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Energy Markets and Programs Division  
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**Review of the South Australian Residential Energy Efficiency Scheme (REES) - Directions Paper  
July 2013**

Origin Energy (Origin) welcomes this opportunity to respond to the Department for Manufacturing, Innovation, Trade, Resources and Energy's (the Department's) directions paper as part of the review of the Residential Energy Efficiency Scheme (REES).

As a major retailer of electricity and natural gas in South Australia and other jurisdictions, Origin has been involved in regulated energy efficiency programs for a number of years and takes strong interest in any potential changes to the South Australian REES. We would encourage the Department to review this response in conjunction with our response to the Issues Paper dated 19 November 2012.

Origin considers that in many respects, mandated energy efficiency targets have been superseded by other initiatives (for example national carbon pricing) and maintains the view that energy efficiency initiatives are best delivered by competing suppliers in a market-driven context. While it may be argued that this characterises the REES at present, it:

- Is limited to South Australia;
- Does not necessarily assist those vulnerable customers that may receive the highest benefit (i.e. customers with higher rather than lower annual consumption);
- Does not allow trading under a white certificate approach;
- Does not facilitate the use of new technologies (such as smart meters enabling home area networks) that may have a lasting behavioural impact on energy consumption; and
- Lacks consistency with schemes in other jurisdictions.

Therefore, Origin's basic position remains the same as that contained in our response to the issues paper in 2012. We do not believe that the long-term continuation of state-based energy efficiency schemes with varying design features, targets, reporting requirements and compliance costs is in the long-term interests of energy consumers.

Notwithstanding this position, we support the reasoning supporting a number of the recommendations set out in the directions paper and address these in further detail below.

If there are matters raised within this response that the Department would like to discuss further with Origin, please contact me in the first instance.

Yours sincerely

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## **Proposed directions**

### Section 3.1: The future of the scheme

As discussed above, Origin does not believe the continuation of the scheme until 2020 is necessary; however we support the setting of targets on a three yearly basis and the allowing the carry over credits from one stage of the scheme to the next.

### Section 3.2: Scheme objective

While Origin supports the refocusing the objective of the scheme to an energy rather than a greenhouse gas intensity measure, we note that reductions in consumption (whether measured in terms of energy or greenhouse gases) does not address the role of (electricity) network capacity costs in consumer's final bills (as noted on page 15 of the directions paper). Origin believes there is scope to consider measures in the scheme that reduce demand (kW, MW) in addition to energy (kWh, MWh) and does not agree with the conclusion contained in the Independent Evaluation in this regard.

### Section 3.3: Priority group targets

With respect to expanding access to the priority group target under the REES through the inclusion of households that do not meet current eligibility criteria, Origin would stress that identification of this customer group is not a task that retailers could undertake systematically or at low cost. To the extent that the policy objectives of the scheme are served by including customers not currently eligible in the priority group target, Origin believes a referral system may be the best approach. The criteria would need to ensure that those customers identified by community organisations are in genuine need; retailers and services providers will not be in a position to validate the referrals.

### Section 3.4: Expanding the scheme

Consistent with the views conveyed in our response to the issues paper in November 2012, Origin would support extending the scheme to commercial customers (small and medium sized businesses), given the extension of the scheme beyond 2014.

If commercial customers are included in the scheme, we support the removal of the threshold of 5,000 customers before scheme obligations apply. In terms of the burden on new entrants, a minimum level of energy sales may be appropriate; however this should be set a relatively low level (e.g. 10GWh per annum in sales). The Victorian Government recently removed the threshold that applied to the Energy Saver Incentive scheme. Removing the threshold in South Australia would improve harmonisation with other energy efficiency schemes.

### Section 3.5: Energy audits

Origin generally supports the suggested improvements to energy audits set out in section 3.5, however the cost of improved templates, follow ups and accreditation may add to overall scheme costs. We support the transfer of the minimum specification to ESCOSA.

### Section 3.6: Harmonisation with other schemes

Origin strongly supports harmonisation where possible with other schemes in order to minimise administrative and compliance costs and access economies of scale that inter-jurisdictional consistency would enable. While we note the introduction of tradeable certificates are not considered in the directions paper, we support the inclusion of approved activities applied in other jurisdictions to meet energy efficiency targets.

### Section 3.7: Regional and remote participation

Origin notes the challenges associated with delivering audits and activities in regional and remote areas of South Australia, however we do not support a separate target for these customers. Ongoing engagement between industry, service providers, customers and community organisations is an appropriate means of identifying ways to increase participation.

### Section 3.8: Approval of activities

The proposal to increase the flexibility of the approval process is strongly supported. Energy conservation through behavioural change should be included in the scheme. The use of home area networks, energy portals and other signalling technologies achieve the same objective as other energy efficiency activities and are often more enduring due to the ongoing engagement the customer experiences. Origin would therefore support a review of the eligibility of activities that rely on behavioural response and change. There is growing evidence overseas and in Australia that demonstrate the effectiveness of energy conservation through the use of smart meters and related technologies.

As the Department is aware, Origin offers in home displays and a web portal in Victoria. Other market participants and third parties are also offering products. The inclusion of such technologies in the scheme would be a positive development and diversify the range of activities, particularly for small customers.

### Section 3.9: Reporting activities

Origin supports the proposed change the timing for checking compliance from the point of an activity occurring to when it is reported to ESCOSA. Origin also supports the make good proposal described on page 27 of the directions paper.

### Section 3.10: Measurement

Origin supports the shift of measuring targets from CO<sub>2</sub>-e abatement to an energy (PJ-e) basis. The variability of the greenhouse intensity (particularly in South Australia) and its expected reduction over time reduces certainty and increases the cost of the scheme.

### Section 3.11: Quality of assurance of service providers

Origin supports the proposal on page 29.