

South Australian REPS

Response to June 2020 Consultation Paper - Regulatory
Framework and Activities

July 2020

Executive Summary

Emerald Planet (EP) welcomes the opportunity to respond to this consultation paper on the proposed South Australian Retailer Energy Productivity Scheme (REPS). As a committed, long-standing supplier of products into the current REES and other state energy efficiency programs, EP feels the consultation process is a valuable part of ensuring the scheme's ongoing integrity and effectiveness.

We make the following general key points in response to the consultation paper:

- We welcome the proposed REPS and in particular its commitment out to 2030
- The principle of introducing a time-of-use element to abatement calculations is sound, however it requires a commercially feasible set of activities to accompany it, along with a focus on keeping abatement calculations as streamlined and simple as possible to encourage scheme participation.
- If the proposed normalisation factors are applied to all installations regardless of the tariff the customer is on, the practical implementation of these factors is questionable, given the overall low (circa 8%) distribution of smart meters in South Australian residential premises.
- It is essential that an adequate transition period of at least 12 months is factored prior to the commencement of REPS to allow participants to properly prepare.

EP's responses in this paper are targeted at the questions where our expertise is most relevant. The following tabulated summary provides feedback to these questions.

| Question | EP Response |
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| REPS Targets | |
| Are the sub-targets appropriate or should others be considered? | These sub targets are appropriate and will provide incentives to cover a broad base of residential prospects in the program. |
| Is inclusion of rental properties as a priority group the best way to incentivise delivery of activities to this group or should a separate sub-target be considered? | Because of the wide socioeconomic breadth of renters across the spectrum, it may be worth considering a separate sub-target for renters alone. ie the inclusion of wealthy tenants should not be done so at the exclusion of priority housing tenants under the same target. |
| Normalisation Factors | |
| <p>Are the proposed normalization factors appropriate?</p> <p>And</p> <p>Does the low demand normalization factor provide enough incentive to move energy consumption away from other periods (including off-peak) to the low demand period?</p> | <p>The commercial feasibility of participants to provide solutions for, and operate in, this space are dependent on how the normalisation factors correlate to the dollar return. ie the forecast value of REPS credits, along with the quantum of credits, determines the appropriateness.</p> <p>It is only with these values in mind that operators can calculate the commercial feasibility of rolling out solutions in this space.</p> <p>Additionally, the relative complexity of calculating REPS credits for different activities will strongly determine the overall market uptake and hence effectiveness of the activity.</p> |
| REPS Credit Program | |
| Is the flexibility to conduct such a program appropriate? | <p>Yes, the principle of including the flexibility to target a specific technology or customer class is sound.</p> <p>It is important to note, as in the above point, that commercial feasibility of any nominated target technology or customer class be a deciding factor at the time.</p> <p>Eg. residential LED downlights: with uptake being limited due to current incentives rendering the activity non-commercially feasible, having the discretion to create a targeted approach to this activity may improve market uptake.</p> |

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| <p>Determining and maintaining activities and methods</p> | |
| <p>Is the proposed Ministerial protocol appropriate for the purpose in guiding the selection of energy saving activities and calculation methods for the REES?</p> | <p>It is important that within this protocol the stakeholders be consulted as part of the change management process. Major changes to activities and REPS credit calculations have dramatic and immediate impact on the scheme participants and require appropriate market consultation and transition period.</p> |
| <p>Costing and delivery of activities</p> | |
| <p>Is there a case for any activity targets from the commencement of the REPS?</p> | <p>It is vital that a sufficient transition period of at least 12 months is given prior to the commencement of REPS activity targets.</p> <p>The participants require adequate time to plan and set up for operating in new activities and product suppliers need time to research and develop appropriate technologies for the market.</p> <p>Other schemes such as the NSW ESS and VIC VEU offer at least 12 month transition periods prior to the implementation of significant scheme changes.</p> |
| <p>Eligible activities and methods</p> | |
| <p>Which of these activities and methods do you think will be implemented through the REPS, and which will not? Please provide reasons.</p> | <p>Solar PV battery storage should be one of the first priority activities to include under REPS.</p> <p>Batteries will provide significant, immediate benefit in the reduction of grid energy consumption and the normalisation of consumption across peak and off-peak periods.</p> <p>Similar to the inhibition of early adoption of LED lighting prior to abatement incentives in all state energy efficiency programs, batteries will significantly benefit from inclusion in REPS through economies of scale and subsequent reduction in product costing, along with accelerated technology improvements in research and development.</p> |

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| | <p>Demand-response technology holds significant potential under its inclusion in REPS, however the incentive structure will ultimately determine its scheme participant and market acceptance.</p> |
| <p>Is there a strong case for retaining any of the current REES activities that are currently not planned for inclusion in REPS? If so, please provide detail reasons.</p> | <p>Other jurisdictions, such as the NSW ESS and VIC VEU programs, will be including app-based in-home displays as an integral part of their future activities. Such technology has evolved a significant amount in recent years and now provides a more versatile technology platform from which to incorporate a broader range of energy saving activities, particularly in the residential space. For example:</p> <ul style="list-style-type: none"> ● Energy monitoring ● Smart thermometers ● Smart lighting ● Smart appliances (eg air conditioning and pool pumps) <p>In addition, because the energy consumption data on an IHD is displayed in real time, it facilitates proactive decision making about consumption during peak periods. This is fundamental to efforts in shifting demand and provides more advanced functionality than the retailer provided monitoring apps, which will typically provide consumption data at least a day behind.</p> <p>App based in home displays should be included in REPS. Further, inline with our previous comments, this technology should be considered under a deemed savings approach to maximise uptake in the market.</p> |
| <p>Which of the proposed new REPS activities are best suited to a deemed REPS credit, and which should be developed as a measurement and verification method? What basis would be used to calculate deemed benefits?</p> | <p>As a general principle, the more activities which are deemed, the higher the uptake rate. ESS and VEU M&V methodologies have proven a barrier to entry for the majority of scheme participants, due to their complexity and protracted timeframes rendering them largely commercially infeasible. In both schemes, deemed activities</p> |

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| | <p>have been responsible for >90% of overall certificate creation.</p> <p>It is therefore suggested that a deemed approach be preferenced over M&V for all activities wherever possible to simplify compliance and maximise market uptake.</p> |
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EP would be happy to provide further detail or clarification on any of the above information should this be required. Please contact Alex Pawsey on alex@emeraldplanet.com.au or 0404 871 898.

Regards,

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