

UnitingCare Wesley Country SA

Response to the Review of South Australian Residential Energy Efficiency Scheme (REES) Issues Paper October 2012

Introduction:

UnitingCare Wesley Country SA (UCWCSA) is the largest provider of community welfare services in country SA. Employing over 250 staff from more than 10 locations UCWCSA provides a wide range of welfare and community support programs. The vast majority of UCWCSA consumers of our services are people living on low incomes.

UCWCSA provides many services that see on a daily basis the issues of hardship caused by rising electricity prices. Through our Emergency Relief, Budget Advocacy, Financial Counselling and No Interest Loans programs UCWCSA sees people facing growing electricity bills and we work diligently to address these issues. Our data for 2011-12 indicated that utility bills were the primary source of difficulty for clients seeking financial counselling.

In 2003-2006 UCWCSA was a provider of home energy audits and retrofits through the Energy Efficiency Program for Low Income Households. This program operated prior to REES and was administered jointly by community welfare organisations in SA, and DTEI.

Until November 2006, the Energy Efficiency Program for Low Income Households was run by the Energy Division within DTEI. This program was aimed to help low income householders reduce energy costs through lower energy use. Other related objectives included greenhouse gas savings, improved comfort levels and increased employment opportunities in the energy efficiency industry.

Eligible householders (Health Care Card holders) were provided a free home energy review and energy saving items such as compact fluoro globes, low flow showerhead and draught excluders. The scheme also included a fridge buy back scheme to encourage householders to retire old inefficient fridges.

From program inception in December 2003 to November 2006, over 16,000 households received an energy review service and energy saving items, and approx 1,400 fridges were retired.

The Australian Institute for Social Research extensively evaluated the program in February 2006 and amongst the strengths identified in the evaluation was the collaborative service delivery model between the government and community sector.

More than 95% of respondents who indicated that the program made a noticeable difference to their energy bill, attributed this difference all, or in part, to the energy audit. Average annual savings were estimated to be in the range \$45-55 per household. Total life-time (of the retro fit items) savings were estimated to be \$220 -260 per household. This is significantly higher by a factor of three to REES, which is \$14 per annum per household.

A review carried out following completion of the program by the Energy Division, DTEI, of the energy bills for 202 households for 4 quarters before their home energy audit and 4 quarters after, revealed that 50% of these households made a significant saving (more than 5%) on their energy bills. Whilst 65% of households made some savings on their energy bills in the year following the audit. The 50% of households that made a significant saving saved an average of \$159 on their energy bills over the year immediately after the audit. The average saving across all the households was \$53 per year.

UCWCSA has been particularly concerned with advent of REES that targets did not include any mandate targets for regional services, particularly for the priority group.

This has meant there is no evidence of any low income households receiving a service under REES. The ESCOSA Household Benefits Data tables (120416 REES- statistical Appendix –BHH Worksheet) bear this out with under performing results in the general area and no breakdown of priority group targets for regional areas.

In reality this means that regional households who are paying \$14 for REES, are sponsoring wealthy metropolitan householders to receive REES services, which they have no access to. This is a third of the value outcome under the EEPLIH as outlined above.

UCWCSA has contacted retailers and REES providers and have been told we have to develop a waiting list of low income householders before they it is uneconomic for them to provide a service unless up to 10 households to visit on one country trip. These are not the terms by which metropolitan householders engage in REES. To our knowledge, no REES priority group audits have taken place in regional communities in our area, and there is no evidence in ESCOSA statistics that these have occurred.

UCWCSA is currently the Home Energy Savers Scheme (HESS) provider for all of country SA. This service is funded until August 2016 and is provided through community organisations around Australia and can help by offering low-income households experiencing difficulty meeting and paying for their energy needs with:

- information about easy and affordable ways to use less energy in the home
- one-on-one budgeting assistance
- information on whether you are getting the right rebates and assistance
- help to understand your energy bills and the energy market
- advice, advocacy and support
- links to other services that may be able to assist you, and
- help to access no or low interest loans to purchase energy efficient appliances.

Below we have responded to the various questions of the issues paper. Suffice to say that any new model has to be able to engage and respond to householders living on low income in regional areas under the same terms metropolitan householder's are engaged.

UCWCSA also believe that REES needs to be viewed in the broader context of Commonwealth Government policies, increasing prices within the retail market, the broader and the cost of living pressures on low income householders.

Responses:

Please Note: UCWCSA have provided general responses to the questions and has chosen not to necessarily answer every individual question listed.

4.1

- *Are there additional matters that the independent review should consider?*

The review should (1) ascertain the number (if any) of low income households who receive an energy audit in regional areas and (2) conduct a cost comparison between REES priority target group interventions and the former program the Energy Efficiency Program for Low Income Households.

4.2 Householder Survey

Questions

- *Are there any other matters that should be considered as part of the householder survey?*

At least 30% of returns of the survey should be from regional areas.

5 Scheme Objectives

Questions

- *Should the objectives of the REES be revised?*
- *If so, what changes should be made?*

Yes the scheme should be revised to guarantee regional householders are not disadvantaged, that the range of interventions are broadened to ensure that the program has a primary focus for the service is on low income households. The low income target priority group should be 65% and general public 35%, reversing the current model.

6 The Regulations

6.1 The Application of Regulations

Questions

- *Is the extent of the current application appropriate?*
- *Should the 5 000 residential customer threshold be maintained, or should a threshold based on energy sales be considered?*
- *Should the REES be expanded to allow small and/or medium business customers to participate?*
- *Would such an expansion require different application criteria?*

The scope of REES should be reduced not expanded as outlined above. UCWCSA is aware of many other schemes supporting small business in energy efficiency issues and does not believe it should be included in REES. The threshold model is supported by UCWCSA and the current threshold we believe seems reasonable.

6.2 Interpretation

Questions

- *Are the definitions sufficiently clear?*
- *Are any terms used in the Regulations not adequately defined?*
- *Are the priority group households sufficiently clearly identified and easily located?*
- *Does the definition of priority group adequately cover those households most in need of assistance from the REES?*
- *Is there a more effective way to define the customers who are most likely to benefit from receiving REES activities and audits?*
- *Does the definition of priority group households affect the administrative cost of the REES?*
- *Are the formulae for fixing the greenhouse gas reduction target and audit targets complete, appropriate and equitable?*

The priority group households are much more easily located if the frontline service delivery for audits is an NGO that provides anti-poverty services. Given NGO's have multiple relationships with low income householders and are already engaging them on utility issues, the locating of clients is more effective through NGO involvement in the program. The EEPILH indicated the value of this. The priority group needs to be more specifically identified to include targets for regional and remote householders.

6.3 Greenhouse Gas Reduction Targets

Questions

- *Is the greenhouse gas reduction target an adequate measure to indicate progress towards all the scheme objectives?*
- *Is there merit in an alternative unit of measurement, such as avoided energy consumption?*

- *If greenhouse gas reduction targets are retained, is the methodology for setting them appropriate?*
- *Is the triennial setting of targets appropriate?*
- *Should there be specific targets or incentives to encourage activities and audits in remote or regional areas, and how might this affect costs?*
- *Does the setting of targets achieve an appropriate balance between process-driven and outcome-based compliance?*

Yes. There should be specific targets by State Government region and these must include the priority group targets for each region. Funding for these regions should also add between 10-20% additional support costs to cover travel and travel time associated with regional and remote interventions. The low performance in regional areas illustrates REES is process driven in a commercial environment in terms of delivery, not demand driven. This would be more effectively addressed by NGO's who are closely and independently linked to client demands in low income issues could provide a support model that is more demand driven.

Reduction in greenhouse gases or carbon emissions should always be one of the aims of energy efficiency programs. However with increasing prices of utilities within low income households, then these same households see little financial benefits even if they engage in energy savings. Further to this global costs to the environment of dumping compact fluorocarbon globes in regional areas is becoming a concern as the total environmental costs of some interventions need to be taken into account.

6.4 Percentage of Target Delivered to Priority Group Households

Questions

- *Is the allocation of activities to priority group households an efficient and effective method of targeting greatest need and/or greatest potential for energy efficiency improvement?*
- *Should there be a separate target for the priority group? If so, should the ability to create credits by exceeding this target be included?*
- *Is the percentage of activities allocated to priority group households appropriate?*

No the percentage for priority target groups should be 65% and general public 35% due to the cost of living pressures and the very few alternatives low income householders have to reduce their energy costs and usage. There is no need to refine the priority group other than allocating quotas per State Government region to ensure a spread of services.

6.5 Energy Audit Targets

Questions

- *Do the audit targets adequately evaluate the performance of the REES against its objectives?*
- *Do the eligibility criteria for energy audits appropriately target the assistance to those who would benefit most from the audit?*
- *Is the framing of the energy audit target in terms of numbers undertaken appropriate in the context of the REES objectives?*
- *Should the energy audit target refer to quality standards or measuring tangible outcomes for recipients?*
- *What level should the energy audit target be set at?*
- *Is the current mechanism effective in identifying and registering households eligible for and desirous of receiving energy audits?*
- *Does the setting of targets achieve an appropriate balance between process-driven and outcome-based compliance?*
- *Is the triennial setting of targets appropriate?*

The current eligibility criteria is adequate however they should not be influenced or funneled through retailers hardship programs. Such programs are fraught with retailer policy variations which do not provide a good basis for sound policy development or service delivery in this

area. NGO organisations should be managing the programs as they have no conflict of interest issues in the delivery of these services, which retailers face. This conflict of interest issue, pervades policy development and service delivery in REES.

NGO service providers are far better placed to identify and support the priority group within local communities rather than asking people to access this service through retailer hardship programs linked to call centres.

One initial visit may not be enough to ascertain client difficulties. In most budget and financial counselling appointments, clients are aligned to a worker for at least 12 weeks. This gives the worker time to work through issues which are impacting on high power bills (unsuitable housing, implementing appropriate blinds, curtains/gardens) which can assist in reducing power consumption.

6.6 Administration

Questions

- *Has the administration of the scheme been efficient, effective and equitable?*
- *Does ESCOSA have adequate powers and resources to ensure effective assessment of the progress towards REES objectives?*

No the scheme has not been equitable. Regional South Australian's in the priority group who would number almost 75,000 households have contributed \$14 pa per household over three years. Consequently, this most disadvantaged householders have paid a total of \$3.15M over three years to fund metro Adelaide energy audits under REES, and have received no identifiable service themselves. This is not only a regressive indirect taxation method, it is also a way of reinforcing and further entrenching poverty in regional SA.

6.7 Notification and Adjustment of Targets

Questions

- *Have the provisions for adjusting targets and applying credits operated effectively?*

Targets need to reflect regional needs and priority group needs within regional areas.

6.8 Energy Audits

Questions

- *Does the energy audit specification provide adequate guidance and assurance of quality and consistency between suppliers?*
- *Has the recording and management of energy audit activities been effective and efficient?*
- *Do retailers have sufficient access to data to manage their obligations?*
- *Does the compliance process ensure that energy audits deliver high quality, practical and relevant advice to recipients in order to achieve the objectives of the REES?*
- *Are there opportunities to improve the on-site auditing of households through a more uniform and standard audit format?*
- *Are the current qualifications requirements for energy auditors appropriate, and are auditors adequately trained to deal with priority group households, including culturally and linguistically diverse customers, low-consumption customers and customers in energy poverty?*
- *What would be the cost implications of a more comprehensive audit specification or training requirement?*
- *How should outcomes, in the form of effective energy efficiency improvements, as a result of energy audits, be verified?*
- *Is the 10% tolerance for energy audit shortfalls appropriate?*

Verification of energy savings in low income householders who are often fraught with difficulties given this is highly mobile population, with many in this group in private rental.

UCWCSA view if higher levels of energy efficiency levels are to be achieved then emphasis needs to be placed upon interventions beyond the energy audit. More funding for higher level interventions to that empower the low income householder are required to provide a higher dividend, and pilot projects such as the Low Income Energy Efficiency Program (LIEEP) will provide more accurate metrics for measuring energy savings. These findings from programs such as LIEEP could be used to extrapolate estimates of energy savings for a range of different interventions REES maybe able to provide in the future. UCWCSA does not support wide ranging funding for measuring such benefits beyond such pilot projects, which diverts funding away from providing more resources to higher level interventions.

6.9 Energy Efficiency Activities

Questions

- *Has the recording and management of energy efficiency activities been timely, effective and efficient?*
- *Do retailers have sufficient access to data to manage their obligations?*
- *Is the tolerance band appropriate?*
- *Is the method of managing shortfalls and credits practical and effective?*
- *What incentives could be provided to reduce the concentration on only a few activities on the approved list?*
- *Is there a place in an energy efficiency scheme for technology that facilitates and enables energy management, understanding and behaviour change rather than directly reducing energy use, for example in-home displays or energy management controllers? If so, how should it be credited?*
- *To reduce scheme costs and encourage a 'whole-of-house' integrated approach to energy efficiency, should there be a 'bonus' added to the deemed value when multiple activities are carried out at the same house?*
- *By providing REES energy efficiency activities at the same time as an audits, is the outcome for the householder enhanced? Is this a cost effective delivery format?*
- *Is the linking of activities to an address rather than an account holder effective in the context of meeting REES objectives?*
- *Should there be an 'Accredited Person' approach as per the VEET, to bring more activities into play?*

The concentration of a limited range of activities within REES being taken up by retailers is a reflection of the commercial environment that REES operates within. Basing the administration of the service, within an NGO environment, would reduce this problem. This would provide for a greater range of activities being undertaken and a more responsive range of services being offered through direct client feedback.

To effectively support the more highly mobile low income householders services should be linked to a person not an address.

Has greater consideration been given for more significant interventions such as wide scale roll out of solar panels to low income households as a part of REES?

6.10 Energy Efficiency Activities for Priority Group Households

Questions

- *Have the recording and management of energy efficiency activities for priority group households been timely, effective and efficient?*
- *Has the verification process to identify priority group households operated effectively?*
- *Do retailers have sufficient access to data to manage their obligations?*
- *Do retailers have appropriate referral mechanisms to ensure that customers who qualify for hardship status are immediately offered access to benefits from the REES?*
- *Is the tolerance band appropriate?*
- *Is the method of managing shortfalls and credits practical and effective?*

- *Is the 35 per cent target for priority group households manageable? Would it be more effective to have a separate target or program specifically for priority group households?*
- *Is there a need to integrate REES with other assistance programs, such as No-Interest Loans, or the Home Energy Saver Scheme, to encourage priority group households to engage more in REES activities and implement audit recommendations?*
- *Is there potential for community welfare organisations to refer their eligible clients for prioritisation in receiving REES activities and audits?*

Recording of energy efficiency activities to the priority group is inadequate, as regional priority target group is not measured, so no recording was conducted in this category.

Yes REES should be integrated with other schemes such as NILS, and financial counseling services. This why these services are best placed in the NGO sector, to ensure customers are dealing with less entities and services are not confused by the commercial operations of retailers.

UCWCSA already refers clients to REES, but cannot get a REES service for these clients. UCWCSA believes the NGO sector should manage the audits, support services and retrofitting in one seamless package and continue to advocate for clients for improved hardship policies from retailers.

6.11 Determination of Energy Efficiency Activities

Questions

- *Is the methodology for determining deeming values in South Australia robust, relevant and effective?*
- *How should energy efficiency improvements, as a result of installation of approved products, be verified?*
- *Does the determination process encourage innovation in commercialising energy efficiency activities?*
- *Has the determination process operated effectively and practically?*
- *Are the timeframes for the determination of new activities adequate?*
- *Are there barriers to seeking determination of a new energy efficiency activity?*

Nil Response.

6.12 Retailers' Arrangements

Questions

- *Are trading provisions sufficiently open, transparent and effective?*
- *Would a more formal trading model (as used in NSW and Victoria) provide any benefits over the existing REES model?*
- *Has there been adequate management and quality control by retailers of contractors who undertake energy audits and energy efficiency activities on their behalf?*
- *Are there any confidentiality issues that are of concern to stakeholders, and if so, what could be done to rectify such concerns?*
- *Should the community sector be more involved with referrals to REES and/or delivery of REES? If so, what mechanisms could be facilitated for increased partnerships that are beneficial to all parties?*

REES should be taken out of the commercial environment as it is in part a safety net support service for low income householders. SA Retailers should not deliver REES. This should be done by the not-for-profit sector and shortfalls in performance under REES should not be borne by the not-for-profit sector. Under the EEPLIH not-for-profits such as UCWCSAS over-performed against the targets, so the risk of not meeting targets is low.

Partnerships should not be between retailers and Not-for-Profits. The model of the State Government supporting Not-for-profits was more effective and more integrated with other

support services under EEPLIH. Retailers can be charged under REES, but do not have to deliver the services. The advent of HESS and LIEEP within the Commonwealth Government and new funding for these types of services in DCSI make this more feasible and more appropriate moving forward. Commercial organisations should not and cannot be expected to deliver on safety net public policy initiatives.

6.13 Compliance and Reporting - the REES Code

Questions

- *Does the Code effectively and clearly guide obliged retailers in discharging their obligations?*
- *If not, where are clarifications needed?*
- *Have the compliance and reporting provisions operated effectively? How could they be improved?*
- *Do the compliance and reporting provisions provide reliable information, sufficient to assess the performance of the REES against its objectives?*
- *Does the risk of disallowance encourage over-servicing and excess costs?*
- *Is there a more effective and timely way to ensure REES activities are reported and recorded by ESCOSA to minimise disallowance of activities?*
- *Are the arrangements to transfer credits and contract the delivery of energy audits and efficiency activities effective and efficient?*

An online CRM data system would overcome these issues and should be invested in by ESCOSA. Many not-for-profits are using such tools for real time reporting, which emphasizes the value of not-for-profits capacity to more effectively manage these types of projects.

6.14 Energy Efficiency Shortfalls

Questions

- *Has the treatment of shortfalls been efficient and consistent with the objectives of the REES?*
- *Are the penalties for shortfalls appropriate and do they provide adequate incentive for compliance?*

UCWCSA has insufficient independent information to respond to this issue.

7 Consumer Protection

Questions

- *Should the Code's customer protection quality control standards be improved and if so, how?*
- *Should the identification of REES service providers who visit homes be made more standardised and/or should service providers' employees carry government certification?*
- *Should service providers provide householders with a standard factsheet about the REES, which provides contact details if the householder has follow up questions or concerns?*
- *How can access to the REES be improved for householders who wish to participate (e.g. better call centre responses, directory of third party service providers, on-line registration of interest through retailer websites)?*
- *If demand for REES services is exceeding supply, how should access to the services be rationed in the absence of a commercial response to the demand?*
- *Is there a role for Government outside the REES environment to facilitate the growth of an energy efficiency services industry for the residential sector?*

Many of the issues raised here flow from the commercialisation of REES activities, which UCWCSA does not support. REES needs to operate outside the commercial environment, and for this reason householders in many of the regional areas UCWCSA operate in, have not been able to access REES at all.

Government's role should be to support welfare and not-for-profit organisations to develop a state-wide approach to utility issues for low income householders. This is much more than REES. It is about integrating programs and policies of the Commonwealth with State responses. It involves ensuring services delivered in a non-commercial environment, which is much more difficult to manage from a contracting perspective than simply contracting not-for-profits to deliver these services. The State's role is to encourage integration of like services and Commonwealth programs into a statewide plan that would be reviewed every three years.

8 A National Energy Savings Initiative

Questions

- How could the REES transition if a national scheme is established? What would be an appropriate timeframe for transition to minimize the costs of change?
- What REES elements should be included under a national scheme?
- Should State-based targets continue under a national scheme to ensure the continued delivery of energy efficiency benefits to South Australians?

A national scheme would have great value in that would provide more certainty about service delivery and policy development in the low income services sector.

Currently the following energy efficiency programs and services are in place across Commonwealth, State jurisdictions and within the commercial energy retailer environment:

LIEEP – Commonwealth, DCCEE
 Community Energy Efficiency Program CEEP – Commonwealth DCCEE
 Energy Efficiency Information Grants Scheme - Commonwealth, DCCEE
 HESS – Commonwealth, FaHCSIA,
 HESS Subsidy Program, linked to NILS, Commonwealth, FaHCSIA,

REES – State
 Utilities, Financial Counselling funding – State
 Energy Efficiency Fund Initiative, - State ESCOSA

Commercial – Retailer funding, separate to REES, and linked to hardship programs

As an NGO, UCWCSA has to contend with many of the varying requirements most of these programs and initiatives in order to develop an integrated service in country SA. This is difficult with changing regulations, contracting arrangements, lack of discussion between Government departments, poorly thought out outcomes across programs and no coordination of timing of services across jurisdictions. The politicization of these issues also has led to micro-management of services by some Government Departments and in doing so delays and poor service development are the result of excessive influence in service delivery.

The State Government should develop an energy efficiency Council, with a sub-committee focusing on low income issues. This group should aim to assist in integrated policy development in SA, and ensure all Government policies (State and Commonwealth) are fully integrated with the information available from the not-for-profit sector to ensure sound and sustainable service delivery.

9 National Consistency

Questions

- *Should the REES allow for tradable certificates?*
- *Should the REES be expanded to include non-residential sectors?*
- *Are there other elements of interstate schemes that it would be beneficial to incorporate in the REES?*

REES should not be expanded to cover the non-residential sector and delivery should be removed from retailers.

Questions

- *Does the introduction of a carbon price remove the need for a greenhouse gas reduction objective in the REES?*
- *Is the REES complementary to the carbon price in that it will achieve greater reduction of emissions than could be achieved through a carbon price alone?*

Given household compensation under the carbon price, then REES as a residential program is still relevant.

11 Funding

Questions

- *If the scheme continues beyond 2014, how should it be funded?*

REES should continue.

Funding through retailers is acceptable however not for delivery of services. A much wider range of interventions is now required beyond audits and retrofits. There are more innovative solutions emerging through loans, rebates, and new technologies. These would bring greater dividends for low income householders and for the environment. To do this not-for-profits, energy efficiency technology companies, and Government, need to work together with income generated from retailers to achieve these dividends. The Commonwealth is investing in this research through LIEEP and HESS is providing home energy education so REES needs this new approach.

12 Communications and Public Awareness

Questions

- *Is there a need to increase public awareness of the REES, and how could this be done?*
- *Who is best placed to undertake communications about the REES?*
- *How can communications about the REES be improved?*
- *Is there a risk of demand for REES activities and audits exceeding the capacity of service providers or the willingness of retailers to supply?*

Given that call centre staff do not know about REES again reinforces the point that REES service delivery should be removed from retailers. A fully integrated REES for the priority group would work effectively through welfare agencies. These agencies work with these customers on a daily basis and therefore promotion is less of an issue. Promoting REES is limited by retailers linking it to their commercial arms and activities, hence promotion should occur by State Government's in partnership with welfare agencies, independent of retailers. Further to this a broader suite of REES projects would provide greater interest and potential for communication to the general public.