).

However, in order to promote uptake, we urge the SA Government to simplify requirements and calculations wherever possible.

This includes the Aggregated Metered Baseline Methodology (AMB) and possible future Projects methodologies and compliance, and to consider de-risking potential poor outcomes as much as possible. We note that activities proposed under the ABM include those which AGL supplied to the 2013 REES consultation, and we still believe these activities to be very beneficial. However, we consider that the methodology proposed under the AMB is too complicated and the risks of not achieving the desired/predicted results are too high for us to consider undertaking activities.

Energy Audit changes

We believe that the proposed energy audit specifications are appropriate and timely. Many of the existing auditors will be eligible for Recognition of Prior Learning (RPL), there are a number of TAFEs which provide these packages, and, as the competencies required are part of Certificate IV Property Services Training, it will possibly add to their skills and future employability.

Energy Audits in Regional Areas

Looking at the postcodes denoted as 'regional' and 'remote' we suggest that remote areas are allowed telephone audits and regional areas (except for distant small townships and sparse settlement areas) are physically audited.

This is especially pertinent to the Whyalla and Port Pirie areas, where our data informs us that there are a large number of hardship customers (who could benefit from in-home audits).

We do note that it may be worth the government considering a different energy-related program to assist hardship customers in the remote areas.

2. Activities – responses to generic questions

Use of interstate registry for SA activities

We believe that using an established interstate registry to create SA activity credits could be a good use of resources, and the fore-runner to establishing a nationally consistent energy efficiency schemes across all States and Territories. It also makes sense in terms of using resources efficiently.

However, we would urge that the registry chosen is simple to use, transparent and lists compliant/accredited products.

Other energy saving activities not proposed

We believe that there are a number of activities (apart for commercial activities already listed) which could deliver cost-effective energy savings – especially when taken up on a large scale.

These include:

- Direct solar heating and cooling (residential and SME);
- Direct geothermal heating and cooling (residential and SME); and
- SME insulation, double glazing.

We assume that other business sector activities (such as those being undertaken under the Victorian and NSW schemes) will be added over time.

Use of BCA Climate Zones

We agree with the BCA climate zoning, and note that the proposal is to put Zones 4 and 5 together and keep Zone 6 separate.

However, Zone 4 contains cooler areas than Zone 5, such as Mt Gambier, Murray Bridge, and the east and southern suburbs of Adelaide. Geographically, this zone covers almost the same size as Zone 5, though we were unable to tell if the populations were similar.

Therefore we recommend relooking at the use of three rather than just two zones, as it is likely that there will be more energy savings from heating related activities in Zone 4 whilst in Zone 5 the major benefits will be from cooling related activities.

We further note that double glazing is beneficial in all areas, but that some products are better for making savings in cooler areas and others for warmer areas. However, we also acknowledge that there may be difficulty is allocating products and heating/cooling values for the different zones.

Energy Savings

As per previous comments, we believe that some activities need additional credits to generate delivery for some activities.

For instance, AMB, Installation of Insulation to Floors, Window Sealing (adhesive fix), Exhaust fan sealing, Wall vent sealing, 4 Star Window (BCA Zones 4&5), 6 Star Window (BCA Zones 4&5), 4 Star Window (BCA Zones 6), 4 Star Window (BCA Zones 4&5), 6 Star Window (BCA Zones 4&5), 4 Star Window (BCA Zones 6), 6 Star Window (BCA Zones 6)

3. Activities – specific responses

Activity No., Name	AGL Comments
7.5 – 7.9, Insulation	<p>The recently-released <i>Report of the Royal Commission into the Home Insulation Program</i> has significant findings related to the necessity of correct training for insulation installers. This includes the recommendations by the Master Builders, ICANZ and Fletchers that new entrants to the insulation industry would need one day OH&S, plus 2 days insulation specific training (three days in total).</p> <p>We note that there appears to be relevant certificate-level competencies within Certificate III in Wall and Ceiling Lining, such as CPCCPB3014A - Install batt insulation products, and CPCCPB3027A Install Ceiling Insulation.</p> <p>We do not believe that it is good practice to encourage ceiling insulation to be placed over any downlights, even if they are LEDs. LEDs can still heat up to about 80 degrees Celsius, possibly more if poorly made. The top surface of LEDs is designed to minimise heat transfer. If insulation is put over the top of them, they become even hotter. Thus we would suggest that this is re-phrased to encourage insulation up to and around the LED downlight, but not over it</p> <p>We unequivocally state that Occupational Health and Safety training is a must for all insulation installers.</p>
7.9, Building sealing activities	<p>We believe that these activities may not be taken up for the following reasons:</p> <ul style="list-style-type: none"> • Not enough credits to stimulate activity (i.e. make it worthwhile to do). • At present, door seals have to be fixed. If they were able to be stick on as well, then we believe that there would be more uptake (some householders are not keen on tradespersons installing permanent weatherproofing fixtures). • All windows have to be applied with same treatment (may not be appropriate). • We have concern related to some of the chimney treatments on the market, as we believe that they are potentially hazardous. • Caulking, whilst a great idea in principal, should be left to the home-owner to undertake. This is because it would not be cost-effective to undertake (time vs credits), and there is a high probability that caulking could cause customer angst (unsightly, fixed etc.).
7.10 – 7.11, Replace an inefficient window with a thermal efficient window	<p>We support the inclusion of both replacement of existing windows and secondary glazing activities, but think that the values assigned are too low to stimulate much activity in these areas, as the products are:</p> <ul style="list-style-type: none"> • quite expensive, especially compared to many other activities; and • relatively unknown in Australia.

	<p>Double glazing is a very efficient energy saving activity – with the right product to the climate zone (see earlier comments). There can be a big difference between cooling and heating stars, which isn't reflected in the final rating. <i>For instance (and without prejudice to any of the below products):</i></p> <p>GS Alice Glass & Aluminium Genesis Awning Window - Double Glazed</p> <p>CAP-022-03 6EA/6Ar/6 ★★ ★ ★★★★★ 48% 54% 4.1 0.44 0.49 0.0</p> <p>Source: http://www.wers.net/werscontent/certified-products-residential</p> <p>In Climate zones 5 & 6, keeping the house cool will save more energy than keeping it warm; in Zone 4 there is more alignment to heating.</p> <p>We also question if the market is ready for 6 Stars, and suggest that there is a need to have higher reward for installing higher Stars (i.e. more credits).</p> <p>Stegbar Pty Ltd Cedar Architectural Casement Window - Double Glazed</p> <p>STG-042-02 4/12Ar/4Pt ★★ ★★ ★★ ★★★★★★ ☆ 73% 71% 1.6 0.26 0.3 0.0</p> <p>Source: http://www.wers.net/werscontent/certified-products-residential</p> <p>However, we note that the difference in heating and cooling Stars may be immaterial compared to the overall energy reduction benefits.</p>
<p>7.12, Heating and Cooling Systems</p>	<p>Efficiency standards often lift incrementally year on year at an appliance level. Therefore, it would be appropriate to align product requirements with the national Minimum Energy Performance Scheme (MEPS). Their Star ratings are recalibrated as new products come on the market / efficiencies rise.</p> <p>See http://www.energyrating.gov.au/about/other-programs/meps/</p>
<p>7.13, Install efficient new ductwork</p>	<p>We believe that, as drafted, this activity represents an expensive exercise for very little abatement credit. In order to have greater uptake, the energy saving factors need to be increased to create a greater incentive for customers to take up this activity.</p>
<p>7.16, Replace an inefficient</p>	<p>Option 2 is preferred (i.e. change <i>all</i> showerheads) to avoid incentivizing fewer showerhead retrofits.</p>

<p>showerhead with an efficient showerhead</p>	<p>At present SMEs are not eligible. We believe that there are many types of SME operations which could benefit from this activity. Such places include hotels, motels, rooming houses, club rooms etc.</p>
<p>7.17, Install CFL or LED general purpose lamp</p>	<p>We agree with the general tenor of this activity, but note that a minimum efficacy of 80 lm/W is quite high, and suggest this is reduced to 60 – 70 lm/W, at least for the next 2 years in order to allow for the market to adjust and product range to expand.</p> <p>We believe that this activity could benefit from being split into two: with no cost to householder activities (i.e. CFLs) being in one category with appropriate abatement factors, and the other being LEDS (which will have a co-contribution from the householder).</p> <p>If it were divided into two categories, then a free issue unit such as a CFL could have a cap of 20 bulbs to reduce potential abuse of the program.</p> <p>However, for LEDS, it is much better to change all lights and lower the house's energy consumption, as this will allow the customer to see the change in their electricity bill and value for their financial co-contribution (if all globes are not replaced, then energy bill reduction may be slight and the wrong opinion formed that LEDs 'don't work').</p> <p>Similarly, LEDs and CFLs have different operating parameters including warranties and lifespans.</p> <p>We believe that safety issues should be covered by the Office of the Technical Regulator and requiring the installer to be an electrician where wiring is involved. We note the issues raised in the NSW ESS report.</p>
<p>7.18, Install LED down-light Lamp or LED down-light luminaire</p>	<p>We note some small issues with the proposed activity changes:</p> <ul style="list-style-type: none"> • Can't reinstate globes if the customer does not like the new ones in 20 days' time as the original globes will have already been destroyed. • The way this activity is worded may put the suggestion into people's mind that they can go back to old technology (which has already been destroyed and therefore would have to be sourced and replaced at the retailers' expense) – which rather defeats the purpose of the activity and lessens the likelihood that retailers will undertake this activity. • We are concerned about the process of how reinstatement of ceiling insulation can be proven and audited. <p>We do not believe that it is good practice to encourage ceiling insulation to be placed over any downlights, even if they are LEDs. LEDs can still heat up to about 80 degrees Celsius, possibly more if poorly made. The top surface of LEDs is designed to minimise heat transfer. If insulation is put over the top of them, they become even hotter. Thus we would suggest that this is re-phrased to encourage insulation up to and around the LED downlight, but not over it</p>

7.21, Standby power controllers	<p>We disagree with limiting the number of IT SPC installed to one per premise, for the following reasons:</p> <ul style="list-style-type: none"> • These days, there are usually numerous IT-related products in the average home, used by different members of the household in different rooms and all drawing power. • Limiting SMEs to one IT SPC would, in most offices, not create any noticeable benefit.
7.22, High efficiency appliances	<p>We believe that the proposed point of sale credits are appropriate, and that gas powered driers should be included for consistency, and as they are relevant to some SME activities (e.g. dry cleaning operations).</p>
7.23, Remove and destroy an unwanted household (style) refrigerator or freezer	<p>It would be impractical if removal and disposal was required at point of sale in-store, but this activity may stimulate additional SME recovery and recycling businesses.</p> <p>We believe that brand, as well as year of manufacture, would be the most appropriate way to ascertain if R12 were in the appliance. We believe that it is well known when each brand phased out its use of R12 (e.g. Kelvinator 1996), and it would be very useful if the REES website had these details listed, so that both householders and installers/removers could easily check the gas in their refrigerator.</p>
7.25, Aggregate Metered Baseline methodology - AMB	<p>We acknowledge that the NSW ESS has this as part of their new residential scheme, having adopted it from their commercial scheme. We believe that, whilst the activities are in line with our submission to REES in 2013, the way this activity has been designed requires lots of work for little gain, and is high risk in terms of being able to predict the energy savings from these activities.</p> <p>We are happy to discuss options around this proposed activity further, but will not be undertaking any activities if the current proposal goes forward.</p>
7.26, Commercial lighting	<p>We note that NSW IPART does not have a list of accredited products on their site and it believes that to do so would cause competitive advantage for specific retailers. It is our opinion that everyone benefits equally from a product register.</p> <p>The Victorian scheme does have the accredited products listed, which is very useful for those participating in the scheme, as well as householders wanting to know the most efficient products. We believe that an accredited product listing would:</p> <ul style="list-style-type: none"> • provide transparency for the community (householders, businesses, scheme participants) and thereby promote uptake; • encourage new products to become accredited – thus widening the offering and price outcomes; and • simplify the process for retailers looking to commence this activity / stock new lights. <p>Based on our participation in the NSW and Victorian scheme, we believe that there will be customer co-payments for this activity, due to the cost of the LEDs and electrical services required.</p>