Craig Walker
Senior Policy Officer
Department of Energy and Mining
Email: tina.maiese@sa.gov.au

8 November 2019

Re: REES Review – Directions Paper

Dear Craig

Thank you for the opportunity to provide comment on the Retailer Energy Efficiency Scheme (REES) Directions Paper.

The Energy Efficiency Council (EEC) is the peak national body for energy efficiency, and has engaged extensively with South Australian Government on the REES over multiple years. The REES has effectively reduced energy bills for households and businesses in South Australia.

The EEC strongly supports the South Australian Government's proposal to continue the REES to at least 31 December 2026, but recommends that it should be continued until at least 2030. This will provide greater certainty for the energy efficiency industry, resulting in greater investment in research, technology and hiring and training staff. This will results in the REES delivering greater benefits and lower costs to consumers, in addition to supporting more stable jobs. It will also better align the REES with schemes in other states.

The EEC also recommends refinements to a number of other proposals in the Directions Paper, including:

- The target period for the REES should be extended from three years to at least five years, in line with interstate schemes. This will significantly increase the stability and therefore the cost-effectiveness of the REES.
- The transition of the REES to a new set of rules, processes and methods should be staged gradually, rather than change abruptly on 1 January 2021. An abrupt change in the way that retailers and specialist can generate energy savings will result in significant costs and disruptions, which will ultimately be passed on to consumers. As part of this, carryovers from the current phase of the scheme should be allowed up to 30 per cent of the 2020 target.
- While the EEC supports setting the REES a gigajoule target and the broad direction of the refined objective, further clarification is required about the definition of 'energy productivity' in the REES and the implications for the scheme.
- While the EEC supports consideration of using demand response and peak reduction in the REES, further clarification is required about what this would mean in practice before the EEC could support this proposal.
- Alignment with other schemes needs to be applied more carefully than it has been to date. On some matters, such as following Victoria's approach on ANZ1680, alignment is strongly supported. On other matters, alignment may be less suitable, particularly where it would interact with other rules that are specific to the REES.
- A residential target will add to the cost of the REES, but is acceptable if there is no requirement for residential co-contributions. The combination of a target and a requirement for a residential co-contribution would cause significant problems.

The EEC supports the following proposals in the Directions Paper:

- Removal of the 900 GJ cap on commercial lighting upgrades.
- Introducing the NABERS Baseline Method, Power Factor Correction Method, and Project Impact Assessment Method, although we note that this must be accompanied by significant investment in ESCOSA capabilities or relationships with IPART to access their capability.
- No longer including residential energy audits in the REES and no longer requiring retailers to meet annual energy audit targets.
- Including rental households within the definition of 'priority group'.
- Investigating options to assist customers with financing for deeper retrofits.

The EEC opposes the following proposals in the Directions Paper:

- Introducing a requirement for co-payments for residential energy efficiency upgrades, as this will stifle activities in residential properties.
- Setting a de facto target of 15 per cent for activities in regional areas. Instead, the EEC recommends a multiplier for regional activities, as occurs in interstate schemes.
- The following proposals that are intended to increase scheme competition, but will simply add cost and complexity to the scheme. The EEC opposes
    - Requiring retailers to conduct an annual, open tender if using third parties to deliver energy saving activities. Tenders are costly to run and engage in, and smaller third parties will be unlikely to benefit from open tenders.
    - Requiring retailers to report to ESCOSA annually on opportunities that they had given to new providers to compete for the delivery of energy savings.
    - Requiring retailers to price at least 50% of eligible activities and report to ESCOSA annually; and
    - Requiring reporting on the cost for energy savings and the number of providers engaged over the reporting period

Finally, the EEC notes that the REES has a number of administrative burdens that increase the cost of the scheme, including the requirement for lighting retrofits to meet guidelines that are intended for best-practice new developments (the design guideline for lighting intensity in buildings (AS/NZS 1680) and energy intensity in the Building Code of Australia). The EEC recommends that the South Australian Government address these issues.

The EEC strongly supports the REES and looks forward to continuing our positive relationship with the South Australian Government. If you would like any further input please contact me directly via email at rob.murray-leach@eec.org.au or via telephone on 0414 065 556.

Yours sincerely,

Rob Murray-Leach
Head of Policy
Energy Efficiency Council