

9 September 2014

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

Dear Sir/Madam

We write to you in relation to the consultation paper on the proposed amendments to the Retailer Energy Efficiency Scheme (REES).

### **Executive Summary**

Business SA supports the introduction of small business into the revised REES, but it will be critical to ensure the REES is properly structured to enable access by small business.

Many small business owners already spend considerable time on regulatory compliance which takes them away from operating their business. Accordingly, it is very important that the REES does not add further red-tape for small business. If it does, then small businesses will not participate in the REES and it will not achieve its mandated aim of improving energy efficiency in small business.

Furthermore, auditors of small businesses will require some industry experience to identify energy savings opportunities in various commercial settings. Industry experience will also assist auditors to effectively communicate with small business owners.

The revised REES must also focus on improving gas efficiency for small business, particularly given the much higher relative use of gas in businesses compared to households.

Moreover, gas prices have already increased during 2013/14 by 13.9% and 12.3% for South Australian households and small businesses respectively.<sup>1</sup> In addition, further price rises are forecast over coming years as export markets for Australian gas absorb supply otherwise available for domestic consumers.

We acknowledge that various technical aspects of the revised REES will be reviewed after three years. However, in accordance with our previous submission on the REES, there should be a full review of the costs and benefits of the REES to allow for it to be abolished from 1 January 2018 unless its continued existence can be substantiated.

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<sup>1</sup> 'Energy Retail Prices in South Australia: Ministerial Pricing Report 2014', August 2014, [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

## Background

In 2012, Business SA called for small business to be included in the REES and was pleased with the recent State Government decision to enable this by 1 January 2015.

We provide further comment on the proposed changes to REES, particularly as they relate to appropriately providing for small business requirements:

1. In general, the language of the consultation paper is still very much focused on residential properties and is not clear on how small business customers will be accommodated.
2. There is no defined small business customer and while we can only assume it will be relative to energy consumption, it will be important for this to be properly defined in the revised REES. Furthermore, small business customers may need to be categorised as being eligible if they are under a specific threshold for either electricity or gas.

We acknowledge that setting a threshold for business size is difficult but using a 160MWh (576FJ) threshold should cover most small to medium retail businesses, sporting clubs, small aged care facilities and small factories. However, when considering a mix of energy types, it is necessary to use common units i.e. expressing all energy forms in either MWh or GJ. For example, a range of 600 to 800 GJ should cover most small businesses.

3. While there may be some commercial buildings which are not suitable for such a scheme, typically multi-level office buildings, the types of small businesses which are most likely to benefit from a revised REES may be twenty four hour operations such as nursing homes or energy intensive small businesses such as bakeries.
4. Many of the proposed technologies for residential households are also applicable for small businesses, including but not limited to lighting, insulation, efficient air-conditioning and thermally efficient windows. However, there will be many more applications specific to small businesses such as high efficiency electric motors, process insulation, compressed air and higher temperature process improvements for plant such as paint ovens.
5. Auditors of small business premises will most likely require a unique skill set with some industrial or commercial experience which may not necessarily accord with Certificate IV, but will actually provide what small business needs to obtain value from participating in the revised REES.
6. It is critical that any requirements for small business to participate in the revised REES are easily understood and achievable. Small business operators do not have the time (or knowledge in some cases) to pursue a complex scheme bound in red tape. Furthermore, small businesses will need to receive appropriately communicated information about how they can participate in REES given that many will be unfamiliar with the scheme's existence. In this regard, Business SA is happy to communicate information to its members once the revised REES has been implemented.

7. Business SA does not believe it is appropriate for a South Australian Government mandated scheme such as REES to accommodate the installation of high efficiency clothes dryers, televisions or pool pumps, regardless of what is allowable under comparable interstate schemes.
8. Small business should be exempt from any co-payment under the revised REES. The State Government should not presume that small businesses can afford to pay more than households to participate in the REES. The reality is that co-payments will strongly deter the majority of small businesses when South Australia already has the highest cost of doing business and current economic conditions are very weak as evidenced by numerous indicators.
9. The REES should incorporate activities to improve gas efficiency for small business, particularly in light of recent gas prices rises and the anticipated increases over the next few years as the Australian gas market moves towards export parity. Furthermore, gas is a much larger component of energy costs for small businesses relative to households as shown in the table below:

	<b>Average Market Offer gas bill</b>	<b>Average Market Offer electricity bill</b>	<b>Total Energy Costs</b>	<b>Gas as a % of Total Energy Costs</b>
<b>Residential customers</b>	\$1,007	\$1,868	\$2,875	35.03%
<b>Small Business customers</b>	\$5,256	\$3,554	\$8,810	59.66%

2

Examples of activities REES might incorporate to improve gas efficiency include programmable thermostats to maintain temperatures during and after working hours, servicing of heating equipment to ensure it is working at optimal capacity and insulation of buildings, ovens, hot water & steam pipes.

10. Electricity consumers with a load greater than 100 Amps (75kVA) must be on a maximum demand tariff with SA Power Networks. Poor power factor control will cost more in maximum demand to achieve the same output. Accordingly, power factor control will help consumers, particularly business customers, to reduce electricity distribution costs. Given the thresholds for this type of pricing structure have been on a downward trajectory, it may be worthwhile for the State Government to consider how activities relating to power factor control can be incorporated into a revised REES.

<sup>2</sup> 'Energy Retail Prices in South Australia: Ministerial Pricing Report 2014', August 2014, [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

Furthermore, activities that reduce energy consumption during periods of peak demand will become more relevant for small businesses once the 'new and replacement smart meter policy' is implemented in South Australia and dynamic tariff structures become more widely available.

### **Who we are**

As South Australia's peak Chamber of Commerce and Industry, Business SA is South Australia's leading business membership organisation. We represent thousands of businesses through direct membership and affiliated industry associations. These businesses come from 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.

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](mailto:rickc@business-sa.com).

Yours sincerely

**Nigel McBride**  
**Chief Executive Officer**