Residential Energy Efficiency Scheme (REES) Issues Paper October 2012

Submission from David Whiting of David Whiting Energy Solutions

This submission speaks to the following aspects of South Australia's Residential Energy Efficiency Scheme (REES).

- An increase in target number of households to receive an energy audit to more appropriately reflect the need of the priority household group
- A widening of the priority household group with further specified sub-groups who may fit broadly into current definitions but who, for many reasons, have many barriers that reduce the likelihood of being offered an energy audit
- An incentive plan for auditors to perform more individualised energy audits that provide lasting and ongoing energy efficiency reduction thorough appropriate and tailored engagement with households and a means of measuring Green House Gas emissions reduction
- The incentivisation of conducting energy audits and providing other activities to rural and remote households
- The incentivisation of effecting the disposal primary and secondary fridges and freezers from rural and remote households
- To whom should obliged energy retailers pass on the running costs of REES?

An increase in target number of households to receive an energy audit to more appropriately reflect the need of the priority household group

The inclusion of energy audits to be provided to priority households for REES is a very innovative approach which certainly makes REES stand apart from the Victorian Government's Victorian Energy Efficiency Target (VEET) and the New South Wales Government's Energy Saving Scheme (ESS)

However, I feel that the annual total target of 5 667 audits to be completed by all obliged energy retailers for each year of Stage 2 of REES is far too low to adequately meet the demand of the priority household group. If REES is to truly be the flagship mechanism used in South Australia to assist priority households to reduce their energy costs, energy consumption and Green House Gas emissions and promote engagement of energy retailers with their customers, the annual energy audit targets should be doubled or even tripled. Furthermore, there are many households who fall within the priority household group definition who are highly unlikely to be engaged by energy retailers and/or REES contractors for an energy audit or other REES activities nor are these households likely to engage their energy retailer or REES contractors due to a wide range of barriers, many of which are outside their own control. These barriers include but are not limited to having poor numeracy and literacy skills, being members of new arrival communities and other communities who have English as a second language, having a mental illnesses or physical and/or intellectual disability or households who simply choose to live in rural and remote parts of South Australia where REES activities are seldom carried out. If these barriers are not enough to exclude many members of the priority household group from having an energy audit or other REES activities, the lack of widespread, structured promotion of REES at a community, neighbourhood or grass roots level creates yet another barrier. In the second decade of the twenty first century, if is my opinion that no households who are eligible for a state wide scheme such as REES should miss out on participating in it simply because they were not at home when a contractor cold called their property or they were unable to understand the services being offered or were wary of an unannounced stranger offering to install in their home expensive energy saving items free of charge.

A widening of the priority household group with further specified sub-groups who may fit broadly into current definitions but who, for many reasons, have many barriers that reduce the likelihood of being offered an energy audit

At first glance, the list of categories of priority households who would be eligible for an energy audit under REES appears to be rather broad and inclusive. While each group can be easily defined by being a concession card holder, or being registered as a member of a hardship program (or both) many of the members of this **easily defined** group are often not **easily identified** by REES obliged energy retailers of REES contractors. In other words, energy retailers and REES contractors know the priority households exist because they have a concession card but they are not always able to engage with them, or more importantly, are not always able to identify those priority households who are in the direst need of having an energy audit, so, in order to meet the audit targets, will offer an energy audit to any household within the priority group, regardless of the household's actual need to have the audit. There have been a number of occasions where auditors have visited lifestyle villages and have conducted energy audits en masse for householders who fit the priority household criteria. The work is easily completed as the houses are often small, located close to each other, the householders are often able to speak and understand English and engage with the process. It can be argued that these audits are valuable for such households and they also comply with the minimum specifications for an energy audit. My concern here is that while the afore mentioned audits are of some value, how many other priority households who would find the energy audit far more valuable are missing out, due, in some part to a number of wide and numerous barriers to engagement previously mentioned. While offering an energy audit to anyone in the priority household group is a **GOOD** practice, this can by no way be thought of as being **BEST** practice!

To more accurately identify households within the priority groups who would be in the direst need of an energy audit, I recommend the priority group be expanded to include the following sub groups, each with their own audit targets within the total audit target for each obliged retailer

- Indigenous households and communities
- Households who have entered or exited a Domestic Violence Service within the previous 5 years
- Households who are eligible for the recently instigated heating/cooling medical rebate
- Households who have entered or exited a Supported Accommodation Service within the previous 5 years
- Other households who have not been able to access the aforementioned Supported Accommodation Services due to lack of funding of the services
- Households who have been identified by financial counselling or similar services as being at risk of becoming homeless
- New arrival families
- Members of existing CALD communities who are identified by their community as requiring an energy audit
- Rural and remote communities
- Remote Indigenous communities

An incentive plan for auditors to perform more individualised energy audits that provide lasting and ongoing energy efficiency reduction thorough appropriate and tailored engagement with households and a means of measuring Green House Gas emissions reduction

There are many REES energy auditors providing advice to many priority group households each year. Many of these audits are considered to be of value to the recipient households but little data has been collected to accurately determine the ongoing value to the household of the energy audit in respect to being able to understand and apply the recommendations or to realise an ongoing reduction in energy consumption, energy costs and Green House Gas emissions. This Issues Paper identifies that 'the current specification can be met through a simple, walk-through audit rather than a more detailed engagement with the customer.'

If REES is to provide energy audits and targeted, specific, affordable and achievable energy efficiency recommendations of suitable quality to a priority household, (or any household, for that matter) this information must be communicated to the household in a manner that will be of the greatest benefit and promote the greatest energy and cost reduction for the smallest financial outlay. Household engagement is a vital necessity in achieving lasting and effective energy efficiency and reduced ongoing energy costs.

Energy auditors should walk through the house **WITH** the householder on a room by room basis, highlighting in simple lay person terns the accurate running costs of appliances and the thermal dynamics of the house. Engagement, treating the householder with dignity and respect, discussion and energy information sharing should be the basis of the energy audit. Householders should be shown how to read their electricity and gas meters and be encouraged to do so regularly to budget their energy consumption. Wherever possible, a Power Mate or similar tool should be used to calculate more accurate running costs of fridges and freezers and other appliances. To further embed householder engagement, the energy audit report should be completed at the house and recommendations discussed with the householder at this time rather than the auditor using a 'tick and flick' sheet that is completed during the walk through audit which subsequently generates a more generic and less specific audit report that is posted to the household some weeks after the auditor has visited. Evidence suggests that such engagement with the householder from the critical 'building rapport' stage of the audit to completion of the audit report provides greater energy efficiency outcomes over longer periods of time compared to a more limited and 'at arm's length' approach by the auditor.

In an effort to assign a higher 'value or worth' of the 'engagement/interactive/information sharing' model of energy auditing rather that the simple 'walk through with limited engagement and interaction' model, I propose that ongoing household energy bills be collated on a quarterly basis for the subsequent 12 months after the audit has taken place to determine if any ongoing reduction in energy consumption, energy costs and Green House Gas emissions has occurred. **This information can be readily verified using the billing data and any reduction in Green House Gas emissions as a result of the energy audit should be able to be counted towards the obliged energy retailer's Green House Gas targets for REES.** If such reduction has occurred it may be safe to assume that the audit may have been a considerable factor in this reduction and, as such, the energy auditor should be rewarded for their efforts in engaging with the household and providing suitably tailored energy efficiency advice. As it is becoming more difficult and costly to find households to complete activities that reduce Green House Gas emissions, I see no valid reason why an energy audit could not also count as an activity if and when there is a validated Green House Gas reduction. It should be noted that there are many variables that impact on a household's energy consumption that naturally lie outside the scope of the auditor to manage once the audit has taken place. If no reduction in Green House Gas is evident over the next 12 months, the energy retailer still can count the energy audit towards their audit target because the audit has been completed and complies with the minimum specifications for an energy audit. If additional Green House Gas reductions can be validated over the 12 months, the energy retailer should be able to have this count towards Green House Gas reduction targets (on a quarterly basis) and the energy auditor should be financially rewarded for completing a higher quality of work that has produced quantifiable outcomes. Thus, energy retailers will be more willing to engage the services of energy auditors who are more thorough as this will assist the retailer to meet audit targets and Green House Gas reduction targets and energy auditors will be encouraged to provide best practice in their work as they will be financially rewarded over the following 12 months if the household is able to achieve a Green House Gas reduction.

The incentivisation of conducting energy audits and providing other activities to rural and remote households

One fundamental and glaring failure of REES has been the lack of take up of activities and audits in rural and remote areas. This is, in fact, due mainly to the lack of REES contractors providing services beyond the Adelaide metropolitan area. Even households that lie just outside Adelaide metropolitan area are likely to miss out on REES coverage unless exceptional circumstances occur where a rare contractor operates from the local rural or remote region or where Adelaide based contractors visit country areas for brief periods. Higher contractor costs including travel, accommodation, verification etc. are largely responsible for this state wide scheme to mostly be rolled out only to city dwellers and at the expense of some country dwellers who often help to subsidise the cost of REES but are unable to be offered the service.

I propose that an incentive scheme be established that puts a higher dollar or Green House Gas value on activities that are completed in rural or remote areas. This financial incentive will encourage obliged retailers and contractors to seek out and service rural and remote communities as such work will become more financially viable and assist in reducing the current inequity of REES. For example, an activity that is undertaken by an Adelaide based contractor would be assigned a higher value if it is completed in Burra, and a higher value still if completed in Port Augusta and a higher value still if completed in the APY Lands.

The incentivisation of effecting the disposal primary and secondary fridges and freezers from rural and remote households

Replacing fridges and freezers is costly for a household to undertake by themselves. While a number of No Interest Loans Scheme (NILS) providers operate very effectively in South Australia, many households who require this service are oblivious to its existence. Many REES auditors are not aware of such services and do not conduct Power Mate or similar tests to determine actual running costs of said appliances. While delivery costs in the metropolitan area can be small, the costs of transporting new fridges and freezers to rural and remote locations can be incredibly prohibitive, indeed. Take for example, the costs of delivering a new fridge to the APY Lands or other outlying rural towns or communities throughout the state. This would be extremely costly and would be one of many barriers that prevents often low income and/or marginalised households to be able to reduce their energy consumption. Many rural and remote households would very much like to engage with REES contractors to have energy efficiency and dollar saving activities provided to their households but distance remains the ultimate excluding factor **even though such households may qualify as a priority household a number of times over.** I recommend the investigation of applying financial incentives or other incentivised targets that encourage obliged retailers and REES contractors to provide the testing, disposal and purchase of both primary and secondary fridges and freezers for rural and remote communities and special consideration should be given to remote Indigenous households and communities who face a greater cost of energy production and transportation costs.

To whom should obliged energy retailers pass on the running costs of REES?

ESCOSA estimates that the annual cost of REES activities that are passed onto South Australian householders by obliged energy retailers is up to $ 14 per year. Energy retailers are able to pass on these costs to all of their customers whether they have or will receive REES activities in the future. This means that many households outside the Adelaide metropolitan area are likely to partly subsidise the costs of supplying REES activities to their city neighbours. Also, as cost can apportioned to customers evenly, it is very possible that priority households will also cover some of these costs while often being less able to afford increases in energy costs that non priority households.

I propose that no priority households should be asked to cover any costs of obliged energy retailers in relation to them meeting their REES targets and obligations. Any such costs should be passed onto non priority households, who, on average have higher disposable incomes.