Green Energy Trading

Incorporating National Carbon Bank of Australia

Department for Energy and Mining (DEM)
Sent to: DEM.REES@sa.gov.au.

9 October 2020

Dear Sir/Madam,

Feedback on PROPOSED RETAILER ENERGY PRODUCTIVITY SCHEME (REPS)

Green Energy Trading welcomes the opportunity to provide feedback to the Department regarding the proposed Retailer Energy Productivity Scheme Activities, Credits and Targets.

Green Energy Trading applauds the ambition the SA Government in the proposed REPS and is pleased to see broadening of activities and inclusion of demand response in the scheme.

We have some concerns over some aspects of the activities schedules, the transition period from REES to REPS and the impact these will have on scheme participants.

The timing of the proposed changes is particularly challenging given the expected commencement date of 1 January 2021 and the fact that the regulations and targets have not yet been fully confirmed and guidance on application of the activity methods is not yet available. This gives participants very little time to enact the required changes to systems and processes, update guidance and training. We understand that there has already been a loss of momentum and industry expertise in the scheme due to the lack of certainty on scheme parameters and suppliers have been left holding quantities of stock which it appears will not be eligible under the new REPS.

Supportive of Transitional arrangements

We support the suggestion that there be a transition period of at least 6 months, where 2020 targets calculation methods continue, and all activity specifications remain unchanged until 1 July 2021. We also support the suggestion that a specialty task group inclusive of industry members (Retailers, EEC, ESIA, IAG, ACOSS etc). is formed to assist the Department in developing the new Activity Specifications so that each activity is harmonised with industry experience and capacity.

Feedback on Targets

Risk created by the proposed 20% carryover based on unknown 2021 targets

The proposal that the 20% carryover is based on the as yet unknown 2021 REPS targets is against all feedback and increases the risk of not meeting targets next year.

We propose, in line with others, that the 2021 target should be based on 2020 REES targets and extended to 30%. This would provide certainty to retailers to engage workforce.

Deeper Retrofits for Priority Group Households

The proposal to require 50% of the PGEET to be met through the delivery of the deeper activities, but these more expensive activities are rarely done. Incentives available would have to be increased to suddenly make air-conditioners, refrigerators and water heater activities more accessible to low income households.

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Additionally, a secondary householder target places another administrative burden on participants which adds cost and poses a risk to Retailers in missing targets. We suggest this is removed.

Residential Lighting – L1, L2, L3

- The proposal sees a significant reduction of values for Residential Lighting activities (50%), further eroding the actual value of this activity in the scheme. The basis for this reduction is not supported by any other data and has already been challenged. Participants are confused that no credible justification for the downgrading of this activity has been provided.
- This devaluation of this activity contradicts the aims of scheme as Residential lighting contributes to peak demand and should be included in the Scheme until such time as South Australia sees the transition to LED lighting as the other States are starting to see.
- The co-payment requirement per activity L1, L2, and L3 is excessive for customers that have a combination of GLS and Halogen downlights/floodlights present.
- The efficacy levels specified for Residential lighting are aspirational and not yet available at price and quantity for adequate supply. This effectively means these activities are unachievable.

Co- Contribution a barrier to Residential activities

The $33 co-contribution per activity for Residential activities is a barrier to grouping multiple activities together and serves as a disincentive to carry out more than one activity. It is very unlikely that residential households will be willing to contribute $33 for a shower head upgrade which they could purchase themselves at lower cost.

The Department could consider amending the proposal so that for each of the Residential activities, a minimum of $33 per implementation on a day/site visit needs to be collected, rather than specify the co-payment per each activity/technology upgraded. This could be done by grouping the Residential Activities together under one Activity/Method in the same way the NSW ESS does for the HEERs Method. This would act as an incentive to carry out multiple activities at the same time, reducing site visit costs and resulting in greater uptake of energy efficiency products.

Proposal to introduce a rent ceiling of $500 a week

The requirement to provide proof of rental value is completely unworkable due to privacy and collection issues. Customers would likely be concerned when asked to provide evidence of this, and they would question how that has anything to do with their energy efficiency. We would argue that not all low rent households are necessarily akin to those in financial difficulty or low income. This requirement should be removed.

In Home Display - IHD1

We note the removal of in home display activity. The reason given for this seems to be “low uptake” despite strong support from stakeholders to retain and update the activity. This activity has potential to assist households to load shift when combined with ToU tariffs and should be retained so that additional Peak Demand savings can be attributed to the activity and improve its viability.

Load Shifting, Demand Response and Smart Meters

It is our understanding that smart meters are uncommon in SA currently (estimated 20%) and will be required for some activities. We suggest inclusion of sale and installation of smart meters with a reasonable credit value that will incentivise uptake or alternatively a parallel program to increase participation.

The proposed values in REPS seem too low to incentivise battery uptake, energy efficient air conditioning when we consider the historical pricing of the REES scheme to date. Scheme pricing, REPS credit values or possibly both will need to increase to encourage significant uptake.

Whilst we appreciate the ambition and inclusion of Time of use tariffs – (re solar sponge) and load shifting activities, we hold concerns that with limited resources, early focus put on these activities will delay information and guidance being issued on activities with the capacity to generate credits immediately. We would advise consideration of timeline for tackling the detail of each activity be weighed up against the likely timeframe for uptaker.

Water Heaters – WH1

Currently Water heaters appears to be a residential only activity. Would we like the department to consider extending that to commercial as there is considerable opportunity for uptake in the small business sector also.

Many of the new water heater models have a time of use/block out function which can be very effective at shifting the power consumption of the unit to the middle of the day to align with solar generation.

Commercial Lighting Upgrade - CL1

This activity continues to be tied to the NSW ESS Schedule 9.4 Commercial Lighting Formula. However, the NSW Government is currently considering changes to the Commercial Lighting Formula that will have a significant reduction in credits if introduced. It has been commented that the Lighting Activities in the NSW and Victorian programs is seeing maturity and that it makes sense to reduce incentives for Lighting in those States. It is our understanding that there is still significant opportunity in commercial lighting activities in SA with the activity being introduced later than other schemes and the recent raising of the cap.

We suggest that the Department takes this opportunity to replicate the current formula and Tables from the ESS Rule in the Activity Specifications for CL1. This would ensure those participants that operate across both NSW ESS and REPS can continue to streamline administration of this activity, while giving the Department ownership over these factors going forward.

Additionally, the Activity Specifications for CL1 requires the use of the ESS Commercial Lighting Calculation Tool (CLCT) to generate the required Report for credit verification. Our experience with the ESS CLCT is that it is has poor functionality and less than ideal. Some types of installations cannot use the CLCT, and the CLCT is not compatible with some devices (such as Macs) and cannot be integrated into online tools (that installers need access to). The NSW program allows ACPs to develop their own calculations tools under the proviso that all inputs and outputs are based on the Rule factors and are able to be verified. We suggest the Department considers allowing participants to develop their own calculation tools as this would improve administration of this activity and again reduce reliance on the NSW Scheme Administrator (IPART) who currently control the ESS Calculation Tool.

Please consider removing the requirement for existing lighting equipment to be in working order. This requirement is impractical. In any given office, commercial premises, warehouse at any given time there will be a fluoro or HID globe that is not functioning. To exclude these products from the scheme is nonsensical to customers. They are told by installers “You’ll have to go buy a new globe to replace that failed globe, so we can then replace the new globe with a more energy efficient one”. It should be considered that any failed or broken luminaire will be replaced in time and that this should not need to occur before they can then be replaced with more efficient products. This requirement only adds to the waste that is generated. The NSW and Vic programs do not require this for the CL activities and it’s a barrier to installations occurring and contributes to needless administrative burden in reducing claims when broken/failed lights are detected.

Commercial and Industrial Demand Savings (PIAM&V DM) - CD1

The following is our feedback on the design of this new activity, based on our years of experience with NSW and Victorian Project Based M&V activities. We also currently have three CMVP on staff and are well placed to provide guidance on the development of this activity.

Program design:

- We suggest allowing the option for M&V based method to choose either annual creation or 10 year discounted forward creation
- We strongly suggest the inclusion of a cap! This should be an absolute maximum of 180k credits, which is equivalent to the 50k ESC/VEEC cap for Forward Creation. There is definitely a strong argument for a lower cap though given that it's a smaller scheme with a lower target. In NSW, as an example, the Tomago metered baseline project created approx. 300k ESCs (equiv. 1 million REPS credits) annually for quite a number of years (PIAM&V wasn't available when it started). This could mean only a small number of projects could meet the whole target if there is no cap.
- Requiring existing equipment to be in working order at the time of upgrade will cause issues with the M&V on multi activity upgrade and is not necessary or practical.
    - Including this clause means added complexity and reduced viability of some projects
    - If any non-working equipment is part of the scope of the project it will mean that savings from that part of the project will have to separated out so as not to be credited causing unnecessary complexity in the model.
    - What happens if a piece of equipment fails right at the end of the Baseline period after so much work has already gone into the project?
- The proposed defined 12 months measurement period for baseline and operating period is too prescriptive and will cause some projects to be unviable. We agree that it is necessary to set expectations around how much data is collected for an accurate baseline model, but instead of setting one period for all projects in the Activity Specifications, this could be managed in the Bulletin and be based on the type of project (e.g. projects with clear seasonality to the model must collect a minimum of 12 months data, projects with less annual variability may only need 6 months data)

Definitions that need clarification:

- Please clarify whether the M&V Professional must be "independent" and if so, please further clarify what exactly does independent mean? There is confusion in other programs as to whether the M&V Professional can work for the same company that is doing the upgrade, or whether they have to be employed as a consultant? What if they have done work for the Retailer in the past?)
- Please clarify in the Activity Definition whether fuel-switching is allowed. There are lots of types of fuel-switching activities (co-generation, biogas replacing natural gas, switching to renewables) and we require clarity as to whether some or all of these project types would be eligible.
- Please add a definition for "the implementation date", to be defined as "the commencement of normal operations". There is currently no definition in the proposal for this activity and it is crucial for the development of M&V model.
- It must be made clear for every factor used in the calculation of energy savings (such as emission factors, productivity factors etc.) which date these factors apply from. Whether it is the Implementation Date, the project commencement date, the beginning of the Baseline energy period or Operational Period start date, it must be made clear in the Activity Specifications. These PIAM&V projects typically span multiple years and any factors that have the ability to be changed can dramatically affect a project's calculated energy savings in future years if those factors change. Clarity is needed to reduce the risk and improve uptake of the method.

Installed Product Requirements:

- The proposed conditions under this section of the Activity Specifications are confusing. Either the product needs to be on the NSW List or comply with applicable Australian standards. Surely all installed products need to comply with Australian Standards? If the intention is to ensure any *Lighting Equipment* installed under M&V project is an approved product under NSW then please state that, as currently it's an either/or statement. We don't agree with the requirement for Lighting Equipment to be approved by NSW, as this is not a Commercial Lighting activity and there are many more controls in place to ensure quality and fit-for-purpose products are installed under this method. M&V tends to be for bespoke and complicated projects, often requiring purpose built equipment/products (such as food manufacturing, mining, agricultural or heavy industrial settings). Requiring the product to be approved by IPART for Commercial Lighting (a typically simple and low cost activity) prevents bespoke lighting projects from claiming credits.

Refrigerated Display Cases - RDC1

The proposed requirements are not consistent with the GEMS 2020 Determination, they appear to be based on the 2012 determination which is to be revoked on 1 May 2021. Suggest the proposal refers to the 2019 Determination for clarity.

Additionally, to simplify calculations and streamline administration for entities operating within REPS and NSW ESS, we also suggest the calculation methodology for this activity should be aligned with the ESS HEAB (F1) methodology.

About us

Green Energy Trading, incorporating National Carbon Bank of Australia (NCBA), is one of Australia's largest environmental certificate agents and we are committed to making incentives for renewable energy and energy efficiency activities more accessible to Australians.

Our operations in the energy efficiency and the renewable energy industries span many activities across Australia, including the RET, NSW ESS, Victorian VEU, ERF, and we can effectively represent the views of a diverse range of stakeholders from individual homeowners, electrical contractors, solution providers right up to large corporate entities. We feel that clear and considered approach to evolving the Energy Efficiency Scheme in South Australia will benefit the large number of market participants and support businesses to transition to more sustainable practices in the State.

Thank you for your consideration of this submission.

Yours sincerely,

Caroline Bennett
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