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South Australian Retailer

Energy Efficiency Scheme (REES)

Directions Paper October 2019

Reply

Department for Energy and Mining

Submitted to tina.maiese@sa.gov.au
Prepared by Demand Manager Pty Ltd

Executive Summary

Demand Manager welcomes the opportunity to provide further feedback on the directions Paper for the potential new REES Scheme starting 2021.

We firstly would like to congratulate the positive response for a recommended continuation of a scheme from January 1st, 2021.

Since the recommendation is for the Scheme to still be a "direct obligation model" we believe that affordable and cost-effective solutions should still be offered to all South Australians and that this should be part of the future direction statement. As all costs are added to all electricity bills in South Australia and South Australia has the highest power prices in Australia, this should not be lost on all stakeholders in the scheme, including the current government. This should be front and centre and the department should not be implementing policies that put upward pressure on these costs.

This has unfortunately, not been a focus in the past. I would like to think that the holistic aim in S.A. is to increase our energy efficiency while at the same time lowering our power prices for all in South Australia.

This would truly be something all stakeholders should be striving for.

A possible future addition to the proposed scheme objective could be then *"To improve energy productivity for households, businesses and the broader energy system through affordable and cost-effective solutions, with a focus on low-income households. This will reduce energy costs and greenhouse gas emissions, whilst improving human health"*

In the directions paper, a lot of information and detail has not been included which doesn't go well for seeing what the intended costs/factors or multipliers to be used for the different methods are shown to all the stakeholders. I realise this may be available come June / July 2020, but that doesn't give much time to have it up and running and gain buy in. Suggest that more collaboration / consultation occurs early next year before any position is taken on future solutions.

Replying to the Discussion papers proposed directions from 2021 onwards

- The new scheme will start form January 2021 and include three yearly targets and be reviewed after six years.
  As this is a new scheme to drive market transformation, I would suggest it should run for 5 years plus an additional 5 and be reviewed after 10 years. During each 5 term the department to have the ability to change/enhance offerings as technology improvements occur.

- Restricted credit carryovers of 10%. Agree

- The objective needs a slight change to focus on affordability and cost-effective solutions.
  *"To improve energy productivity for households, businesses and the broader energy system through **affordable and cost-effective solutions**, with a focus on low-income households. This will reduce energy costs and greenhouse gas emissions, whilst improving human health".*

- Regional target of 15%. Agree.

- Help avoid future network costs by incentivizing demand response activities as well as energy savings in commercial and residential sectors. Agree but also should be considering, if this is the future, what lowering of fees will S.A. Power Networks be required to pass on to S.A. consumers over time? What accountability will the department take for implementing this policy? If no one is going to track this or implement, then it will be a missed opportunity to lower power prices for all. Or is the REES Scheme going to subsidise the Network with no lower costs going back to the consumers? I feel this has not been thought out or not enough information has been forwarded to all stakeholders to make an informed decision. Demand Management is a positive or are we helping a private company become more profitable?

- Have an energy productivity target, expressed using a gigajoules (GJ) metric.
  More information required.
- Include mechanisms to promote greater competition among third party activity providers.
  I agree in principle until I read 3.5 in the directions paper. I feel that you are not addressing the real issue and are just throwing suggestions out.
  You have decided to keep it a "direct obligation model", so you need to respect what risks you have pushed onto the electrical retailers.
  In the first instance the department should collaborate with the current electrical retailers and third-party contractors to seek out the schemes challenges and do their

own internal analysis on market share of third-party contractors. I look forward to finding out details. It is a shame that the scheme has been running for nine years and now it has only been mentioned.
As far as reducing costs in the scheme through competition the department should have considered this before they changed the deeming factors for the whole state (taken from NSW) last year which made it approximately 27% more expensive to perform commercial lighting upgrades. This did not have to occur and can be changed tomorrow if the department is looking into reducing scheme costs?

After discussions today, the department should state the actual problem to all stakeholders. In the discussion paper it doesn't state the actual problem and if the department tries to force certain policies/procedures onto electrical retailers it could cause unintended consequences.

If anybody feels they can not get involved in the scheme the department can contact Demand Manager and we will help them.

- Consider increased alignment of scheme activity rules with interstate schemes, where appropriate and ensuring continued high-quality outcomes for consumers.
  Due to past decisions which have been inconsistent, it has been hard to read what is deemed as appropriate alignment.

- Allow second visits and increasing the 900 G.J. limit for commercial lighting upgrades.
  Fantastic decision

- Incentivise upgrades in larger businesses by introducing new commercial and industrial activities, such as upgrades of fans, pumps and motors.
  Fantastic, I look forward to the details.

- Incentivise upgrades in larger businesses by introducing new methods such as NABERS Baseline Method, Power Factor Correction Method and Project Impact Assessment Method.
  Fantastic. Agree with new methods becoming available. Will require more information and discussions.

- Require customer co-payments for all commercial and industrial activities.
  I feel we should leave co-payments for only large energy consumers for the next 3 – 5 years in S.A. This only adds to small business costs in S.A. Remember, being affordable and cost effective in the scheme should be a main consideration.

- Introduce a residential target, alongside a priority group target.
  Agree

- Introduce rental households within the definition of "priority group"
  Agree.

- Review the updated scheme rules for other opportunities to overcome the land/tenant split incentive problem.
  Agree and look forward to details.

- Incentivise deeper retrofits to priority group households.
  Agree and look forward to details.

- Incentivise residential activities that reduce peak demand or increase demand response capability. Co-payments on all residential retrofits.
  Disagree with co-payments on all residential retro fits. Low cost – low energy offerings should still be available going forward.
  Agree with incentives and co – payments on higher cost – higher energy savings in residential households. Makes sense. Looking forward to what comes.
  Priority group should be treated differently which they will be.

- Investigate options to assist customers with financing for deeper retrofits.
  Agree and look forward to details.

- No longer include residential energy audits and no longer require retailers to meet annual energy audit targets.
  Strongly disagree.
  No proper analysis done or shared with stakeholders.
  We should be educating, sharing knowledge and explaining energy efficiency especially with the priority group of customers.
  Energy Audits are no -where near saturation levels.
  If anyone requires them, contact Demand Manager.
  We are still doing them and getting buy in from customers we are helping.
  Continuing these should be a must.
  I've been to a presentation at the Energy Efficiency Expo where the topic "improving consumer decision making around residential energy efficiency upgrade choices"
  Speaker being Hugh Barton, A/Manager, Scorecard. Energy DELWP.
  Great discussion about residential audits and the positive outcomes that come from them.

He also has statistics to prove that audits are worthwhile. Please contact him to discuss if you are looking for positive data.
Keep the audits and help this group of S.A. people and families. Being in the Scheme we believe they do drive energy / bill savings for low income consumers.
The stakeholders I have spoken to in the scheme tell me they should continue, and the customers are for them.
Also, an audit target should continue for the electrical retailers in the priority group.