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To whom it may concern,

RE: Retailer Energy Productivity Scheme Consultation

The South Australian Council of Social Services (SACOSS) is the peak body for the community services sector in South Australia, with an interest in the efficient delivery of essential services to communities across the state. We thank the Department for Energy and Mining for the opportunity to provide input into the consultation for the Retailer Energy Productivity Scheme (REPS).

This submission will briefly address some of the issues raised in the consultation paper. Overall SACOSS is of the view that as proposed, the REPS effectively prioritises time of use and energy market benefits (including reduction of wholesale electricity prices) through the program. This focus may come at the expense of increasing thermal comfort and reducing energy consumption of households who participate in the scheme through their retailer, with the flow on benefits of reducing household electricity bills. SACOSS understands the need to improve energy security in SA; however we don't believe that the REPS program is the correct mechanism to attempt to achieve this. We also are aware that the Australian Energy Market Operator (AEMO) and SA Power Networks (SAPN) are working on this issue as a priority.

REPS targets

Overall, SACOSS is supportive of the way that REPS targets are proposed in the consultation paper and we would encourage the use of sub-targets provided by the Minister to incentivise a customer group or type of energy productivity activity that may provide the most benefits to disadvantaged households in the form of thermal comfort or reduced electricity bills. SACOSS would also encourage the DEM to incorporate some of the recommendations from the REES review under 5.10 for deeper residential retrofits to include activities such as window glazing, insulation, draught proofing, appliance upgrades, heating and cooling or water heater upgrades.¹

SACOSS is also pleased to see a broad range of households included in the priority group which will effectively capture people at most in need of energy efficiency for thermal comfort and reduced electricity costs. The inclusion of rental properties is also welcomed in the priority group however, the split incentive problem remains and it is difficult to determine what the uptake of this program will be for renters. There may be a need for further measures to target priority households than the blunt instrument of the REPS program. As recommended by Bedggood et al (2018), household energy efficiency requires effort across several government sectors including energy, health, education and social services and that low income

¹ DEM (2019) Review into the South Australian Retailer Energy Efficiency Scheme – Review Report December 2019.
http://www.energymining.sa.gov.au/_data/assets/pdf_file/0008/356228/2019_REES_Review_Report.pdf

households cannot be grouped as one whole entity.² A more holistic approach is necessary to effect change, increase thermal comfort and assist with energy affordability for the priority groups identified as part of the REPS. In addition, there is a need to communicate the program effectively to priority groups and other households, thus involvement with other sectors will be crucial to achieve this.

Calculating REPS credits

SACOSS does have some concerns about REPS credits not having uniform value throughout the year, with times of peak demand having a higher value. It raises questions about how this will be managed and what measures would be incentivised. It would appear that several of the proposed new activities (appendix 4) such as demand response enabled equipment on air conditioners for example would be incentivised more with this approach to reduce peak load in summer. Some of the activities in appendix 4 such as demand response enabled equipment or the connection of a solar and battery system to a Virtual Power Plant arrangement are also incentivised and these measures are not highly suitable for priority households.

Deeper retrofits such as insulation or double glazed windows are however likely to provide more overall benefits for households throughout the year to keep cooler in summer and warmer in winter. We would thus reiterate our concern about the focus of REPS on managing grid issues, rather than thermal comfort and energy affordability for people. The use of insulation to improve thermal comfort in homes is well documented and we encourage that the installation or replacement of ceiling insulation is included for priority households.

We also raise some concern about activities that simply shift time of use, gaining significant credit and the likelihood of this incentivising batteries (of which many priority households are not likely to install). It also raises questions about further incentivising batteries in SA through the use of REPS. This would in effect create a double subsidy with the Home Battery Scheme on offer in SA.

Normalisation factors

In relation to the question of whether the normalisation factors are appropriate, we do have some concerns about the way electricity normalisation factors are calculated with five time of use categories based on price trends for wholesale electricity network costs – off peak, low demand, high demand, maximum demand and other. It is not clear how retail prices will be impacted if retailers are unable to meet their REPS obligations through the measures proposed at peak pricing times. If retailers are penalised for demand at peak times through low normalisation factors, will this cost then be passed to consumers?

REPS credit program

SACOSS is supportive of having an option for the Minister to implement a program for specific energy productivity activities to a targeted customer class. We would encourage that the DEM prioritise activities that can achieve the aims of thermal comfort and energy affordability for priority households and that other sectors, such as housing, social services, financial counselling, health and education are engaged with this program to achieve results for people in SA. There are several community based organisations in SA, such as ConnectEd who have experience working with priority group households on energy issues and SACOSS encourages the DEM to work with community sector groups under the REPS.

Determining and maintaining activities and methods

SACOSS is supportive of the proposed Ministerial Protocol included in the REPS and again we would encourage some balance in the REPS with a focus on thermal comfort and energy affordability for priority households and not just a focus on energy market benefits. We also note that appendix 1 of the consultation

² Bedggood, R., O'Mahony, C., Pervan, F. and Buergelt, P. (2018) Empowering Low-Income Households: Delving into the Co-Benefits Identified in the Low Income Energy Efficiency Project Reports. Final Report: GEER Australia, Swinburne University of Technology and Charles Darwin University. <https://energyconsumersaustralia.com.au/wp-content/uploads/Empowering-Low-Income-Households-delving-into-LIEEP-co-benefits.pdf>

paper – *proposed protocol for maintaining calculation methods, eligible activities and specifications* states that calculation methods for the use of deemed productivity credits should be informed by credible research and a defensible methodology. In addition, normalised credits should be adjusted to the climate zone, housing stock and energy use practices in SA, and are adjusted to account for benefits such as thermal comfort. SACOSS is supportive of this approach in the methodology.

We would also encourage that service providers or suppliers under the REPS are required to be signatories to the New Energy Tech Consumer Code.³

Eligible activities and methods

In response to the proposed activities under REPS, it would appear on the surface that the most promising activity to shift demand would be the shifting of electric hot water load to the middle of the day in the solar peak. However, from recent discussions with the Australian Energy Market Operator (AEMO) approximately only 20-30MW can be shifted through the controlled load tariff and the remainder of electric hot water systems in SA would need to be manually altered. SACOSS would however encourage the DEM to prioritise the shifting of electric hot water load if this is a feasible proposition, rather than some of the other measures proposed such as installation of batteries for existing solar customers. There may be the case for incentivising replacement hot water systems under the program as an alternative.

We also encourage that the top up ceiling insulation is retained through the REPS as, although this does not meet the criteria for shifting demand, it can have the effect of ensuring thermal comfort in homes and is a cost effective method for doing so.

In relation to the time of use tariff (TOU) proposed for the REPS, SACOSS would refer the DEM to our previous submission regarding TOU tariffs.⁴ We suggest that the government does not incentivise TOU tariffs for residential customers through the REPS, but instead as suggested in our previous submission enacts a government sponsored retail TOU market offer, with additional supports in place for metering and timers on appliances. We would also encourage that the DEM makes a concerted effort to understand the social practices and potential impacts (both positive and negative) for TOU in disadvantaged households. This work could be undertaken collaboration with organisations such as the Community Housing Council of SA as suggested in our previous submission.

Thank you in advance for consideration of our submission. If you have any questions in relation to this submission, please contact Maureen Boyle at maureen@sacoss.org.au or 8305 4233.

Yours sincerely,



Ross Womersley
Chief Executive Officer

³ ACCC (2019) New Energy Tech Consumer Code – Determination. <https://www.accc.gov.au/system/files/public-registers/documents/AA1000439%20-%20New%20Energy%20Tech%20Consumer%20Code%20-%20Final%20Determination%20-%20PR.pdf>

⁴ SACOSS (2020) Submission on proposed tariffs to incentivise energy use in low demand periods in SA https://www.sacoss.org.au/sites/default/files/public/090720_SACOSS%20submission_TOU%20tariffs.pdf