

17 July 2020

Mr Vince Duffy
Director, Energy and Technical Regulation
Department for Energy and Mining
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Business SA
Chamber of Commerce
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Dear Mr Duffy

I write in response to the State Government's consultation paper on the proposed Retailer Energy Productivity Scheme (REPS), set to replace the Retailer Energy Efficiency Scheme (REES) beyond 2020.

Business SA, South Australia's Chamber of Commerce and Industry, was established in 1839 and has more than 3,200 members across every industry sector, from micro businesses through to listed companies. We are a not-for-profit membership organisation which works on behalf of members and the broader business community in pursuit of economic prosperity for both South Australia and the nation. Funded by member subscriptions and our products and services, we are independent of any government.

Business SA runs the State's longest running, regular and most comprehensive business survey, the 'Survey of Business Expectations (SOBE)'. In fact, the SOBE is in its 40th year and we are proud to have maintained this survey to ensure it can adequately inform successive State Governments over the decades. With confidence falling 44.1 in index points to a record low of 41 in the March Quarter SOBE, we need to take note of what the business community are telling us about their current predicament. Business conditions have also plummeted, down 30.5 points to 66.8 and we know for many businesses the impact of COVID-19 throughout the June Q will be much greater than the March Q; with typically only one month impacted.

While Business SA acknowledges that COVID-19 is primarily a health crisis, the Government needs to remain mindful that everything must be considered to continue to support as many businesses as possible to survive this period of restrictions, including in relation to utility costs.

Business SA supports promoting energy efficiency as a mechanism to both lower direct costs for business, and to mitigate against costly network investments which consumers fund. Notwithstanding, we remain mindful that the costs of any Government intervention have to be carefully weighed up. This includes to the extent to which intended mechanisms for support are already being delivered through another Government support policy, or by networks and retailers.

Extending REES for small businesses from 2015 has been instrumental in delivering the significant number of LED light replacements across the South Australian business community. This has helped small businesses cope with a significant increase in electricity prices which has fortunately abated to some degree with falling wholesale energy prices, and subdued network charges. While these factors are providing temporary relief, Governments need to be mindful about baking costs into the market which will may otherwise exacerbate price rises; for example, when interest rates begin to recover from their record lows.

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Business SA makes the following specific comments on the Consultation Paper:

1. The costs of the existing REES scheme should be much more transparent in any consultation paper about potentially extending this scheme under a new banner. We understand the costs to be approximately \$10 million (m) per annum from previous analysis published, but this figure was not provided in the Department's consultation information for its proposed REPS.
2. From analysis contained within ESCOSA's REES monitoring reports, it is clear that the demand for many activities is beginning to wane as they become business as usual. This is evidence of the need to re-think the extent to which a scheme like REES should continue on for another five years. While there is likely to be some ongoing demand from SMEs for commercial lighting upgrades, even then a three-year extension is probably more than sufficient.
3. The State Government already has a \$100m home battery scheme, and it is unclear as to why the REES should extend to including a home battery installation activity. If the Government seeks to further support SMEs with the installation of batteries, this would be better directed via opening the existing scheme up to SMEs.
4. Business SA acknowledges the Government's approach in trying to use REPS to support a shift in electricity use to times of the day where minimum demand on the local grid is becoming more problematic. However, if REPS provides for the installation of products to enable third parties to shift demand on behalf of households and SMEs, the Government needs to be mindful of the ability for such devices to be over-ridden.
5. With a number of virtual power plant (VPP) providers already active in the South Australian market, it is unclear as to why the REPS needs to incentivise connecting to a remote management system such as a VPP.
6. If REES is to continue under the suggested REPS format, there should be some obligation on retailers to provide a reasonable level of service to regional customers, subject to demand.

Should you require any further information or have questions, please contact me on (08) 8300 0009 or andrewm@business-sa.com.

Yours sincerely,

Andrew McKenna
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