ESIA Submission:
Review into the REES

REES Directions Paper Oct 2019 - Strategic direction of REES after 2020

Dept for Energy and Mining
Government of South Australia

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Introduction

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

We understand that the REES Directions Paper provides another opportunity for the DEE to consult with stakeholders prior to developing advice for the South Australian Government. The Paper highlights some of the major proposed directions, particularly those directions that change the current scheme framework.

We welcome a stronger focus on driving market transformation and addressing current and emerging challenges to affordability for consumers, which would be the most substantive change to the scheme since its inception.

About ESIA

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.

Overarching feedback:

1. ***Improve industry engagement:*** including more regular engagement at earlier stages.
2. ***Improve transparency:*** including of data - from algorithms provided for methodologies, to the application of multipliers, to post code saturation by upgrade type.
3. ***Provide an official interjurisdictional harmonisation platform:*** With ten years under our belts and no sign of a National Energy Savings Scheme (NESS), all the operating scheme administrators need to take a lead on truly national harmonisation dialogue with the product supplier and certification creation industry as well as with each other. The ESIA would welcome the opportunity to regularly and officially engage with the Interjurisdictional group that meets twice a year. This would result in a more proactive approach to harmonisation, rather than reactionary, and at times ill-informed, initiatives under the existing schemes including the REES, VEU, ESS and EEIS, and under the ERF. All these schemes will undergo significant change from 2021, and the next twelve months provides the optimal window for high-level commitment and action on genuine immediate and long-term harmonisation. This would deliver financial cost savings to industry and government and deliver better outcomes for energy customers.
4. ***Significantly increase the overall target, more in line with other jurisdictions:*** the SA scheme is, on a per capita basis, smaller than the ACT scheme, almost half the size of NSW and one-third the size of the Victorian scheme.[i]
5. ***Climate emergency back drop yet to move front and centre:*** At the state and federal levels, policy makers in Australia are still coming to grips with the concept of responding to a local and global climate emergency, which is gaining momentum across the world. Should it prove imperative to lean hard on energy efficiency to deliver on rapid solutions (which many energy and bioscience experts have determined is a primary option), then any mechanism framework needs to be flexible enough to jump higher and deliver more to contribute to lowest cost greenhouse gas abatement as well as reduced energy costs and health benefits. Therefore, the need for the objective of the REES to adapt accordingly to deliver greater energy savings, should be left open.

This section of the ESIA submission lists the major directions proposed post 2020 in the REES Directions Paper (p4) and ESIA responses with comments for further consideration.		
Major directions proposed post 2020 in REES Directions Paper (p4)	**ESIA response:** **Yes - support** **No** **Maybe**	ESIA comments for further consideration
1. Commence on 1 January 2021	Yes	
2. Include three yearly target re-sets	No	• Make the targets for longer to provide more certainty for industry eg five-yearly targets with an opportunity to adjust sooner if needed • Commit targets to 2030
3. Be reviewed after six years	Maybe, but	• Commit targets to 2030 • Allow opportunities for reasonable changes in the meantime
4. Restrict credit carryovers from the current scheme to 10% of the 2020 target.	No, make bigger	• Make the carryover credit bigger eg 25-30%, to provide a greater transition period for APs and retailers. This will avoid putting on hold (or voiding) significant volumes of upgrades installer businesses may have in the pipeline and for which they have hired staff and sourced product.
5. The credit carryover from 2020 will be applied in 2021 only	Yes	
6. Have the objective: 'To improve energy productivity for households, businesses and the broader energy system, with a focus on low-income households. This will reduce energy costs and greenhouse gas emissions, whilst improving human health'.	Maybe, but	• The term 'energy productivity' is a nebulous one, a better one should used. We appreciate 'energy efficiency' can be equally as unhelpful, hence our focus on delivering 'energy savings'. While this may be unpalatable to those industries whose model relies upon selling more energy, a genuine commitment to using less, not more, may promote the cut-through needed in any truly effective public education campaign. • The objective of the scheme should still be focussed on providing theses energy savings at an affordable cost and in a cost-effective manner.
7. Require that, in circumstances where activities delivered in regional areas fall below 15% of the	Maybe, but	• If such a target is mandated but impossible for industry to deliver and so for obligated parties to meet their commitments, this will

overall target, regional obligations will apply for retailers in the year following the shortfall.		backfire. • There will need to be ways that industry can flag that certain barriers to regional upgrades will result in such targets not being met.
8. Help to avoid future network costs by incentivising demand response activities as well as energy savings in the commercial and residential sectors have an energy productivity target, expressed using a gigajoules (GJ) metric	Yes, but	• Base incentives on actual usage rather than the MEPS baseline as is the case now, which is doing little to stimulate uptake for these kinds of activities.
9. Include mechanisms to promote greater competition among third party activity Providers	Maybe, but	• Beware introducing a mechanism where changes to regulations could get the same result.
10. Consider increased alignment of scheme activity rules with interstate schemes, where appropriate and ensuring continued high-quality outcomes for consumers	Yes, and	• Ensure that significant and effective industry consultation/engagement early in any planning stages. We have had a number of ‘harmonisation’ adoptions which have been highly unsuitable and difficult to quickly reverse, significantly impacting on upgrade rollouts.
11. Incentivise upgrades in larger businesses by removing the 900 GJ limit from commercial lighting upgrades	Yes, BEFORE 2021	• There is no advantage in waiting until 2021.
12. Allow commercial lighting upgrades to be delivered more than once per premises, where it can be demonstrated the lamps being replaced had not previously been replaced for the purposes of the scheme	Yes	
13. Incentivise upgrades in larger businesses by introducing new commercial and industrial activities, such as upgrades of fans, pumps and motors	Yes, but	• Base incentives on actual usage rather than the MEPS baseline as is the case now, which is doing little to stimulate uptake for these kinds of activities.
14. Incentivise upgrades in larger businesses by introducing new methods such as the NABERS Baseline Method, Power Factor Correction Method,	Yes, but	• (As above) Base incentives on actual usage rather than the MEPS baseline as is the case now, which is doing little to stimulate uptake for these kinds of activities.

and Project Impact Assessment Method		
15. Require customer co-payments for all commercial and industrial activities	Maybe, but	• Ensure multiple parties can contribute to the co-payment eg landlords, tenants, and others
16. Introduce a residential target, alongside a priority group target	Yes	
17. Include rental households within the definition of 'priority group'	Yes	
18. Review the updated scheme rules for other opportunities to overcome the landlord/tenant split incentive problem	Yes	
19. Introduce co-payment requirements for all residential activities, except for priority group households	Maybe, but	• (As above) Ensure multiple parties can contribute to the co-payment eg landlords, tenants, and others
20. Incentivise deeper retrofits to priority group households	Yes	•
21. Incentivise residential activities that reduce peak demand or increase demand response capability	Yes	• The ESIA would like to be consulted on peak demand opportunities within the REES and to complement opportunities in discussion outside of the REES
22. Investigate options to assist customers with financing for deeper retrofits	Yes	
23. No longer include residential energy audits and no longer require retailers to meet annual energy audit targets	No - disagree	• We would like an energy audit target to continue, otherwise any transparency of audit volumes will be lost and incentives to undertake them will be reduced. • We support considering mandating use of the Victorian Scorecard, however some offset of the cost of this (eg$200-400+) would need to be considered or it will pose a significant barrier, especially given that the audits are for Priority customers. Costs versus time versus outcomes need consideration. Simpler processes and requirements work best.

More Information

Please direct all queries regarding this submission to comns@esia.asn.au

[i] EECCA Industry Report, Nov 2017, p16.