

Retailer Energy Efficiency Scheme

Final decisions on Thresholds and Targets

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Introduction

The Residential Energy Efficiency Scheme, which has been in place since 2009, will continue from 1 January 2015 as the Retailer Energy Efficiency Scheme (REES). This new name reflects the expanded nature of the scheme, which will see energy efficiency improvements being delivered to small-to-medium business as well as households. The scheme will continue to have a particular focus on assisting low-income households.

This change to the scheme is the result of a review, which commenced in 2012. Background to this review can be found at www.sa.gov.au/energy/rees.

On 6 November 2014, changes to the regulations under the *Electricity Act 1996*¹ and *Gas Act 1997*² were gazetted to enable the scheme to continue to 2020. The amended regulations commence on 1 January 2015.

On 11 December 2014, the Minister for Mineral Resources and Energy gazetted key elements for the operation of the scheme for the period 2015 to 2017³. Specifically:

- The thresholds that will be used to determine which energy retailers are set REES targets;
- The types of energy purchases, known as “designated purchases” that energy retailers are able to exclude when determining whether their energy purchases exceed thresholds;
- The overall energy efficiency, priority group and energy audit targets;
- The method that the Essential Services Commission of South Australia will use to apportion these various targets to each energy retailer that is set REES targets.

A number of these matters were the subject of stakeholder consultation⁴, with a consultation paper released in August 2014 inviting written submissions, and one-on-one discussions with key stakeholders.

This document provides further details on these four scheme elements.

Thresholds

Only energy retailers that exceed certain thresholds are set REES obligations. The thresholds gazetted on 11 December 2014 are the same as those proposed during consultation in August 2014.

¹ [http://www.legislation.sa.gov.au/LZ/V/R/2014/ELECTRICITY%20\(GENERAL\)%20VARIATION%20REGULATIONS%202014_262/2014.262.UN.PDF](http://www.legislation.sa.gov.au/LZ/V/R/2014/ELECTRICITY%20(GENERAL)%20VARIATION%20REGULATIONS%202014_262/2014.262.UN.PDF)

² http://www.legislation.sa.gov.au/LZ/V/R/2014/GAS%20VARIATION%20REGULATIONS%202014_263/2014.263.UN.PDF

³ http://www.governmentgazette.sa.gov.au/2014/december/2014_089.pdf

⁴ <http://www.sa.gov.au/topics/water-energy-and-environment/energy/rebates-concessions-and-incentives/residential-energy-efficiency-scheme-rees#title2>

Energy retailers with 5000 or more residential customers are obliged for the scheme and are set targets for:

- The delivery of energy efficiency activities to South Australian households and businesses;
- The delivery of energy efficiency activities to priority group households; and
- The delivery of energy audits to priority group households.

In addition, other retailers that retail 27,000 MWh or more of electricity or 100,000 GJ or more of gas in a year to South Australian households and businesses are set a target for the delivery of energy efficiency activities to South Australian households and businesses.

Under the REES, the Essential Services Commission of South Australia apportions the Minister's targets each calendar year.. As specified in the regulations, the Essential Services Commission of South Australia uses an energy retailers customer numbers and energy purchases relating to the financial year prior for the purpose of determining whether they exceed thresholds.

Designated purchases

The regulations from 1 January 2015 allow for retailers to exclude designated purchases from the preceding financial year to lower the level of energy purchases used for determining whether they exceed REES thresholds. This allow for an alignment between the type of sales that form the basis for an energy retailer's targets (i.e. residential and small-to-medium businesses) and the sectors that they are likely to be delivering energy efficiency activities to.

The designated purchases gazetted on 11 December 2014 are:

- Purchases of 1000 MWh or more of electricity for on-selling and subsequent use in South Australia through an individual contract for sale; or
- Purchases of 3,600 GJ or more of gas for on-selling and subsequent use in South Australia through an individual contract for sale.

These levels are significantly lower than those proposed in the August 2014 consultation paper. Many stakeholders indicated that this was too large, and that such sales should relate to contracts, not customers or sites. The Department accepted these stakeholder views and the gazetted values reflect these.

Scheme targets

On 11 December 2014 the Minister gazetted the following targets for 2015, 2016 and 2017:

Year	2015	2016	2017
Annual energy efficiency targets (GJ)	1,200,000	1,700,000	2,300,000
The amount of total annual energy efficiency target that is to be achieved by the provision of energy efficiency activities to priority group households (GJ)	230,769	326,923	442,308
Annual energy audit target (number of audits)	5667	5667	5667

Based on feedback from a number of stakeholders, the energy efficiency and priority group targets start at a lower level and then ramp up so as to provide a smooth transition to the new arrangements that apply from 2015.

The energy audit targets are the same as applied for 2012 to 2014.

The REES Energy Metric

As proposed in the August 2014 consultation paper, the energy efficiency targets and priority group energy efficiency targets are now expressed in normalised gigajoules (GJ) of energy savings.

On 11 December 2014 the Minister gazetted the method of normalising energy use and savings, which is the same as presented in the August 2014 consultation paper, i.e.:

$$\text{Normalised gigajoules of energy} = \text{electricity (GJ)} \times \text{REES electricity normalisation factor} + \text{gas (GJ)} \times \text{REES gas normalisation factor} + \text{wood (GJ)} \times \text{REES wood normalisation factor}$$

with the various normalisation factors are as per the following table:

Description	Normalisation factor
REES electricity normalisation factor	1
REES gas normalisation factor	0.369
REES wood normalisation factor	0.213

Apportioning scheme the targets

The regulations allow for the Minister to set requirements on how the Essential Services Commission of South Australia is to apportioned REES targets to obliged retailers. The methods gazetted on 11 December 2014 are the same as proposed during consultation in August 2014.

Energy saving target

An obliged energy retailer's share of the overall energy savings target will be based on the proportion of the retailer's energy purchase to that of total energy purchase by all obliged retailers. Expressed as an equation:

$$\text{Energy retailer's energy saving target} = \frac{\text{Total energy saving target (as set by the Minister)} \times \text{This retailer's purchases}}{\text{The sum of energy purchases by all obliged energy retailers}}$$

For the purpose of this calculation:

- An energy retailer's purchase equals its total purchases minus designated purchases (as discussed above).
- To allow for this equation to apply to both electricity and gas, purchases and sales will be normalised using the method described above.
- The purchases used to calculate the target for a particular year relate to purchases in the preceding financial year.

Energy retailers will be able to meet their targets by delivering energy saving activities to households and/or businesses irrespective of whether the retailer's customer base is primarily residential or business.

Priority group target

As described above, only energy retailers that retail to 5,000 or more residential customers will be set a priority group target.

An energy retailer that is to be set a priority group target will have this target based on the proportion of the retailer's residential customer base to that of all obliged retailers that will have priority group targets set. Expressed as an equation:

Energy retailer's priority group target =
$$\frac{\text{Total priority group target (as set by the Minister)} \times \text{This retailer's number of residential customers}}{\text{The sum of the number of residential customers for all retailers that will be set a priority group target}}$$

The customer numbers used to calculate the target for a particular year relate to customer numbers in the preceding financial year.

Energy audit target

Similar to the priority group target, only energy retailers that retail to 5,000 or more residential customers will be set an energy audit target.

An energy retailer that is to be set an energy audit target will have this target based on the proportion of the retailer's residential customer base to that of all obliged retailers that will have energy audit targets set. Expressed as an equation:

Energy retailer's energy audit target =
$$\frac{\text{Total energy audit target (as set by the Minister)} \times \text{This retailer's number of residential customers}}{\text{The sum of the number of residential customers for all retailers that will be set an energy audit target}}$$

The customer numbers used to calculate the target for a particular year relate to customer numbers in the preceding financial year.