



energy savings
Industry Association

ESIA Submission: Review into the REES

**REES Issues Paper April 2019 -
Strategic direction of REES after 2020**

**Dept for Energy and Mining
Government of South Australia**

Due 20 May 2019 (with Addendum added 19 June 2019)

Submitted to tina@maiese@sa.gov.au

Energy Savings Industry Association
Suite 2, Ground Floor, 109 Burwood Rd, Hawthorn 3122

www.esia.asn.au

ABN 52 166 026 766

The Energy Savings Industry Association (ESIA) is pleased to make this submission as part of the consultation process for the future of the Retailer Energy Efficiency Scheme (REES) after the current stage ends in 2020.

The ESIA is the peak national body that represents businesses accredited under energy savings schemes across Australia. A number of our member companies' work across all of these schemes, enabling us to provide first-hand insights into the opportunities and complexities of the REES that need to be addressed to enhance the REES.

Our submission is set out as follows:

- A. REES Target
- B. Responses to questions
- C. Other matters

We welcome the opportunity to discuss these matters with you in more detail.

A&C REES Target and other matters

- The REES needs to be converted to a market-based scheme and its target significantly increased and extended to 2030, with three-yearly target settings. Only a handful of the ESIA's members operate in South Australia given the constraints of the program. Greater access will stimulate more competition, upgrades, technology transformation and local jobs.
- Currently the REES delivers energy savings and emissions reductions at greater cost than market-based schemes. A move to market-based model and a bigger target should change this. (See Table 1)

Table 1 – Market-based energy savings schemes: lower cost

Jurisdiction with scheme	Residential pass-through 2019-20	MWh/capita energy savings 2020	\$/MWh
Vic	\$12	0.94	\$12.70
NSW	\$7	0.59	\$11.90
SA	\$13	0.37	\$35.10
ACT	\$29	0.64	\$44.60

(1 AEMC Residential Electricity Price Trends Report 2018. 2 EECCA Industry Report Nov 2017)

- The ESIA is advocating that all energy savings schemes across Australia set ambitious targets to save 10% of electricity and gas sales by 2030. More detail can be provided on this scenario for South Australia separate to this submission.
- More regular, transparent and deeper engagement with industry will enhance administration and rollout.

- Assumptions behind the energy savings and abatement figures for all activities should be transparent and subject to a consultation process.
- Installer accreditation and registration should be explored as part of national compliance harmonisation.
- Support project-based activities and provide: (i) more streamlined approval processes than currently operating in other jurisdictions, (ii) more templated approaches for particular activities. There is scope to apply a discount factor to the energy savings and then have a rolling top-up process every five years or so.

B Responses to questions

a) Scheme objectives

- Objectives should focus on delivering energy savings across all sectors: residential, commercial and industrial.

b) Commercial or residential

- Focus on both residential and commercial sectors.
- Remove the 900 GJ cap and this stymies uptake, especially with new build standards being applied to retrofit sites.

c) Lighting activities

- Lighting upgrades are not yet business-as-usual; they should remain as an eligible activity without restrictions as this would just add complexity and stymy upgrades from happening.

d) Priority Group Households

- Introduce a regional factor to increase upgrades with these customers. This approach can support, in addition, a specific cluster of postcodes being targeted at any given time with eligible activities to help drive upgrade where it is most needed.
- Continue to use the REES as a primary driver for activity uptake with Priority Households. Support activity uptake that delivers deeper energy savings by adjusting the methodologies (as Victoria has recently done with air-conditioning). This approach, combined with a regional factor, and shifting to a market-based framework, should support the REES as the primary mechanism for rollouts, delivering lowest cost abatement and more industry certainty to invest in participation.

e) Energy audits

- A requirement to use the Victorian Residential Scorecard could be useful.
- Audits that result in upgrades, eg within a given timeframe, could deliver an additional incentive.

f) **Demand management**

- Specifically targeting peak demand should be a priority. The ESIA suggests that a separate review be issued on this topic so more detailed recommendations can be put forward.
- Requirements for demand response appliances should be a priority.
- It is important that the REES retain its current primary focus to reduce energy.

g) **Funding**

- The ESIA supports customer co-payments, except for priority households.
- The move to a market-based model should increase the net economic benefits of the program.

h) **Deeper retrofits**

- The market naturally delivers upgrades in waves of activity type, any further requirements for minimum activities per household is likely to make it harder for the market to deliver upgrades. The focus needs to be on removing barriers to uptake. A move to a market-based model will assist with delivering multiple upgrades at lowest, competitive cost to energy consumers. It may also be more attractive to customers as there is less upfront cost all at the one time.

Addendum - (additional points from 18 June teleconference)

B Responses to questions

a) Scheme objectives

- In relation to adoption of the NSW ESS Calculator, the whole of SA is currently classified as 'metro'. This is having a slowing effect on upgrades, particularly in the regions. It would be preferable if the whole state is classified as 'regional' instead, which is reasonable given the large geographical size of the state and the expense of servicing most areas outside of Adelaide. The current situation basically means that all South Australians are paying more for the REES than they ought to be paying and that less energy is being saved.

b) Commercial or residential

- Revisits to customers that have not reached the 900GJ cap should be allowed.
- Inclusion of Measurement and Verification (M&V) would definitely require removal of the cap (originally set to target SMEs).

c) Lighting activities

- Lighting is definitely not Business As Usual, this view is based on the experience of major lighting suppliers that supply product across the nation into jurisdictions with and without schemes.
- Please make SA research into abatement of downlights publicly available. The SA abatement for this activity is significantly lower than other jurisdictions, making this activity unattractive.

d) Priority Group Households

- The PHT target is currently high. One challenge to meeting this is that the range of activities available to PHTs is restrictive. For example: downlights are not being installed due to the very low abatement currently (see point under Lighting activities): the major lighting products being installed are A bulbs.
Scenario 1: a 45Watt incandescent metal halide is being replaced by a 9W A bulb. If that 9W bulb fails, it can be easily replaced with a less efficient product from a local hardware store.
Scenario 2: a 50Watt halogen should ideally be replaced with a 5W downlight which requires a whole new fitting that lasts longer and cannot easily be removed and replaced with a less efficient product from a local hardware store. This ensures better energy savings for longer.

f) Demand management

- Please refer to the attached paper illustrating the shifting peak demand challenge, [A Victorian summer retrospective: time to get serious and prioritise peak demand reduction](#) by Green Energy Markets, 16 May 2019. It explores the masking of demand reduction achieved by the Victorian scheme in AEMO's metered demand data. A follow-up will explore how a Peak Demand Reduction Scheme (PDRP) could support households and businesses in reducing their energy consumption over the 5pm to 9pm peak period. Such a PDRP could work stand alone or within existing energy savings schemes by applying an additional incentive (based on a multiplier) to those activities operating during these times.