



DELIVERING
RESULTS

**Review Report of the
Residential Energy Efficiency Scheme (REES),
Part 4 of the *Electricity (General) Regulations
2012*, under the *Electricity Act 1996*, and
Part 4 of the *Gas Regulations 2012*, under the
*Gas Act 1997***

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Innovation, Trade, Resources and Energy



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1. EXECUTIVE SUMMARY

The Residential Energy Efficiency Scheme (REES) commenced in 2009 under the *Electricity Act 1996* and *Gas Act 1997*. The regulations relating to the REES currently only operate until the end of 2014, the conclusion of a six year implementation period, with a review required by the end of 2013, to consider whether the scheme should continue.

A threshold consideration in the REES Review (the Review) is whether the scheme should continue beyond 2014. The Review Report recommends that the scheme continues to 31 December 2020 or until a national scheme that is acceptable to South Australia is in place.

Two reviews into the cost effectiveness of the REES have shown that in the first three-year period the scheme delivered a benefit to cost ratio of between 3.5:1 to 4.7:1, delivered net benefits of \$107million and has benefitted close to 167,000 South Australian households in its first three years.

This Review Report recommends regulatory amendments and administrative improvements for the scheme to continue beyond 2014, with the following key features:

- The acronym for the scheme, REES, to be retained under the continued scheme. The name of the scheme though will be changed to the **Retailer Energy Efficiency Scheme** (REES) to reflect its expanded scope, as discussed below.
- The objective of the scheme re-cast as *'to reduce household and business energy use, with a focus on low-income households. This will provide associated energy costs and greenhouse gas emission benefits'*.
- The scheme to be expanded to the business sector, from its current residential only focus.
- Steps to be taken to increase harmonisation of the South Australian scheme with interstate schemes, such as recognising eligible activities approved by interstate schemes and recognising interstate schemes' activity provider accreditation and certificate registration processes for activities undertaken in South Australia.
- More flexibility to be introduced into the administration of the scheme to make it easier to introduce eligible activities, including behavioural change programs.

While a number of industry stakeholders have expressed concerns with the scheme's proposed continuance, they have also provided suggestions on how the scheme should be designed, if the decision was made to continue the scheme.

The current REES regulations have served their purpose, as the Review provides evidence that the scheme has met its objectives. The REES regulations will need to be amended to allow the scheme to continue and to bring into place the recommended improvements in this Review Report.

2. BACKGROUND

The Residential Energy Efficiency Scheme (REES) commenced in 2009 under the Electricity Act 1996 and Gas Act 1997 (the Acts). Its operation is governed by Part 4 of the *Electricity (General) Regulations 2012* and Part 4 of the *Gas Regulations 2012* (the Regulations).

The REES is mandatory for all retailers of electricity and gas in South Australia who supply more than 5000 residential customers. The scheme is available to all residential households whether owner/occupier or private or public rental.

Obligated energy retailers are required to meet annual greenhouse gas reduction targets, which commenced at 155,000 tonnes in 2009 increasing to 410,000 tonnes in 2014. Thirty five per cent of the reduction targets must come from activities provided to low-income 'priority group' households. Priority group households are defined as those in which a resident holds an eligible government-issued concession card or those that have been classified as experiencing energy hardship.

Obligated retailers also need to provide home energy audits to low-income households - 3000 audits in 2009, 5000 audits in 2010 and 2011 and 5,667 audits in 2012, 2013 and 2014.

Energy retailers can meet their targets by delivering measures from a pre-approved list of energy efficiency activities, each of which is deemed to contribute a given quantity towards their target.

The Essential Services Commission of South Australia (ESCOSA) administers the REES¹ in accordance with the Regulations. ESCOSA established and maintains the REES Code, which provides detailed guidance to retailers in discharging their regulatory obligations. ESCOSA reports annually to the Minister on the performance of energy retailers towards achieving their REES targets.

The Regulations currently only operate until the end of 31 December 2014, the conclusion of a six year implementation period. Regulation 36 of the *Electricity (General) Regulations 2012* and Regulation 30 of the *Gas Regulations 2012* require the Minister responsible for the administration of the regulations to commission a review of the REES and submit the Review Report to Parliament.

¹ www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-regulatory-documents.aspx

3. THE REES REVIEW 2012-2013

The Regulations were designed to assist South Australian households, particularly low income households, reduce their energy bills, cut their greenhouse emissions, and help them prepare for price increases arising from carbon emissions trading.

Pursuant to regulation 36 of the *Electricity (General) Regulations 2012* and regulation 30 of the *Gas Regulations 2012*, a Review of the relevant Part must be undertaken:

Review

- 1) The Minister must cause a Review of the operation of this Part (scheme) to be conducted and a report on the results of the Review to be submitted to the Minister before 31 December 2013.**
- 2) The Review must consider whether the scheme should continue and any other matter the Minister considers should be considered in the Review.**
- 3) The Minister must, within 12 sitting days after receiving the report, cause copies of the report to be laid before both Houses of Parliament.**

In addition to the above, the Minister for Mineral Resources and Energy determined that the following matters should be considered in the Review;

- i. the effectiveness and efficiency of the scheme in meeting the scheme objectives.
- ii. the operation of the regulations governing the scheme.
- iii. how the scheme might transition to a national scheme if such an initiative is established.

The Review was undertaken by the Energy Markets and Programs Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE). Key elements of the Review process were as follows:

- In July 2012, the Energy Markets and Programs Division informed stakeholders of the upcoming Review and sought feedback on any key issues they would like raised in the Review process.

- On 8 October 2012, the Premier, Hon Jay Weatherill MP and Hon Tom Koutsantonis MP, Minister for Mineral Resources and Energy, launched the Review and released the 'Review of the REES - Issues Paper'². Eleven written submissions were received to the Issues paper.
- In November 2012, an external party, Pitt & Sherry, was engaged to undertake the Independent Evaluation of the scheme. A final report was released in mid-2013.
- Over March and April 2013, a telephone survey was carried out, as part of the Independent Evaluation of over 500 households who had received energy efficiency activities and audit services to assess their experience with the scheme.
- Targeted meetings were also held with a number of key stakeholders in the course of the Review.
- On 24 July 2013, DMITRE released a Directions paper³ with key findings from the Review of the REES to date, including proposals for the scheme's future. Nineteen submissions were received as part of the Directions paper consultations.
- In August 2013, the Energy Markets and Programs Division hosted meetings with the obliged REES energy retailers and REES service providers as part of the Directions paper consultations.

The Independent Evaluation conducted by Pitt & Sherry included;

- a benefit-cost analysis of the scheme
- an assessment of the extent to which the scheme had met its objectives
- consideration of whether the scheme should continue, and if so,
- recommendations on how the scheme could be improved

The Independent Evaluation report and all submissions to the consultation papers released are available on www.sa.gov.au/energy/rees.

² www.energy.sa.gov.au/energy/rees

³ www.energy.sa.gov.au/energy/rees

4. THE EFFECTIVENESS AND EFFICIENCY REVIEW

This Review Report has been informed by ESCOSA's review of REES Stage 1 (2009-2011)⁴ and by the Independent Evaluation of the scheme⁵.

The Independent Evaluation, released in July 2013 found that the scheme had been an effective policy tool and had met its stated objectives. It found the benefits to cost ratio of the scheme over stage 1 (2009-2011) to be 3.5:1 and net benefits of around \$100 million.

The Independent Evaluation also included a telephone survey of a statistically significant representation of households that had participated in scheme. The survey found a high degree of satisfaction with both the energy efficiency activities and audit services provided. Over ninety per cent of 539 respondents reported that they were either happy or very happy with the quality of the energy efficiency activities and audit services they had received. The survey provided strong evidence that the scheme had been successful in accelerating the take up of the activities provided through the scheme and had also positively affected attitudes to energy saving and savings potential.

ESCOSA's 2011 Annual REES Report also included a cost effectiveness evaluation of the scheme for stage 1 (2009 to 2011). This found that over its first three year period the scheme had delivered net benefits of \$107 million at a benefit to cost ratio of 4.7:1. This is comparable with the Independent Evaluation report analysis.

⁴ www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-annual-reports.aspx

⁵ www.energy.sa.gov.au/energy/rees

5. CONSULTATIONS

This Review Report has been informed by public consultations over 2012 and 2013, including the release for public comment of the REES Issues Paper in October 2012 and the REES Direction Paper in July 2013.

Specific meetings were also held with most obliged REES energy retailers and REES service providers and other groups representing environment groups, consumer and welfare groups as well as other industry bodies. The Energy Consumers Council, which provides advice to the Government on energy policy issues, was also consulted over the course of the Review and its member organisations provided verbal and written submissions to the consultation papers.

Eleven submissions on the Issues paper were received and 19 submissions were received on the Directions paper.

Stakeholder views raised in submissions to the Issues paper have been described in the Independent Evaluation report and the Directions paper.

The following key issues were raised in the submissions to the Directions paper, with full submissions available online⁶:

Table 1: Stakeholder comments to the Direction paper.

Stakeholder	Major comments
ERM Business Energy	<ul style="list-style-type: none"> • Supports the proposals. • Non-residential energy retailers should not be liable for residential priority targets.
AGL Energy	<ul style="list-style-type: none"> • Supports the proposals put forward. • The 35% priority group target should not be increased. • Would like to see greater flexibility in the protocol including behaviour change products.
Energy Australia	<ul style="list-style-type: none"> • Not supportive of the scheme, suggests that the competitive retail market should drive energy efficiency not this scheme. • If scheme continues, supports harmonisation and calls for greater flexibility in how activities are included in the scheme.
Lumo Energy	<ul style="list-style-type: none"> • Not supportive of scheme. • If scheme continues, prefers a nationally consistent approach as this would lead to reduced costs and streamlined processes. • Nevertheless, supports re-definition of priority group's focus.
Simply Energy	<ul style="list-style-type: none"> • Not supportive of scheme. • If scheme continues, supports changes to how priority groups are defined. • Does not favour a scheme expansion but indicated a preference for a threshold based on energy sales, and for greater harmonisation.

⁶ www.energy.sa.gov.au/energy/rees

Stakeholder	Major comments
Origin Energy	<ul style="list-style-type: none"> • Not supportive of the scheme. • If scheme continues, provides suggestions for change and supports reasoning behind the recommendations, including expansion to the business sector, a new referral system, greater harmonisation and flexibility in the product approval process.
Low Energy Supplies & Services	<ul style="list-style-type: none"> • Supports the scheme proposals. • Supports re-definition of priority group households so only those needing assistance are identified.
Priority Group Australia Pty Ltd	<ul style="list-style-type: none"> • Supports the scheme proposals. • Suggests climate change be included in the objectives.
Green Business Audit & Training	<ul style="list-style-type: none"> • Supports the scheme proposals. • Suggests more training for energy auditors be undertaken and setting of higher qualification requirements
Clean Energy Council	<ul style="list-style-type: none"> • Supportive of the scheme proposals. • Considers it important that the 'working poor' have access to the scheme.
SA Council of Social Services	<ul style="list-style-type: none"> • Supports the scheme proposals. • Calls for the expansion of the scheme to consider including non-profit and community organisations. • Calls for inclusion of behavioural change initiatives on the basis that this has worked interstate.
CSR Limited	<ul style="list-style-type: none"> • Supports the scheme proposals. • Encourages inclusion of behavioral change activities.
Envestra	<ul style="list-style-type: none"> • Supports the scheme proposals. • Requested that the scheme maintain an emissions reduction objective as this would be complementary to national objectives.
Opower	<ul style="list-style-type: none"> • Supports the scheme proposals. • Encourages inclusion of behavioral change activities
Energy Supply Association of Australia	<ul style="list-style-type: none"> • Not supportive of scheme • Highlights that costs are passed on to all energy customers regardless of participation in scheme. • Provided some suggestions on how the scheme could be improved, if the scheme continues.
Business SA	<ul style="list-style-type: none"> • Generally supportive of most scheme proposals. • Did not agree with options that could raise compliance cost for businesses.
Conservation Council of South Australia	<ul style="list-style-type: none"> • Should retain co-objective of reducing greenhouse gas emissions • Suggest expansion to community organisations
Insulation Council of Australia/NZ	<ul style="list-style-type: none"> • Supports the scheme proposals.
Tonjac Global Pty Ltd	<ul style="list-style-type: none"> • Supports the scheme proposals.

6. FINDINGS AND RECOMMENDATIONS

The following section sets out the findings and recommendations of the REES Review. Most of these follow from the proposals in the Directions paper. Amendments to the Directions paper proposals reflect views of stakeholders through the consultation process and policy development work over the course of the Review.

6.1 FUTURE OF THE SCHEME

It is recommended that the South Australian Government:

- i. Continues the South Australian energy efficiency scheme beyond 31 December 2014.**
- ii. Renames the scheme, after 2014, the *Retailer Energy Efficiency Scheme (REES)*.**
- iii. From 1 January 2015, sets the scheme for three yearly target resets to 2020 and a review in 2019.**
- iv. Allow carryover of activities and audits beyond 31 December 2014.**

Section 4 (The Effectiveness and Efficiency Review) provided the evidence of the benefits of the scheme over stage 1. Close to 167,000 South Australian households have benefitted from the REES⁷.

The Independent Evaluation found that over its first stage the REES has met its stated objectives effectively and efficiently. The results are summarised below.

Table 2: Scheme objectives against achievements

REES objectives	Evaluation Findings
Improve energy efficiency and reduce greenhouse gas emissions within the residential sector	645Kt CO ₂ -e saved and 4.1PJ of energy saved
Assist households prepare for likely energy price increases resulting from carbon emissions trading	Energy cost savings of \$100 million
Reduce total energy costs for households, particularly low-income households	\$3.50 of private benefit for every \$1.00 of expenditure

The Independent Evaluation also found that the pool of low cost savings is far from exhausted and that significant, highly cost-effective opportunities remain in both the residential and commercial sectors. The Independent Evaluation and

⁷ http://www.escosa.sa.gov.au/library/120629-REESAnnualReport_2009-2011.pdf

other elements of the Review also highlighted opportunities to improve the effectiveness of the scheme.

Most stakeholders consulted during the Review were supportive of continuing an energy savings scheme for South Australians. The exception to this view was from the majority of obliged REES energy retailers, who stated their preference that the REES not continue. That said and should the scheme continue, retailers were also generally open to the proposed scheme modifications, including expansion to the business sector and increased harmonisation with interstate schemes.

Overall, the Review has found that the scheme has successfully met its objectives to date and that significant cost-effective opportunities remain to be exploited. It is the Energy Markets and Programs Division's recommendation therefore that the scheme continues beyond 31 December 2014.

The current scheme has been in operation for five years. Over this time its name, and in particular the acronym REES, has become well known amongst the energy industry, community sector and interstate stakeholders. The Energy Markets and Programs Division considers it desirable to maintain this recognition, whilst recognising that the current residential focus in the scheme's name will not align with the recommendations to extend the scheme to the business sector.

As such, a minor name change is recommended to the *Retailer Energy Efficiency Scheme* which allows for the acronym, REES, to be maintained.

DMITRE recommends that the current arrangements for target setting and review of the scheme continue from 2015 – ie, a six year continuation, with two three-yearly target resets and a further review to be conducted in 2019.

Currently retailers have the ability to carry over credits and limited borrowing from one year of the scheme to another. DMITRE recommends that this arrangement continues to be made available beyond the end of 2014, including arrangements for carry overs and limited borrowing between 2014 and 2015. This will provide continuity, for example, for retailers who meet their 2014 targets ahead of time and have credits available to transfer to a future scheme.

Should, as discussed in section 6.10, the metric for measuring progress towards energy savings targets change from 2015, then arrangements will need to be put in place to convert current credits expressed in greenhouse gas reduction to the new metric.

6.2 THE SCHEME OBJECTIVE

It is recommended that the South Australian Government:

- i. Recast the scheme objective as 'to reduce household and business energy use, with a focus on low-income households. This will provide associated energy costs and greenhouse gas emission benefits'.**

The current objectives of the REES were provided in the South Australian Hansard of 5 March 2009⁸, when the scheme was introduced:

- i. To assist South Australians, particularly those on low incomes, to reduce their energy bills.
- ii. Cut greenhouse gas emissions, and
- iii. To prepare households for the energy price increases expected to arise from a national emissions trading scheme.

The Directions paper proposed that the objective of the scheme be simplified to *'reducing energy use, with a particular focus on low-income households'*. In consultations, there was some support for the simple, clear and focused objective as presented.

Other submissions considered that reducing energy costs and greenhouse gas emissions should remain an important focus. Also there was an interest in clarifying the broader scope of the scheme if it was to be extended to the business section. DMITRE supports these views.

The proposed objective for the future scheme has been amended in response to stakeholder feedback.

⁸ http://hansard.parliament.sa.gov.au/pages/loaddoc.aspx?e=1&eD=2009_03_05&c=51

6.3 PRIORITY GROUP TARGET

It is recommended that the South Australian Government:

- i. Retain a separate target to ensure a minimum level of energy efficiency activities are delivered to low-income households (known in the scheme as priority group households).**
- ii. Set the priority group target at a level that delivers comparable levels of energy efficiency activities to priority group households as is currently delivered.**
- iii. Works with ESCOSA to broaden the classes of households that fall within this priority group to include those that are facing energy-related financial stress.**
- iv. Works with community and welfare groups, retailers and service providers to establish referral processes to refer households directly to obliged retailers or service providers for assistance under the scheme.**

There was strong support to retain the low income focus of the scheme. There was little support however to raise the priority group target, with respondents suggesting this could increase the costs of the scheme.

Currently, the priority group target is expressed as a percentage of the overall residential energy saving target and is set at 35 percent. With the recommendations in this report to expand the scheme to the business section, this percentage may not continue to be relevant. DMITRE recommends that in setting the future priority group target, the Minister for Mineral Resources and Energy gives regard to the level of energy saving activity that the current priority group target relates to.

The Directions paper acknowledged the concerns raised by stakeholders that the current definition of 'priority group household' should be re-considered to better incorporate those facing energy-related financial stress that currently do not fall within the existing priority group definition. The Directions paper also proposed that community groups could play a role in referring people for assistance under the scheme. Respondents generally supported these proposals.

6.4 EXPANDING THE SCHEME TO THE BUSINESS SECTOR

It is recommended that the South Australian Government:

- i. Expand the scheme to allow energy retailers to meet their targets by delivering energy activities to businesses.**
- ii. Amend the obligation threshold from 5000 residential customers to 5000 customers and/or a minimum level of energy sales.**
- iii. Only require energy retailers with 5000 residential customers or more to meet targets relating to the priority group and energy audits.**

The Independent Evaluation report concluded that inclusion of the business sector as beneficiaries of the scheme would enable higher targets to be met cost effectively. The Directions paper proposed that the scheme be expanded to small and medium-size businesses, and that obliged energy retailers be able to purchase certificates created through interstate certificate registries from activities undertaken in South Australia (see section 6.6).

Only two respondents did not support the expansion, indicating that the market should dictate up-take of energy efficiency practices in the business sector. There was however strong support from others to expand the scheme to businesses. Stakeholders requested that consideration be given to including sporting clubs, nursing homes and community facilities in this expansion.

Stakeholders were strongly in favour of harmonisation efforts that could see obliged energy retailers purchasing certificates created through interstate certificate registries from activities delivered to the business sector.

The Independent Evaluation analysis demonstrates that extending the REES to cover residential and commercial sectors would likely be highly cost effective, with a benefit-cost ratio around 4.0 over the period to 2020. Expanding the scheme to the business sector would introduce economies of scale, provide greater scope for innovation, and enable higher energy saving targets.

Whilst the Minister will set the overall scheme targets ahead of 1 January 2015, DMITRE considers that this recommended expansion presents an opportunity for the overall scheme targets to be greater than the current targets and in doing so take advantage of the expanded opportunities for energy savings.

Currently only energy retailers that serve 5000 or more residential customers are set a REES obligation. Such a residential focused threshold arrangement would not be relevant for a scheme expanded to also cover the business sector. As such DMITRE recommends that the scheme thresholds be amended to oblige energy retailers that either serve 5000 or more customers and/or retail at least a

minimum level of energy. These thresholds would relate to energy retailers total customer numbers and total energy retail levels, not just residential.

DMITRE further recommends that under such arrangements, only energy retailers that serve 5000 or more residential customers are set priority group targets and energy audit targets. This will avoid situations where energy retailers that primarily service the business sector are required to engage in residential energy saving activities and audits.

Energy retailers would be able to deliver energy saving activities to households and/or businesses irrespective of whether their customer base is primarily residential or business.

6.5 ENERGY AUDITS

It is recommended that the South Australian Government:

- i. Retain a separate target for the delivery of energy audits to low-income households (Priority Group classes as per section 6.3)**
- ii. Revise the minimum specification for an energy audit to provide clearer guidance on what constitutes an acceptable energy audit, including the use of a standard template.**
- iii. Clarify, in the minimum specification for an energy audit that, post 2014, all those conducting REES audits will need to have nationally accredited training.**
- iv. Transfer administration of the minimum specification from the Minister to ESCOSA.**

Respondents in submissions were generally supportive of the audit component of the scheme continuing. Two respondents questioned why the proposed quality assurance measures were needed given the positive response from audit recipients during the telephone survey of the Independent Evaluation.

In general, there was support for the improvements in the quality of energy audits, so long as the measures did not unduly increase the cost of the scheme. Some stakeholders indicated that greater attention should be given to the quality of auditors rather than being overly prescriptive on what constitutes an acceptable audit.

From 2012, the Minimum Specification for a REES energy audit has required auditors to complete nationally accredited training, though legacy arrangements are in place for auditors operating prior to this time. These training requirements

have been broadly well received by REES service providers and there is general support for applying them to all REES auditors from 2015.

A number of REES service providers have also indicated to DMITRE a willingness to develop a standard template to provide guidance on what constitutes an acceptable REES audit.

The Directions paper proposed that responsibility for determining the energy audit specification content should transfer from the Minister to ESCOSA, given that ESCOSA is the relevant body for verifying compliance with the specification. During consultation no concerns were raised with this proposal.

6.6 HARMONISATION WITH OTHER SCHEMES

It is recommended that the South Australian Government:

- i. Maintain engagement with the Commonwealth on its investigations into a national energy savings initiative**
- ii. Enable, in the regulations, a mechanism for transition to a national scheme that is acceptable to the South Australian Government.**
- iii. Convene discussions with jurisdictions that have existing retailer obligation schemes on specific opportunities for harmonisation.**
- iv. In particular, discuss with NSW and Victoria the scope for their existing accreditation, certificate creation and compliance frameworks to be leveraged to cover business sector activities implemented in South Australia, with the intention that such activities could be used by energy retailers to contribute towards their South Australian targets.**
- v. Review progress with harmonisation of business activities by the end of 2016, or earlier if appropriate, to assess whether there is a case to extend such harmonisation to the residential sector.**

The former Commonwealth Government investigated the merits of a National Energy Savings Initiative. South Australia has indicated its willingness to consider joining such a scheme. In the absence of a national scheme, better linkage with existing interstate schemes is the best option for greater harmonisation.

The Directions paper proposed to increase harmonisation with interstate schemes, such as the New South Wales 'Energy Saving Scheme' and the Victorian 'Victorian Energy Efficiency Target'. One of the proposals included allowing business sector activities undertaken in South Australia to be created through interstate certificate registries.

Stakeholders were strongly supportive of a transition to a national or a harmonised scheme.

Some approaches to harmonising with interstate schemes, such as accessing these schemes' certificate registries, will involve cross-jurisdictional negotiation and agreement. Should such an agreement be reached for the harmonisation recommended here, a review of these in 2016 is recommended, to consider whether there is merit to extend this harmonised approach to the residential sector.

6.7 REGIONAL AND REMOTE PARTICIPATION

It is recommended that the South Australian Government:

- i. Facilitate increased delivery of the REES to remote and regional areas.**

In the Directions paper, DMITRE proposed to work with stakeholders to facilitate greater uptake in regional South Australia, and also consider introducing a 'bonus' or 'multiplier' system.

Some service providers noted that they successfully delivered activities to regional areas, especially towards the end of the first 3-year stage of the REES, when there was a high degree of delivery of approved activities to metropolitan households.

Respondents agreed with the need for the REES to be delivered to regional and remote areas. While there was some limited support for multipliers, most submissions considered this was not a preferred approach and would distort the scheme.

Given that the REES already enabled the delivery of energy saving activities to regional areas, DMITRE does not recommend that the Government pursue a multipliers approach. DMITRE will, however, work to facilitate regional partnerships to increase the level of energy saving activities delivered to regional and remote areas.

6.8 ENERGY EFFICIENCY ACTIVITIES

It is recommended that the South Australian Government:

- ii. Amend the REES Protocol to increase flexibility in the approval process for energy efficiency activities.**
- iii. Require ESCOSA to consider all activities approved by interstate schemes, with preference given to accepting them, unless there is a strong case not to.**
- iv. Consult on the development of a methodology for determining energy savings from behaviour change activities with the view of allowing behaviour change activities in the REES.**

The REES Review Directions paper proposed increasing flexibility in the approval process for energy efficiency activities. This includes allowing activities currently permitted under interstate schemes to be available in South Australia and greater flexibility to allow behavioural change activities to be included for meeting targets.

Stakeholders were strongly in favour of this. Calls were made to allow energy conservation and behavioural change activities. As noted in the Directions paper, the REES Protocol includes criteria which may be read to preclude such activities.

Despite this support from stakeholders, there is limited experience in Australia in the use of behavioural change activities in retailer obligation schemes. As such, DMITRE recommends that development work be undertaken to inform the future consideration of including behavioural change activities into the scheme. It is expected that such development work will involve engaging on the potential for cross-jurisdictional harmonisation in this area.

6.9 COMPLIANCE AND REPORTING

It is recommended that the South Australian Government:

- i. Change the date on which a REES activity occurs, for the purposes of complying with a REES obligation, to be the date that the activity is reported to ESCOSA.**
- ii. Establish a requirement on retailers to make-good non-complying activities.**
- iii. Establish a cut-off date for pre-2015 activities to be reported.**
- iv. Clarify which activities are associated with the owner/tenant and which are associated with the premises.**

Obligated REES energy retailers and service providers have raised concerns relating to situations where duplicative REES activities have been reported for the one dwelling. The current requirements are such that ESCOSA must accept the activity that occurred on the earliest date, irrespective of when the activity is reported.

The Directions paper proposed to change the date on which an activity occurred, for the purposes of complying with a REES obligation, to be the date that the activity is reported to ESCOSA. This proposal was supported by the submissions, so too was the associated proposal, to make-good activities that were subsequently found to be non-complying.

To enable a transition from pre-2015 reporting rules, to any new reporting rule, DMITRE recommends that there be a period whereby pre-2015 activities will be acceptable, including those for make-good.

During the operation of the REES, there have been questions raised about the treatment of activities, such as stand-by power controllers, that would typically be removed by householders when they leave the premises. DMITRE recommends that activities be clearly identified as either being associated with a premise or an owner/tenant.

There were no other significant comments regarding compliance. A number of submissions complemented ESCOSA role in administering the scheme.

6.10 MEASUREMENT OF TARGETS

It is recommended that the South Australian Government:

- i. Give preference to changing the metric of the scheme to energy reduction; though give considerations to opportunities for harmonisation with interstate schemes in arriving at its final decision.**
- ii. If necessary, develop appropriate conversion factor(s) for any carryover greenhouse gas reduction credits.**

The Directions paper proposal for the measurement metric be changed to an energy reduction measure received mixed responses from stakeholders. There was equal support for the energy reduction target and maintaining a greenhouse gas emission target. Some stakeholders noted that a greenhouse gas reduction metric better aligned the scheme to interstate schemes.

Whilst DMITRE's preference is for an energy reduction metric, as this closely aligns with the revised scheme objective recommended in section 6.2, it is recognised that retaining a greenhouse gas reduction metric may facilitate interstate negotiations on harmonisation.

At this stage, DMITRE recommends deferring decision on the scheme metric pending negotiations on harmonisation.

Should the Government change the metric to energy reduction, then a conversion will be needed to allow carry-overs of greenhouse abatement credits from 2014 to 2015.

6.11 QUALITY ASSURANCE OF SERVICE PROVIDERS

It is recommended that the South Australian Government:

- i. Not seek to establish a formal quality assurance program for REES service providers at this time.**

The Directions paper proposed the establishment of a voluntary code of practice that governs the conduct of REES activity service providers. The industry led “Energy Assured” program was presented as an example of an existing quality assurance program.

There was limited support across stakeholders for formal establishment of such a program. A general view was that the conduct of REES service providers has improved since the scheme’s commencement and that a high level of service is being provided by them to South Australian households.

This is partly due to the regulatory framework that ESCOSA has established and continued improvements in its REES Code.

In light of this DMITRE does not recommend that a formal quality assurance program needs to be established in South Australia. Should the standard of service by REES service providers decline, then there may be a case to revisit this recommendation.