

# REVIEW INTO THE SOUTH AUSTRALIAN RETAILER ENERGY EFFICIENCY SCHEME

RESPONSE TO REES ISSUES PAPER APRIL 2019 - ConnectEd Program

## a) Consultation Questions

If the scheme continues should the objectives be revised? Yes

If so, what changes should be made? Many of the more significant approved activities are rarely, if ever, delivered. Retailers should be encouraged to deliver energy efficiency activities that deliver *significant* energy savings for individual vulnerable and low income energy users, as well as education in strategies to control energy costs under new Time of Use or Demand tariffs, when introduced. The new cost-reflective tariffs will deliver no demand reduction if people don't understand how best to respond to them.

Should REES continue to ensure that activities delivered are additional to 'business as usual'? Yes

## b) Consultation Questions

Should the REES focus on energy use in the residential sector, or the commercial sector, or both? Primary focus should be the residential sector. Include commercial sector provided it does not detract from activities required in the domestic sector.

Has the expansion of REES to allow commercial activities been a success? No comment.

Should additional commercial activities be included? If so, which activities? No comment.

Should there be a residential sector target to prevent commercial activities 'crowding-out' residential activities? Yes, the scheme should not allow savings achieved via work with commercial businesses to squeeze out activities focused on the residential sector.

Should REES retain rules to focus commercial activities on small business, such as the restriction on energy savings from each lighting upgrade? No comment.

## c) Consultation Questions

Have lighting upgrades become business as usual? While incandescent lamps are becoming rare, purchase of quality LED lamps still represents a very significant cost for some vulnerable households. Some may perceive that purchasing a costly new technology which they have not tried before is risky, and therefore priority group households risk being the last to take advantage of new efficient lighting.

If REES continues as an energy efficiency scheme, should lighting upgrades remain an eligible activity? Yes, but with limits to ensure that other more significant energy efficiency activities have priority.

If lighting upgrades remain, should they be restricted to certain sectors or regions

where LED upgrades are less likely to be business as usual? According to the 2017 REES report, lighting activities in businesses dominated the scheme recently. We would like to see larger single items like efficient appliances and insulation become more available to householders through REES. Lighting upgrades for priority households, particularly in rented housing, should remain available. In the absence of any firm information regarding lighting upgrades as “business as usual”, we suggest that this is less likely to be the case for the most vulnerable households.

#### d) Consultation Questions

If the scheme continues, should it retain a focus on assisting low income households?

Yes, this is important to UCWB and the ConnectEd program.

Are priority group households sufficiently clearly defined and easily located? Yes, the current definition of a “priority group household” is quite extensive and appears to capture all priority groups.

Should there be specific targets or incentives to encourage activities in remote or regional areas? How might this affect costs? Yes, in order to achieve equity across the state, there should be targets and incentives for rural and remote areas.

Have the changes to the definition of priority group adequately covered those households most in need of assistance from the REES? Yes.

What is the best way to increase the opportunities for low income households to benefit from ‘deeper’ retrofit activities through REES? We are in broad agreement that REES “*should evolve away from delivery of low cost activities to priority group households toward higher cost upgrades that deliver deeper savings*”.

A number of approved “deeper” retrofit activities, such as installation of insulation, double glazing, AC, and purchase of appliances eg refrigerators, do not appear in practice to be delivered under REES – they are apparently not attractive to providers. We cannot provide insight into why these activities are not carried out, but enabling and encouraging these would be very welcome.

Low income renters are vulnerable to poor quality housing, low landlord interest, and short rental tenure. They lack ability to purchase high efficiency appliances. REES providers should pursue this more actively, and subsidise/facilitate purchases.

Using a report like the Vic Scorecard, with separate pages for “fixed” (house) and “movable” (householder) infrastructure/appliances, could provide renters a way to prioritise and start the deeper upgrade conversation with their landlord. More expensive activities may require financial contribution from the recipient; landlords would benefit from the facilitation of what needs to be done and by whom, which might help to make a part-payment palatable. Where upgrade benefits are demonstrated, low income recipients who are eligible could be referred to NILS or StepUP loans. The NILS scheme already has appliance purchasing and delivery agreements and could provide a model for and potentially assist REES providers.

Is there a more effective way to define the customers who are most likely to benefit from receiving REES activities and audits? The current definition of eligible customers is suitable.

## e) Consultation Questions

How should energy efficiency outcomes from energy audits be verified? No comment

Are the current qualifications requirements for energy auditors appropriate, and are auditors adequately trained to deal with priority group households? We would like auditors to have more specific understanding of the community sector and vulnerable low income clients, as under the previous EEPLIH or HESS schemes or, currently, Utilities Literacy/ConnectEd Home Energy Visits. We believe it is important to have home audits available for those cases where they can be really helpful.

## f) Consultation Questions

Should REES primarily focus on reducing energy use or managing energy demand?

Retain primary emphasis on energy efficiency (reducing energy costs). Managing energy demand could be a parallel goal, particularly as any tariff changes under Cost Reflective Pricing are deployed.

Is there a place in an energy efficiency scheme for technology that enables energy management rather than directly reducing energy use? If so, what activities should be included, and how should they be credited? Activities could be designed to reward upgrades based on their demand management capabilities. Potential activities could include demand response enabled air conditioners, load controlled pool pumps and the control of other significant loads that can be shifted or turned off for short periods such as water heating.

## g) Consultation Questions

If the scheme continues beyond 2020, how should it be funded? If an energy efficiency scheme cannot be funded via general revenue, then the current retailer funding model should continue.

Recipient co-funding, particularly of retrofits for non-priority households and for businesses, is appropriate. People receive the advice and easy retrofit opportunity for free; it seems reasonable that they could part-fund the hardware.

Requiring co-funding is likely to be more of a barrier for low-income households and we applaud the recent changes to the Scheme removing the co-funding component for priority group households for insulation activities. As suggested in the Issues Paper, we agree it is important to consider government funding to reduce the risk of unfair cross-subsidies for some non-beneficiary households. REES could contribute by identifying suitable households and significant energy efficiency activities; government funding could ensure that the activities are effectively carried out for the most vulnerable.

## h) Consultation Questions

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? Yes, provided a minimum level of energy savings is met, such that the householder is likely to notice the difference in their

bill.

REES providers have relied on lighting upgrades to reach targets, but because lighting is such a small part of household energy use, lighting upgrade savings may not be noticed by an individual householder, even though they may be significant in total across the REES. While the list of approved activities in the January 2018 energy efficiency activities list is quite comprehensive, many of the activities do not appear to be employed in practice. REES obligations should ensure that more of the activities that deliver significant energy savings are installed eg building sealing, replacement of inefficient heating and cooling appliances, improved insulation and window glazing.

**Should REES require a minimum number of activities or a minimum amount of energy savings to be delivered at each home or business?** No – some households, particularly energy-frugal ones, may only have limited opportunities for savings via REES. They should not be excluded from taking part in the scheme.

**How would this be done?** No comment

**Should the Victorian Residential Energy Scorecard, or similar, be introduced to REES to measure deemed savings from whole of house upgrades? How would this be done?** Australian housing stock is notoriously poor on energy performance. South Australia should definitely introduce a housing energy efficiency score of some sort, whether modelled on the Victorian Residential Energy Scorecard or other suitable benchmarking. Such a score should help homeowners to understand and prioritise upgrades, through REES or otherwise, and should help to provide pressure to improve the regulation of housing standards. Having a standardised, comprehensive report may help to increase the reputation of energy audits and make this a service that non-priority households may wish to pay for.

In assisting vulnerable households, REES contributes to a high-quality energy efficiency assessment and retrofit industry in South Australia. The Scheme is well placed to innovate and build on existing services to ensure increased improvements to household energy savings.

Contact information:

Funded by the Department for Human Services, the ConnectEd Program assists vulnerable and low-income households in South Australia to understand and better manage their energy, water and telecommunications services.

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