

9 August 2013

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

Dear Sir/Madam

Residential Energy Efficiency Scheme (REES) Directions Paper

Thank you for the opportunity to respond to the REES Directions Paper.

Low Energy Supplies and Services Pty Ltd (LESS) is an Australian company that delivers energy and water savings to generate financial and environmental benefits and has been directly responsible for more than 5 million tonnes of carbon abatement and water savings of over forty gigalitres per annum. LESS' expertise is in the provision of energy saving initiatives through the supply and installation of energy efficient products to residential and commercial clients. We have been a contracted service provider to a number of energy retailers under the REES since 2009. We are also accredited under the Victorian Energy Efficiency (VEET) Scheme and the NSW Energy Saver Scheme (ESS).

REES is a unique energy efficiency scheme that has successfully achieved real energy savings to South Australian residences, and in particular to low income households. LESS supports its continuation, and in particular the proposed expansion to the commercial sector. We have detailed below LESS specific responses to the proposed directions set out in the Directions Paper.

1. Continue REES until 2020

- LESS endorses a continuation of the REES Scheme until 2020. A government announcement at this time provides a necessary signal to those operating in Scheme that will enable forward planning. Many liable entities have substantially achieved their obligations for 2014 in anticipation of saturation. Therefore the timing of a decision by government to continue REES until 2020 provides a platform from which participants can consider future energy efficiency activities rather than seeing 2014 as "wind down" year.

2. Refocus the objectives of the scheme

- In principle LESS supports a focus on energy reduction rather than greenhouse gas reductions. A rationale for this refocused objective is the impact of increasing energy bills for households and disproportionate impact on low income households. LESS has separately responded to the proposal to change the metric of the Scheme from carbon (CO₂) to energy and kilowatt hours.
- LESS supports the retention of the priority group target primarily as it enables this sector to be separately accounted for and included in energy efficiency initiatives. It is evident that this component of the REES is unique and is now well understood by all operators within the REES and has attracted high levels of support from the community and not for profit sector. We support the proposal for a change to the Scheme rules to include the working poor and not only people on concession cards. In LESS' past experience there have been times when achieving priority group targets has been challenging – so ensuring that target is achieved through all householders struggling with rising energy costs is important to Scheme objective of assisting those households.

3. Expansion to small to medium SME businesses

LESS supports the expansion of scheme to new sectors, particularly to SME businesses and potentially to the commercial sector. LESS has undertaken a significant number of commercial lighting upgrades under the NSW Energy Saver Scheme and is also accredited to provide commercial energy lighting VEECs in Victoria. Many of these upgrades have been delivered to small to medium businesses (SME) – and we consider that should South Australia expand REES to this sector that it will incentivize energy savings to businesses that would not otherwise have the available capital to install more efficiency lighting technologies. We note the Directions Paper has identified a concern about displacing the residential sector. LESS proposes that this could be addressed through establishment of minimum target for priority and non priority group in residential sector. Example structure for target:

- Continue the 35% residential Priority Group target
- Set a minimum target, for example 30% which is to be achieved in the residential Non Priority Group sector
- No specific target for SME but once residential targets are achieved Liabe Entities will achieve their over all energy reduction targets in the SME sector.

We believe that the rationale for an expansion of REES to the commercial sector is well timed to add breadth to the range of energy efficiency technologies and services on offer. For the scheme to continue at lowest cost to energy retailers there needs to be sufficient products and opportunity to achieve this. By opening REES to SMEs and the commercial sector it is suggested that REES will continue to assist the South Australian economy and households by assisting business to reduce energy costs.

LESS suggests that Victoria and NSW provide helpful examples for South Australia in the design of the SME/commercial sector.

Key Lessons from Victoria

- rules have not facilitated uptake of certificates in commercial sector with low cost product (SPCs) all certificates created have continued in residential sector
- rules cap operating hours at 30,000 hours so full benefit of savings where business operating in excess of 30,000 are not permitted (disincentive for those businesses)
- Product approval process (particularly for T5 adaptors and LEDs) have been robust and designed to prevent low cost poor quality LEDs from the market but may result in little VEEC creation resulting in businesses opting to undertake LEDs and forego VEECs

Lessons from NSW

- Rules do not allow residential ESC creation at present to Scheme so only commercial
- Rules enable full operating hours for energy efficiency technologies (important to accurately support lighting upgrades)

4. Improve quality of energy audits

LESS supports in principle quality energy audits. In our experience the inclusion of energy audits allows depth and development of energy efficiency knowledge. It also attracts and supports energy efficiency skills in scheme and provides good employment options for installers and incentives for up-skilling (for example all LESS auditors are Cert 4 trained in sustainability).

LESS' observation about longer and more complex audit models is that while longer audits enable better quality audit information and likely to lead to behavior change, this is not benefited from an overly prescriptive approach (such as Green Loans, which was very form driven and not flexible enough to look at outcomes). We believe there is a balance to be achieved in requiring longer or more detailed audits and the cost impacts of a more comprehensive audit.

LESS advocates that there needs to be a requirement that audits should be linked to energy efficiency activities i.e. requirement for audit is eligibility for energy efficiency activity installation.

5. Harmonization

- LESS supports all initiatives for harmonization and particular the use of interstate registries, although we note there are significant differences between NSW and Victoria. There are differences in abatement calculation, accreditation requirements between certificate schemes and so a related issue is determining which scheme and which rules will REES harmonise with. LESS proposes that particularly with respect to the expansion of REES to the commercial sector the preferable model is ESS.
- The Directions paper explores option of energy retailers purchasing certificates through interstate registries. LESS supports this proposal and suggests that it will be attractive to national companies with operations in multiple states including South Australia.

6. Improve participation in regional areas

- LESS supports the proposal for a regional multiplier. We note that Victoria does this through regional abatement factors. We understand the initial justification in Victoria was the saving of network and transition costs if VEEC activities occurring in regional areas. This rationale may also apply to additional energy savings in regional South Australia.
- LESS has undertaken significant number of activities through local trade's people in rational locations and notes importance of incentives to operate regionally. It is our experience that it is more expensive to generate activities in regional areas but where it can be achieved it not only provides access to energy savings to regional households and economies but also provides local employment and knowledge of energy efficiency.

Increase flexibility of activity approval process

LESS supports initiatives to streamline product approvals – this provides certainty to product suppliers and also businesses seeking to use particular products in multiple schemes some consistency as to approval requirements for use within the schemes.

Improve timeliness of activity reporting

LESS strongly supports more real time reporting and initiative that facilitate lodgment of REES Energy efficiency activities. The time delays and uncertainty of whether an activity is valid is currently costly and problematic. Currently a contractor may undertake an activity in a compliance year and not be advised until some months (and in some instances it can be 12months after the installation) of a duplicate error. This is inefficient, exposes energy retailers to the overshooting their targets, adds cost to contract delivery and requires both energy retailers and contractors to be carrying forward liabilities from one compliance year to the next, with significant time lapse between activity and final outcomes.

Change metric of the scheme to energy reduction

LESS proposes that the metric for calculation energy reduction remain carbon – this is consistent with existing energy efficiency target schemes and has become a standard metric that is internationally recognized.

Improve the quality assurance for service providers

LESS supports the initiatives to improve the quality of service providers and welcomes the opportunity to work with energy retailers and other service providers on agreed and voluntary codes of practice.

LESS looks forward to the continuation of REES in line with the proposals set out in the Directions Paper and welcome further opportunities to discuss in more detail the proposals for the future of the Scheme.

Yours sincerely



Chris Rayment

National Business Development Manager

Low Energy Supplies & Services