

**Department for Energy and Mining Response to Feedback from Consultation on
Retailer Energy Productivity Scheme (REPS) Activities, Credits and Targets**

Key Issue	Detail	Response
General Issues Retailer Energy Productivity Scheme (REPS) 'General' – Timing	<p>Concerns regarding the commencement of the REPS on 1 January 2021. Stakeholders noted the short timeframes to implement changes to systems and training (given the consultation taking place in September 2020), as well as the limited stakeholder engagement and industry consultation.</p> <p>Stakeholders also noted the broader risk(s) of adopting rushed reforms to their organisations and the impacts this would pose to customers from a costs and REPS-related services perspective.</p> <p>Stakeholders requested further engagement from the Department for Energy and Mining (DEM), as well as additional time to consider the proposals and provide additional input into the proposed REPS activities, credits and targets.</p>	<p>DEM has engaged with industry on the design of the REPS since late 2018 through several consultation papers and discussions. DEM has also held several one-on-one discussions recently to address industry concerns arising from the proposed activity specifications.</p> <p>DEM notes the REPS will allow a 20 percent carryover credits from the Retailer Energy Efficiency Scheme (REES) to the REPS to assist with transition to the new scheme. Most of the activities eligible under the REES will also be eligible under the REPS. DEM will establish deemed credit value trajectories for certain activities to phase in changes to REPS values, in response to concerns that time is needed to adjust business models to deliver deeper retrofit activities and demand response (DR) activities.</p>
Essential Services Commission of South Australia (ESCOSA) Timings	<p>Several stakeholders noted that following the activities being established and the methodologies for REPS activities being developed by the Department for Energy and Mining (DEM), it will likely take ESCOSA several months to finalise the activities and provide information to industry on what will be required. As a result, stakeholders highlighted their concerns that until ESCOSA has completed the necessary work, no REPS-related activities will be provided in the first several months of 2021.</p>	<p>ESCOSA will work closely with retailers to provide any interim advice needed to ensure activities can be delivered from the commencement of the scheme and pending completion of a revised REPS Code in early 2021.</p>
Fuel Switching	<p>A stakeholder queried whether the REPS supported fuel switching – noting that they were fully supportive of fuel switching between gas to electricity as well as gas to renewables.</p>	<p>Fuel switching will be eligible within several REPS activities, noting the REPS will include a gas normalisation factor to reflect the relative purchase cost of fuel types.</p>
REPS Activities - Timing	<p>Concerns regarding the commencement date of REPS activities. Stakeholders proposed a transitional timeframe with either: the REES activities adopted for a further 6/12 months as REPS-related products could be developed; REES 2020 activities and targets are</p>	<p>DEM will establish deemed credit value trajectories for certain activities to phase in changes to REPS values, in response to concerns that time is needed to adjust</p>

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REES / REPS Carryover	<p>Some stakeholders challenged the proposed carryover arrangements between REES and REPS – stating that retailers should be able to carry over activities from the 2020 REES targets towards the 2021/22 REPS targets.</p> <p>Other stakeholders considered that the limits on carryovers from REES should either be removed completely or increased.</p>	<p>DEM has worked closely with retailers and ESCOSA during October 2020 to ensure carryover arrangements are clear, including (but not limited to) clarifying that the carryover amount would be based on the 2020 REES targets, not the 2021 REPS targets.</p> <p>DEM has also clarified that carryover can be claimed against the REPS Priority Group (PG) targets and not just the overall targets.</p>
REPS Costs / REPS Credits	<p>Stakeholders noted a likely cost increase in providing REPS-related services, including (but not limited to) the impacts of the minimum co-payment cost of \$33 per activity (with stakeholders stating the co-payment should either be reduced or removed completely); the proposed targets for the PG from deeper retrofits, as well as the productivity factors for globes and SPCs proposed in REPS for PGs and the broader changes to lighting-related activities.</p> <p>Stakeholders also noted the cost differences with similar schemes in New South Wales and Victoria and the methodologies used by other schemes to calculate their credits/values. Stakeholders proposed that DEM align this wherever possible to minimise administrative costs for stakeholders.</p>	<p>DEM agrees that the per-activity co-payment may act as a barrier to deliver certain residential activities. Instead, this will now include a per-household co-payment requirement rather than a per-activity co-payment.</p> <p>DEM will also establish deemed credit value trajectories for certain activities to phase in future changes to REPS values. This will assist with the cost effectiveness of delivering REPS activities.</p> <p>Regarding alignment with other schemes, the development of the specifications and values for REPS activities has included evaluation of the rules and values of activities in other schemes. For some REPS activities, such as commercial lighting, the values remain fully aligned to the New South Wales Energy Savings Scheme (ESS).</p>
REES / REPS Targets	<p>Some stakeholders challenged the proposed changes to retailer targets. Some stakeholders considered that the REPS targets should be maintained at a similar level (or lower) to REES (with several stakeholders noting the REES targets for 2018-20) due to changes in the scheme and the uncertainty that has been created by the REPS.</p> <p>However, other stakeholders considered that the targets needed to be increased considerably (with one stakeholder indicating targets</p>	<p>DEM notes there are a range of views on this issue. Development of the future REPS targets, eligible activities and scheme rules will be mindful of containing costs to residential customers.</p>

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General Issues	<p>should increase by 30% and another stakeholder indicating it should increase by 50%, as well as another stakeholder indicating targets should increase tenfold).</p> <p>Other stakeholders were supportive of the targets increasing on the condition that the activity productivity factors were revised and/or increased) whilst other stakeholders were supportive of REPS targets being ramped over the five-year period at varying amounts.</p>	
Expanding Activities to Business and Large Customers	<p>Several stakeholders stated that REPS activities should be expanded to business/commercial customers and/or large customers (where appropriate), given small/large businesses and other load-intensive businesses can shift load (such as water load) and contribute to demand response (DR)-related activities.</p> <p>In addition, a stakeholder noted that current REES customers who consumed more than 1000MWh through an individual contract were excluded in REES, but would now be captured under the REPS. Additional timing was therefore requested for large energy customers to understand their future obligations and/or financial impacts from a contracts perspective.</p>	<p>DEM will review the proposed residential-only activities to determine whether the proposed deemed credits assumptions would support eligibility in SMEs or other businesses.</p> <p>Regarding the proposed removal of the REES rules that allowed netting out of annual sales to larger energy customers, this reflects the introduction of REPS activities and rules with a stronger focus on upgrades and services delivered to larger businesses.</p>
Lighting Products	<p>Several stakeholders noted that the light efficacy levels specified for residential lighting (such as for LED GLS bulbs) are not yet achievable in Australia, resulting in higher prices in the future and constraints on supply in the first year of their production. Stakeholders therefore requested a six / 12-month delay in any changes to residential lighting-related activities and/or that efficacy levels should remain in line with REES efficacy levels. Stakeholders highlighted this would be the case for new products specified in the consultation paper, as products will need to be designed, manufactured and accredited.</p> <p>In addition, some stakeholders requested that the residential downlights-related activities in the REES be reinstated in the REPS with the same value as the Home Energy Efficiency Retrofits (HERR) method.</p> <p>Stakeholders also challenged the proposed changes to residential lighting-related activities, noting they have provided significant</p>	<p>Specified efficacy levels for residential lighting will be reviewed to ensure they can be delivered in the early period of the REPS.</p> <p>As with other activities, DEM will establish deemed credit value trajectories for residential lighting to phase in changes to REPS values.</p>

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Australian Standards	Some stakeholders queried why activities must adhere to an older version of an Australian Standard (AS/NZS 4755) which is being updated in the foreseeable future. Some stakeholders requested that the wording in the regulations be amended so that the most current and/or relevant Australian Standards are mandated, whilst other stakeholders challenged the latest Australian Standards – stating that the 2014 version of AS/NZS 4755.3.1 is flawed and that appliances should comply with AS/NZS 4755.3.1:2012 (or no Australian Standard at all).	DEM considers that AS/NZS 4755 compliance provides a valuable method to ensure DR capability for appliances. DEM will review references to AS/NZS 4755 to ensure that the latest draft version(s) are cited and will review whether it is necessary to require this AS/NZS Standard in all REPS activities where it is currently proposed.
Water Heater Products	<p>Concerns were raised regarding the ways in which water heater-related activities were calculated in REPS and the difference in GJ awarded if the property is connected to gas or not.</p> <p>In addition, some stakeholders noted that the WH1 activity is for residential only and queried whether this activity could be expanded to commercial customers.</p> <p>Further, a stakeholder stated that gas connected, hot water activities should be revisited based on the low productivity factor offered for gas connected properties versus non-gas connected properties.</p> <p>Another stakeholder requested that the scope of WH1, WH3 and WH4 were reviewed to ensure that these activities do not exclude valid and/or emerging technologies and products (such as a smart hot water system) that were currently being trialled in South Australia with ARENA's support.</p>	<p>The different values for gas versus non- gas areas are to ensure additionality over and above current regulatory requirements in South Australia where electric resistive water heaters typically cannot be installed in gas reticulated areas.</p> <p>DEM will consider whether baseline usage profile data supports expansion of this activity for SMEs.</p> <p>Regarding new water heater types such as those supplied through solar panel diverters or directly by rooftop solar – DEM considers these could be considered as part of a future review of REPS activities, once results of trials are known.</p>
Refrigerated Display Cases (RDC)	A stakeholder noted that the proposed requirements are not consistent with the GEMS 2020 Determination and are instead based on the 2012 Determination. The stakeholder recommended that this referred to the latest Determination for clarity.	DEM will review (for alignment) this REPS activity to the latest MEPS for this product.

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Priority Group (PG) Percentages	<p>Some stakeholders were not supportive of any form of Priority Group targets (or the broader introduction of sub-targets in the REPS).</p> <p>Other stakeholders challenged the level of the priority group target, noting the target should either be reduced or removed completely as it will likely lead to cost increases to South Australian customers – particularly given the changes for lighting-related activities in the REPS from the REES.</p> <p>Some stakeholders challenged the way in which the Priority Group targets are proposed to be calculated, recommending that the formula is based on the annual Priority Group percentage for each retailer's customers.</p>	<p>DEM considers the PG target remains a preferred mechanism to assist low income households, in line with the REPS objective to include a focus on this sector.</p> <p>The level of the PG target will be developed in the context of the specific barriers to delivery of REPS activities in this sector.</p> <p>The apportionment method for the PG target is proposed to be the same as the REES and will be based on the number of residential customers the retailer has. DEM considers this the most administratively simple method for this REPS activity.</p>
Commercial Lighting	<p>Concerns regarding the ESS Commercial Calculation Tool and its linkage to NSW's Scheme. Several stakeholders suggested this be de-coupled, allowing stakeholders to develop their own calculation tools to improve administration of this activity.</p> <p>One stakeholder requested that REPS permit activity providers to use their own calculators, providing they were calibrated to the values in the ESS rule and are audited under the ESS.</p>	<p>DEM does not support de-coupling the REPS from the New South Wales ESS calculator.</p> <p>While penetration of LED lighting in the commercial sector may vary somewhat from jurisdiction to jurisdiction, the REPS will aim to transition the scheme out of lighting toward other activities for reasons of additionality.</p> <p>DEM understand that ESCOSA permits providers to use their own calculators to calculate the GJs submitted, but ESCOSA also requires the use of the ESS calculator to check the accuracy of the providers' figures, and also requires retailers to supply the PDF report generated by the ESS calculator as part of their compliance package. DEM's view is that, given the REPS framework is a direct obligation scheme on retailers, rather providing for direct accreditation of providers, the level of evidence currently</p>

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Metropolitan & Regional Customer Multiplier	A stakeholder requested that no regional targets were assigned for REPS – noting that in the early years, without a multiplier, activities delivered to regional customers would likely increase the GJ price charged to retailers that would be passed onto South Australian energy customers. It was considered that as REPS progressed and the markets matured, regional customers would receive REPS-related activities in the later years.	The REPS does not (propose to) set a formal regional target in the first year, but the level of regional activities will be monitored, and a formal target considered in the future if insufficient activities are being delivered in the regions.
Rental Properties	Stakeholders noted their concerns with the REPS activities-related proposals set out for rental properties. Stakeholders challenged the \$500 per week figure (with some stakeholders indicating it was too high and others indicating there should not be a cap), as well as noting the privacy-related issues, additional administrative requirements and other challenges that they may encounter when trying to offer REPS activities (including invasiveness).	<p>With the proposed expansion of the PG to rental properties, evidence of rental arrangements will need to be provided. This is similar to the evidence of other PG eligibility criteria that has been in place in the REES, such as concession cards.</p> <p>It is a customer choice to provide evidence of a rental agreement. If the customer prefers not to provide the evidence, the retailer can still offer the upgrade but they would be unable to claim it against its priority group target. DEM does not view this requirement as being more onerous or invasive than current requirements on the eligibility evidence of concession cards, a referral from financial counsellors, etc.</p> <p>Regarding the level of the rental amount, the definition of a PG rental property was proposed to include only rental properties with rents of \$500 per week (or less). This limit was in response to several submissions from the June 2020 consultation paper on the REPS that argued that many rentals are not low income, and higher income renters should not be eligible for the proposed exemption of PG members from activity co-payment requirements. With the proposed removal of per-activity co-payments (as discussed elsewhere), DEM agrees the \$500 limit will be reduced to \$400.</p>

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<p>General Issues</p> <p>Demand Response Activities</p>	<p>Stakeholders considered the introduction of demand response (DR) activities as a positive move in REPS, recognising the emerging two-sided market.</p> <p>However, stakeholders also considered that the DR-related activities, assumptions and requirements required further consideration, particularly given they have higher upfront costs and the current national frameworks which are only available to large commercial customers (noting the recent <i>Wholesale Demand Response Mechanism</i> final rule that was made in June 2020) and not residential customers.</p> <p>In addition, stakeholders noted their concern regarding the role of the Minister for Energy and Mining in approving a Virtual Power Plant (VPP) and DR Aggregators.</p> <p>Some stakeholders queried whether DR-related productivity factors should be revised and/or increased to facilitate higher rebates – which would then encourage additional DR-related activities being provided to customers. This included (but is not limited to) Standby Power Controllers (SPCs), application-controlled smart thermostats, pool pump controllers and Heating, Ventilating and Air Conditioning (HVACs).</p>	<p>General support for these activities is noted by DEM.</p> <p>The REPS will support DR programs that offer financial incentives for managing customers’ energy loads, whether through the Wholesale Demand Response Mechanism-related final rule or through other mechanisms.</p> <p>It is the intention to ensure any VPP and DR approval process is streamlined.</p> <p>DEM acknowledges the challenges of transitioning business models from activities commonly delivered in the REES toward newer DR activities and will consider an adjustment in the REPS values to provide a trajectory to assist with transition to alternative activities</p>
<p>REPS Activities requiring further consideration</p>	<p>Stakeholders highlighted a number of REPS activities that required further consideration. They were:</p> <ul style="list-style-type: none"> • <u>BS1B Top-up Ceiling Insulation</u> – A stakeholder noted that the GJ credit values would need to be raised, given the significant amount of work required to deliver this activity. Another stakeholder stated that industry opposed the top-up insulation activity, noting it was unhygienic and may compromise on the integrity and warranty of the new insulation. • <u>BS2 Building Sealing</u> – A stakeholder noted that this activity would be viable, but the market in South Australia is limited. Another stakeholder stated that the credits should be increased to make the activity economic. 	<p>DEM will consider an adjustment in the REPS values to provide a trajectory to assist with the transition to alternative activities.</p> <p>DEM also understands top-up insulation is offered by industry.</p> <p>DEM will monitor this REPS activity (during the first stage of the REPS) to determine whether there is any uptake as part of bundled activities.</p>

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General Issues	<p>proposed changes to lighting activities should be delayed for two-three years and that DEM should revise the minimum initial efficacy for High Efficiency LEDs as they do not exist. For L3 Replace QH Floodlights, a stakeholder indicated this activity wasn't viable in the REPS.</p> <ul style="list-style-type: none"> <p><u>CL1 Com Lighting Upgrade</u> – A number of stakeholders stated that this activity could be devalued if adopted as-is with the New South Wales ESS calculator and considered that this activity should be decoupled from the ESS calculator. Another stakeholder agreed with the proposed commercial lighting GJ credit values and increased productivity factor, but considered that DEM should remove the 1800 GJ maximum cap so that all lights at commercial premises could be replaced (rather than only replacing a number of lights up to the cap).</p> <p><u>SPC1 and SPC2</u> – A stakeholder supported the reduction in SPC values, whilst another stakeholder stated that the proposed abatement (for SPC1) no longer covers the cost this product, rendering this activity undeliverable. The stakeholder also considered the REES values should be retained for 2021 to allow existing stock to be installed. The same stakeholder also stated that SPC2 should be removed from the REPS, as there are no products on the market that meet the requirements.</p> <p><u>APP1A HE Refrigerator, APP1B HE Freezer, APP1D HE Clothes Dryer, APP2 Remove Refrigerator and APP3 High Efficiency Pool Pumps</u> – A stakeholder considered the \$33 co-payment should be removed for these activities, whilst also noting that the APP3 High Efficiency Pool Pump activity should be increased to a minimum of eight stars, with the calculation amended to kWh per annum instead of flowrate.</p> 	<p>household co-payment. The minimum initial efficacy values will be reviewed for currency.</p> <p>DEM does not support de-coupling the CL1 from the New South Wales ESS calculator. While penetration of LED lighting in the commercial sector may vary somewhat from jurisdiction to jurisdiction, the REPS aims to transition out of lighting toward other activities for reasons of additionality.</p> <p>DEM will consider an adjustment in the REPS values for SPCs to assist with transition to alternative activities. Regarding product availability of SPC2, the specification has not changed from the REES, only the values.</p> <p>The per-activity co-payment will be replaced with a per household activity. DEM will consider the suggestion regarding APP3 from the stakeholder.</p>

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Activities missing in REPS	<p>Some stakeholders noted that successful activities in other schemes in Victoria and New South Wales are not included in the REPS and queried whether such activities (like CFL light globes, smart water heaters, in-home displays (IHDs) and energy management systems) could be included given the new DR-related activities and the introduction of Time of Use (ToU) tariffs. A stakeholder also queried the removal of the audit target in the REPS, requesting that this be reconsidered and included within the REPS activities.</p> <p>Other stakeholders considered that ToU tariffs should be combined with smart meter installations and IHDs as a bundled REPS activity.</p>	<p>The impact of the reduced values for certain activities that are commonly delivered in the REES is acknowledged. Consideration will be given to an adjustment in the REPS values to provide a trajectory to assist with the transition to alternative activities.</p> <p>Regarding audits, the REES review found that audits would not produce energy savings without regular, tailored information and repeat visits. It recommended that the REPS focus on mechanisms to incentivise deeper retrofits in homes rather than continuing to deliver audits. Energy audits are available through the DEM Energy Advisory Services and other not for profit groups.</p>
Installed Minimum Requirements	A stakeholder noted their concerns for the Installed Product Requirements set out in the consultation paper, particularly for hot water heater-related activities and specifically for heat pumps operating in the winter.	Installation requirements for WH4 will be as per the condition of approvals for an eligible DR aggregation program. This will include customer protection provisions.
REPS Compliance	A stakeholder noted that the REES system for retailer responsibility regarding compliance and quality worked well, and noted their concerns on the proposed changes in the REPS for compliance and quality shifting to the Minister for Energy and Mining or to a Panel or Program (particularly for DR-related activities).	Given the uncertainty around understanding in the market of DR programs, it is important for scheme integrity and customer protection that there is some direct evaluation of these programs in the REPS by the Minister for Energy and Mining. The proposed approval process is intended to be straightforward and not administratively complex.
Definitions	Some stakeholders highlighted that terminology and/or wording used within the consultation paper (such as 'gas') may be too limiting and/or narrow. In addition, some stakeholders requested DEM to define and clarify terminology and/or wording used within the consultation such as 'Activity Definition' and 'Implementation Date'.	DEM agrees that this definition should be revised. It will be replaced with a definition from the <i>South Australia Gas Act 1997</i> which is that " <i>gas means a fuel consisting of hydrocarbons or predominantly of hydrocarbons that is in a gaseous or vapour form when it is at the pressure and temperature of its normal pipeline transportation and utilisation conditions, but does not include anything declared by regulation not to be gas</i> ".
Existing Equipment	Some stakeholders noted that the existing requirement for equipment to be in working order at the time of the activity upgrade is causing issues, as the customer is required to fix and/or replace the	DEM will review this wording in the PIAM&V specification to determine whether it could be revised to ensure

Key Issue	Detail	Response
General Issues		
Operational Prior to Upgrade	broken product before an energy efficient alternative can be installed. It was proposed that this requirement is removed.	equipment is in working order when measured for the baseline.
Project Impact Assessment with Measurement and Verification (M&V) Professional Queries	<p>Some stakeholders queried the requirement for the M&V Professional being independent. Specifically, whether said Professional could be employed by the same third-party provider undertaking the upgrade, or whether the Professional would have to be a third-party Consultant.</p> <p>Other stakeholders noted that there should be a cap on the number of credits that can be secured at a site under PIAM&V to prevent a small number of projects dominating the REPS.</p>	<p>DEM will consider the current wording to determine whether there is adequate guidance on the role of the M&V professional and ESCOSA's role on the approval process.</p> <p>DEM agrees that a cap should be included.</p>