

9 August 2013

Energy Markets and Programs Division
Department of Manufacturing, Innovation, Trade, Resources and Energy
GPO Box 1264
Adelaide SA 5001

Dear Sir/Madam,

We write to you in relation to the *Directions Paper* on the Review of the South Australian Residential Energy Efficiency Scheme (REES).

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Business SA is following up on its submission on the Issues Paper with specific comment on the recommendations contained within the Directions Paper.

Proposed Direction 3.1.2

- Business SA only supports REES for a further 3 years from 1/1/2015. We note the Independent Evaluation has alluded to saturation of some initiatives and while initiatives can be replaced, a sunset clause is required to ensure the scheme can only continue beyond 2017 if there is sufficient cause to do so which would justify legislative intervention.

Proposed Direction 3.2.2

- Business SA does not believe REES needs to be recast to focus on low income households given the audits are already mandated in that respect.

Proposed Direction 3.4.1

Firstly, in relation to DMITRE's proposed direction 3.4.1, it is not actually making a recommendation but rather it is providing two different options to the Minister. Our question is – Does DMITRE have a preferred option or is DMITRE unsure of which of the two options is the better?

- Business SA believes REES should be expanded to allow energy retailers to meet their targets by delivering energy saving activities to small businesses, as well as commercial landlords, so that the problem of mixed incentives in the landlord-tenant relationship is mitigated. The Independent Evaluation found the likely benefit cost ratio for REES being extended to the commercial sector was approximately 16% higher than that for the residential sector. On this basis, energy retailers should be at least delivering 35% of energy saving activities to small businesses and commercial landlords, 35% to priority group residential customers and the

remaining 30% to non-priority group residential customers.

Since price deregulation, the cost of REES is essentially being socialised by energy retailers and small businesses should not be paying for a scheme from which they derive no benefit. If REES is to continue without extension to the small business sector, the scheme must be amended to ensure energy retailers cannot recoup any costs associated with REES from commercial customers.

Further, there is evidence outlined in ESCOSA's 2012 annual report on REES that retailers are revisiting customers who have previously benefited from the scheme which suggests the scheme's reach is declining. This is further reason to extend REES to small business.

Proposed Direction 3.5.1

- While Business SA supports the overall energy audit target, 20% of the target should be allocated to small business audits. Energy audits would help many small businesses, given that a lack of information and resources is a major barrier to taking up energy efficiency opportunities. Other barriers include long payback periods, tenant-landlord relationships and electricity being a small proportion of costs.

Proposed Direction 3.5.5

- Business SA does not support DMITRE's recommendation that post 2014, all those conducting REES audits will need to have nationally accredited training. Again, this is just another compliance cost that must be paid for by energy retailers but is ultimately borne by business, and we do not accept it as necessary for the scheme to properly function.

Proposed Direction 3.6.1 - 4

- Business SA is supportive of a national scheme in place of a state scheme in order to realise administrative efficiencies. However, given our primary recommendation to abolish the scheme by 1/1/2018, the Government will need to be careful to allow for a potential exit from this date.

Proposed Direction 3.11.1

- Business SA does not support the establishment of any voluntary code of practice for energy retailers. Firstly we do not think it is necessary and secondly, we do not consider that establishing such a code is an optimal use of limited Government resources.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely



Nigel McBride
Chief Executive Officer