



7 August 2013

REES Review – Directions Paper
Energy Markets and Programs Division
GPO 1264
Adelaide, SA, 5001

E-mail: DMITRE.REESReview@sa.gov.au

Attention: The Project Leader

Dear Sir/Madam,

**Review of the South Australian Residential Energy Efficiency Scheme (REES) –
Directions Paper**

Thankyou for the opportunity to comment on the REES Directions Paper.

Continuation of the REES Scheme

AGL supports the continuation of the REES scheme as a transitional step in a move toward a National Energy Efficiency Scheme. Even in the event that a national scheme is not established, or that effective harmonisation between the various state schemes is not achieved, AGL views the continuation of the REES scheme in the medium term (3-5 years) as important to the continuing development and promotion of energy efficiency and energy conservation products in South Australia.

Scheme Objectives

AGL supports the expansion of coverage of the REES scheme to incorporate small to medium business enterprise (SME). AGL's view is that this will expand market opportunities sufficiently over the next three to five years to accommodate energy efficiency targets at real costs comparable to previous years of the scheme.

SME should be defined by the South Australian small customer category (<160MWH).

AGL supports the retention of the current priority group target requirement that thirty five percent of the reduction targets must come from activities provided to low income households, but cautions against expanding this quota concomitant with the incorporation of SME's into the overall target. This is because of the potential for saturation of this low income market segment with lowest cost abatement, driving higher cost abatement to be sought to meet the quota when greater efficiency could be obtained in either the balance of the residential market or the new SME sector. The current 35% target is broadly consistent with the percentage of households in SA with concessionary arrangements.

AGL supports the proposed re-examination of the priority group, and has noted previously that the eligibility for a concession card is not an absolute means of identifying those households most in financial stress. Higher use low income households may spend up to 18% of disposable household income on on electricity.¹

¹ AGL Working Paper No. 17, The Boomerang Paradox (Simshauser, Nelson, Doan).

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AGL expects that within the next term of the scheme, householders are likely to have to contribute to the cost of the activity. This may make it more problematic to get activities undertaken by the targeted % of low income households. Changes to the scheme to address the relative inability of low income households to contribute to energy efficiency activities and invest in larger cost items such as hot water systems, refrigerators and insulation would be of interest.

Scheme Compliance

AGL supports the proposed changes to measurement of scheme outcomes, being changing scheme metrics to energy consumption reduction rather than declining greenhouse gas emissions.

AGL also supports the Directions Paper recommendation for further consultation between ESCOSA and Retailers on the requirements for audit obligations, in particular to allow ESCOSA improved confidence in the reliability and accuracy of independent retailer audits.

Scheme Harmonisation

Whilst it appears to most people that complying with many different regulations costs more than complying with just one, this should not lead stakeholders to uncritically support regulatory harmonisation. Costs of REES compliance systems are largely sunk. Harmonisation efforts should be directed towards demonstrable rather than perceived benefits. As a corollary, activities in SA should not be precluded just because other states are yet to allow such activities.

Scheme Activities

The ability to include energy conservation and energy efficiency education and campaigns should be made a feature of the scheme to make it more participant friendly. The type of education initiatives that should be considered for inclusion in the Scheme are capable of being facilitated by the energy information and monitoring services that are currently available in the market. This would extend to programmatic activities which include both behavioural and technology elements. Ultimately the scheme should aim to leave a sustainable energy efficiency environment at completion of the scheme.

Should you have any further questions in relation to this matter, please contact David Markham, Senior Regulatory Adviser on (03) 8633 6510 or at david.markham@agl.com.au.

Yours sincerely,



Nicole Wallis
Manager Retail Markets Regulation

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