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Department for Energy and Mining South Australia
Lodged via email: DEM.REES@sa.gov.au

RE. Retailer Energy Productivity Scheme Consultation Paper

On behalf of Your Energy Saving Solutions (YESS) we thank you for the opportunity to respond to the consultation paper on the proposed Retailer Energy Productivity Scheme (REPS) regulatory framework and activities.

We have found it difficult to respond to many of the questions raised in the consultation paper as the proposed REPS includes many recommendations that will take many years to implement and while we understand the need to improve energy productivity across the energy network, we are not sure that the intended outcomes could not be better achieved simply through more investment by SAPN in their distribution network, increasing the transfer capacity of the interconnectors to the eastern states and the increase in battery storage. Rather than a scheme funded by energy retailers who ultimately pass these costs back to their customers.

Some of the evidence and data in the consultation paper appears to be outdated as some of the key outcomes, such as the need to bring down the wholesale price of electricity has already been achieved. The wholesale price of electricity in SA is on average is now 40% cheaper than twelve months ago. In addition to this, large consumers of energy in SA are on a KVA tariff and already have maximum demand tariffs imposed by SAPN. They have energy management systems in place to ensure that they do not exceed their limits through load shedding and other measures. Attempting to bring this type of technology to the masses will take many years and a huge investment by the retailers who are responsible for installation of their customers meters. To facilitate a demand response program there would need to be a significant uptake of smart meters (currently less than 15%) and the installation of smart devices in the home to have any meaningful impact on improving energy productivity across the network.

We also need to add our voice to the growing concerns across the energy efficiency sector in relation to the timing of the announcement of potential changes to the deemed values of existing REES activities that could be carried forward by retailers into 2021. The Department has indicated that there will be another consultation paper released in "mid-August" which contains the proposed Gj values for the current REES activities moving into 2021, we imagine that this consultation will be open for responses for a couple of weeks and then the Department would review the responses and release a final position paper.

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Based on these assumptions an optimistic time frame for a final decision being released could be six to eight weeks from the release of the consultation paper, which would take us into October before there was any certainty on the credits generated by existing activities. The Energy Retailers that we work with have all indicated to us that they cannot commit to any carry over target until they are clear on what the value of the credits they are actually purchasing and as a third party provider we cannot quote on jobs without knowing how many credits and the value of the rebate we can pass onto the customer.

It is my understanding that the Energy Retailers that we work with will all be reaching their 2020 REES targets within the next couple of months, so if there are significant changes to the credit values then third party providers will need to negotiate with Energy retailers new rates to continue working in 2020 as all activities undertaken after September would only be as carry over.

At the beginning of the year we planned our REES delivery schedules with our clients to ensure that they all met their obligations by mid-October and they had committed to a min 10% carry over which would be completed from Oct- end Dec 2020 to ensure the continuity of our work force in South Australia .

The uncertainty around the value of the carryover credits has already resulted in YESS having to slow down work and in many cases cease some activities as we cannot undertake work that is surplus to requirements. We directly and indirectly engage around 100 South Australians through our REES operation and these jobs are all in jeopardy should there be significant changes in the deemed value of the existing REES activities or a delay in announcing the abatement values for these activities for 2021.

If you have any questions in relation to this submission, please contact either myself or Shelley Pollock (Shelley@yess.net.au).

Yours sincerely,

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6. REPS targets

- Are the sub-targets appropriate or should others be considered?

Similar to the NSW Government's Energy Security Safeguard proposal we believe that the REPS targets should include both an energy efficiency target and a target based on peak demand/load control measures. These targets should be further separated between the commercial and residential sector.

It would be proposed that in the early phases of REPS (years 1 and 2) that the Energy Efficiency Target form 95% of the overall target, while the Demand Response measures form the remaining 5%. As the industry pivots and resources increase (via greater smart metering capabilities etc) this percentage should increase in a stepped fashion.

Before setting any sub target relating to a demographic, class or a type of energy productivity activity, YESS believes that retailers and industry professionals should be consulted to ensure that the market is strong enough to support it and that there is a wide enough range of viable activities that can be undertaken in each of these categories to meet the targets.

- Is inclusion of rental properties as a priority group the best way to incentivize delivery of activities to this group or should a separate sub-target be considered?

While YESS supports and welcomes wholeheartedly a Priority Group Target (PGEPT) we do not feel that it is necessary to also implement a HEPT. The inclusion of rental households within the definition of 'Priority Group' is a refreshing direction and will ensure that this large demographic of people who often have not been able to access the energy-efficiency services due to the landlord/tenant split incentive, will. Ensuring activities are completed in this demographic via the PGEPT will also see activities naturally flow into the Owner Occupier space. These will be absorbed into the EPT without need for a specific and needlessly onerous reporting target.

8. Calculating REPS credits

Shifting the focus to energy productivity will undoubtedly have a positive effect on the security of the energy system in South Australia and the NEM as a whole. However, consideration needs to be given to the fact that the Scheme is supposed to provide additionality to the activities already being conducted (ie: no incentives for anything conducted under "business as usual").

As demand management will be necessitated in the coming years due to the unique energy challenges South Australia faces, it will be important that the Scheme does not become a tool simply for subsidising necessary infrastructure upgrades when its goal is supposed to focus on the consumer, particularly SME and low-income households.

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To ensure that the Scheme remains a tool for reducing electricity bills and supporting energy consumers, YESS strongly suggest the splitting of targets to include an Energy Efficiency Target and a Peak Demand/Load Control Target, in line with the ESS in NSW. It is vital to all energy users to continue to support the reduction of overall demand through the installation or retrofitting of more energy efficient products. The deemed methodology can still be used to calculate the energy efficiency credits for this sub-target and a new methodology for calculating credits for the uptake of load control and demand management equipment and services can be developed and implemented when the market is mature enough to support these changes (i.e. when we have sufficient smart meters installed to enable energy retailers to introduce TOU tariffs in SA that would actually benefit both the network and the customers).

During the webinar it was mentioned that many of the activities carrying over from REES will still have a deemed value but with an "average" time-of-use normalisation factor applied. The concern widely expressed by stakeholders in energy efficiency is that these normalisation factors will be used to reduce the value of existing activities in order to incentivise demand response activities.

Energy-efficiency activities remain a valid and important service to provide to consumers and these should not be pushed out of the Scheme through use of normalisation factors that should only apply to activities where time-of-use can truly be measured.

9. Normalisation Factors

It is difficult to comment on the appropriateness of these normalisation factors without first understanding which activities they will be applied to and in what way. Many of the activities being carried over from REES to REPS are not suitable to have time of use multipliers applied, such as L1 and CL1 which offer the upgrade of products that can be used at any and all times of the day. Selecting an "average" time of use category for these activities is essentially applying a multiplier that will artificially adjust the actual energy savings, thus delegitimising the energy savings reported in the REPS. Especially in relation to CL1, which currently employs the in-depth and highly accurate calculation method from the ESS, it would be a blight on the legitimacy of REPS to have this artificially adjusted to incentivise other activities. As the REPS proposal includes the ability for the Minister to set targets on specific activities, that would be a better tool for incentivising other activities than artificially adjusting the deemed value.

YESS believe that the lack transitional arrangements for the move to demand-based incentives is of concern. A graduated transition within the first cycle of the scheme would solidify the success of the REPS.

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10. REPS credit transfers and carryovers

The confirmation of a credit carryover from 2020 to 2021 is welcome at such a time of uncertainty within the South Australian Economy. As REES (REPS) affiliated workers form a significant portion of our skilled workforce it is important, now more than ever, that there is no cessation of activity.

With the proposition that there is to be no carryover restriction for further years of the scheme and that 2020 carryover will reflect the 2021 credit values, it should be considered that this cap could be removed in its entirety.

YESS wish to impress on The Department the urgency that is required to advise the 2021 credit values to ensure workers continue to be engaged in full capacity and that retailers can plan appropriately for this additional delivery. It is our belief that the value of all existing activities in the 2020 REES program need to remain the same for 2021 REPS program to provide certainty for Retailers to continue to purchase credits in 2020 that they can carry forward towards their 2021 targets. Failure to provide clarity on the values for 2021 activities will be catastrophic for the entire program as providers will not be able to accurately quote for jobs and Retailers are not prepared to purchase credits to carry forward when they are unsure of what the actual value is.

As providers reach their allotted targets for this year, work will stop and for many. For YESS employees, trades people and contractors, this would mean approximately 84 FTE would without employment for three to four months.

11. REPS credit program

- Is the flexibility to conduct such a program appropriate?
- Are any improvements to the proposed process necessary?

Should it be implemented, there should be some form of framework set around the introduction of a REPS Credit Program.

With the current best practice in REES, retailers apply their individual risk and compliance assessment in evaluating specific activities. Should an activity eventuate with a safety or a warranty problem – the contractual agreement between Energy Retailer and their Service Provider has ensured these incidents are dealt with appropriately.

To implement a similar level of risk and compliance assessment for the purpose of trading REPS credits – a responsible government body would need to rubber-stamp those credits for trading and to manage safety and compliance standards across the field.

12. Determining and maintaining activities and methods

- Is the proposed Ministerial Protocol appropriate for the purpose in guiding the selection of energy saving activities and calculation methods for the REES?

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Minister may add or amend calculation methods, eligible activities, and specifications at any time.

To ensure stability and to allow adequate time for retailers and providers to pivot, there should be a minimum notification period before any detrimental changes to activities and/or calculation methods can be applied within the scheme.

In the event the new activities are to be added, adequate consultation with retailers, providers, and advisory bodies, such as the Energy Efficiency Council, should be undertaken.

Spontaneous changes can have adverse impacts, not only on the retailers' ability to achieve targets, but on employment security for the large workforce currently engaged in REES.

13. Costing and delivery of activities

- Are any other obligations necessary to incentivize competitive cost and activity delivery?

REES pricing from retailers is effectively capped by the set penalty rate. Retailers each have their own rigorous tender and multi-faceted procurement processes in place to ensure competitive pricing, service delivery and quality.

It is feared that should these proposed directions eventuate, the overriding consideration made by retailers would be price. At present the high safety, scheme compliance and performance standards in REES are maintained due to operators having an established presence with employees and offices in South Australia. Rigorous pre-screening and operational auditing of 'fit and proper' field technicians coupled with sound compliance processes and procedures maintains this standard.

Naïve pricing will ultimately place pressure on administrative components such as training and induction along with the final compliance packages delivered.

14. Eligible activities and methods

Our support for retaining and/or modifying the current REES activities onto REPS is summarised in the table below, along with more detailed comments under the table

The indicated abatement factor (GJ) or the proportion of subsidy in relation to the costs of product, installation and compliance administration is proposed based on current REES delivery and quality from YESS. We applied our best judgement in flagging the factors that would make implementation of an activity practical, financially viable, and attractive to the recipient.

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Activity	YESS Support for Retaining	Comment – Consultation input
BS1A Ceiling Insulation	Yes	**Reasonable uptake, current REES incentive covers over 50% of labor and product cost. Consider retaining at the current abatement**
BS1B Top-up Ceiling Insulation		Impractical – hard to set boundaries for product and installation warranty
BS1C Wall insulation	Yes	**REES incentives were at an insignificant level. Good potential if REPS to cover at least 50% of activity cost.[1] Promotes development of trades.**
BS2 Building Sealing	Yes	**REES incentives were at an insignificant level. High potential for PGEPT activity, if REPS to cover close to 100% of activity cost with a mandatory co-contribution.[2]**
BS3A Replace a Window	Yes	**REES incentives were at an insignificant level. Good potential if REPS to cover at least 50% of activity cost.[3] Promotes development of trades.**
BS3B Retrofit a Window		Limited application due to variety in window frames, and restrictions on window opening. A new activity including window films would be favored.
HC2A New RC AC (non-Duct)		Impractical – fixed Resistance Electric Heaters are very rare in SA
HC2B New RC AC (Duct)		Ducted HVAC systems are a heavy load at Peak Demand times. A new activity to install load shifting timers would be more appropriate.
WH1 Replace Water Heater	Yes	**Reasonable uptake, REES incentive covers around 25% of labor and product cost. Consider retaining at the same level in REPS**
WH2 Replace Showerhead	Yes	**Support to discontinue the 9.5L option. However, the lowest reasonable level of HE showerhead is 7.5 liters per min. 7l per min showerheads have been trialed – very poor customer feedback.**
L1 LED GLS	Yes	**Significant uptake, however approaching saturation for replacement of halogen globes [4]**
L2 LED Downlight		The reduction of the abatement factor in January 2019 has set the L2B activity to idle. L2A and L2C activities were found impractical due to this. Consumer demand is strong however abatement was too low to be of price impact.
L3 Replace QH Floodlight		See comment (4) on activity L1 LED GLS
CL1 Com. Lighting Upgrade	Yes	**Support for continuing in 2021 REPS, as per current REES specification**
APP 1A HE Refrigerator		Base load appliance, activity not to be retained under REPS
APP 1B HE Freezer		Same as 1AHE Refrigerator Comment
APP 1D HE Clothes Dryer	Yes	**Only where replacing existing dryer with heat pump**
APP 1F HE TV		Low incentive
APP2 Remove Refrigerator	Yes	**Support for continuing in 2021 REPS, as per current REES specification**
APP3 HE Pool Pump		Marginal

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RDC 1 HE RDC		Same as 1AHE Refrigerator Comment
IHD1		Support on folding into a new activity with remote controls on HVAC and a broader range of demand management initiatives

NOTES - referring to the comments in the table

(1) BS1C Wall insulation

- Wall Insulation activity has a potential to support Demand Management as an improved building envelope allows to pre-heat or pre-cool the rooms at low demand hours, and minimise the HVAC usage at peak-demand times.
- The level of required contractor specialisation is only marginally higher than the Ceiling insulation – considering the Safety Checks and BLD license for Insulation.
- In the Greater Adelaide area approximately 100 homes get wall insulation retrofitted every year, with good growth potential, should the REPS subsidy be set to 6-7 GJ (REES equivalent) per *linear meter* of wall.
- Based on the current experience with Ceiling Insulation activity, a minimal mandatory co-contribution of $15 per *linear meter* could be set for the Wall Insulation activity in REPS.

(2) BS2 Building Sealing

- Building Sealing activity has a potential to support Demand Management as it will reduce the HVAC use at peak-demand times.
- Building Sealing has high potential with Priority Group households, specifically targeting Door Weatherstripping, Window Weatherstripping and Wall vent sealing. Appropriate abatement factor tied-in with customer co-contribution will facilitate high quality products and qualified installation service.
- To achieve a reasonable quality and warranty on this service, the REPS incentive should be set at a level of 3-4 GJ (REES equivalent) per item, with a cap of 15GJ per household and a minimum mandatory co-contribution from the customer - $50 per household.
- Based on field research though ongoing customer-paid SCORECARD and Home Energy Assessment services, the list of eligible products should be simplified to three types only - Door Weatherstripping, Window Weatherstripping and Wall Vent sealing.

(3) BS3A Replace a Window

- Along with Ceiling and Wall insulation, the retrofitting of Double Glazed windows has a potential to support Demand Management as an improved building envelope allows to

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pre-heat or pre-cool the rooms at low demand hours, and minimise the HVAC usage at peak-demand times.

- The benefits of double glazing are being recognised and started making inroads into low income housing (a retrofit project run by Housing SA). The product manufacturing and installation services are strongly represented in South Australia; however, they lack the economy of scale.
- To intensify this energy efficiency measure the REPS subsidy should be set to 50-70GJ (REES equivalent) per sqm, and capped at 200 GJ per household, thus making it affordable to insulate one main living area in a household.
- Based on the current experience with Ceiling Insulation activity, a minimal mandatory co-contribution of $100 per window/door could be set for priority group households and $200 per window/door.

(4) L1 LED GLS

- A high-level compliance regime has been developed for this activity, and it has a significant uptake with Priority Group households.
- Replacement of incandescent/halogen globes is approaching a saturation point, should this activity be considered to contribute to Priority Group targets in 2021-2022 REPS.
- Considering the specification for a similar activity in Victorian Energy Upgrades, replacement of CFL non-directional lamps would allow to renew this activity into 2021-2022, providing the REPS incentive covers the costs of product, the installation, and the compliance administration.
- Considering the current REES activities, the abatement factors for REPS in 2021 can be simplified to cover replacement of typical incandescent and CFL lamps with three categories of LED products only, replacing like-for-like, based on geo-tagged photo evidence:
    - installing LED candle lamps – typically table or bedside lamps and chandeliers
      LCP<5W, efficacy>100 lm/W => 0.81 GJ Claim
    - installing LED bulbs – typical GLS lamps
      LCP<9W, efficacy>130 lm/W => 1.05 GJ Claim
    - installing LED directional lamps rated for outdoor environments
      LCP<12W, efficacy>130 lm/W => 1.17 GJ Claim
- Maintain the 20-business day call back requirement to ensure customer satisfaction with the like-for-like replacement of lights.

(5) CL1 Com. Lighting Upgrade

- Support for continuing the activity through 2021, having fixed the current REES calculation method an including the 1800GJ cap.

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16. Shortfall penalties

- Are these penalties adequate to ensure compliance? Why?

Without further information regarding actual targets, sub targets and activity yield, it is not yet possible to comment on penalty rates. Should the costs of generation under REPS align with those under REES, then they would be sufficient. If there is significant variation, it is our belief that this section should be carried over into subsequent consultations.