Government of South Australia
Department for Energy and Mining
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Submitted by email to tina.maiese@sa.gov.au

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Review of the Retailer Energy Efficiency Scheme Code

The Australian Energy Council (the AEC) welcomes the opportunity to make a submission to the Review of the Retailer Energy Efficiency Scheme (REES) conducted by the Department of Energy and Mining (DEM).

The Energy Council is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

In responses to earlier reviews[1], the AEC argued that the method of administering the REES is not seen as operationally efficient and causes a substantial administrative burden for retailers.[2] As REES has matured, and as the AEC predicted, costs have only increased as retailers have inevitably moved their focus from activities such as residential lighting and showerheads to other activities.

Scheme Objectives

The AEC considers that the scheme objectives remain broadly relevant. The greater retailer concern with the REES scheme has historically been the schemes unique obligations, and the differences between the REES scheme and the certificate schemes operating in other jurisdictions. Harmonisation of schemes, to reduce regulatory burden, should be a priority.

Further, the AEC does not agree that the scheme should evolve into demand management. The development of DM, DR and DER markets for both network support and energy demand is in its early stages of development nationally and should not be jeopardised by parallel local interventions such as incorporation into the SA REES. The AEC also notes the current rule changes in front of the Australian Energy Market Commission to increase demand side activities.

The definition of Priority Groups (priority groups) should not in our view be expanded, and the emphasis should remain on achieving the most cost-effective energy efficiency improvements

[1] Review of the Retailer Energy Efficiency Scheme Code, ESCOSA, May 2017

[2] Review of the Retailer Energy Efficiency Scheme Code, AEC submission to ESCOSA, June 2017

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across both residential and business customers. If saturation of priority groups has occurred, then the scheme objective has been met. The AEC considers that those not identified as priority groups in the formative stages of the REES are probably not priority groups under the scheme objectives. In this case removing the priority group obligation to simplify the scheme should be the first resort. We suggest in this case that two annual activity targets be made for each of commercial and residential, with no specific priority group requirement.

Should the Department still wish to encourage the seeking out of the remaining unserved priority group customers then as a second best option new incentives such as multipliers may be appropriate. For example, energy efficiency activities in priority group households in regional or rural areas could be deemed to be worth more than in metropolitan areas.

In addition, changes to the interval between audits may be appropriate. Over time the benefits of the initial audits may be eroded and repeating the auditing of priority groups after a 2-3 year period may also be a suitable option to consider in order to maintain energy efficiency gains.

Scheme Obligations

The REES creates an energy efficiency target obligation on retailers and places an end to end compliance responsibility on the retailer for the delivery of the approved energy efficiency activities. Retailers are also obligated to ensure these activities and audits are undertaken in strict compliance with the specifications laid out in the REES Code – even in the instance that these activities and audits are wholly out-sourced to a third-party. In contrast, other jurisdictional energy efficiency schemes place the obligation for activity compliance directly on the entity performing the activity. The AEC considers that this is a certificate-based scheme that REES should also embrace to avoid the duplication of audit and administration of both the contractor and the retailer.

Scheme Targets

Consistent with the scheme meeting its objectives, the yearly targets should be incrementally reduced as the households delivering approved activities are becoming increasingly more difficult to find, as the market hits saturation point.

Scheme Funding and Impact on Electricity Prices

Retailers must manage energy efficiency schemes such as the REES, with the cost of the scheme ultimately passed onto all customers in the region. With electricity prices set to rise again in South Australia[3] the AEC submits that every opportunity should be taken to streamline and simplify the REES scheme. However, if the Government does expand the scope of the REES then this should be Budget funded. No further costs should be placed on mass market customers.

National Consistency

The Energy Council acknowledges the past efforts of ESCOSA to improve the design and the administration of energy efficiency schemes. We remain of the view that even greater public benefit

[3] The Australian Energy Regulator (AER) has on 15 May 2019 approved the 2019-20 network tariffs as proposed by SA Power Networks (SAPN) under which Network tariffs will rise by 10.2 per cent in the 2019-20 financial year.

would potentially flow from harmonisation of all current and future state and national energy efficiency schemes so that they are all similar and are all certificate based.

In general, the public interest is best served if jurisdictions seek to lead the nation towards harmonisation[4], rather than seeking to lead policy development in ways that result in greater variation of regulation between jurisdictions, with its attendant costs to consumers.

Any questions about our submission should be addressed to David Markham by email to david.markham@energycouncil.com.au or by telephone on (03) 9205 3107.

Yours sincerely,

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[4] In February 2006, as part of its National Reform Agenda, COAG agreed that all jurisdictions would take steps to reduce the burden of regulation.