



EnergyAustralia

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Dear Mr Duffy

Consultation Paper on Proposed REES Thresholds, Metrics and Activity Specifications

EnergyAustralia welcomes the opportunity to comment on the Consultation Paper on Proposed REES Thresholds, Metrics and Activity Specifications. We are one of Australia's largest energy companies, providing electricity and gas to over 2.7 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 5,600MW of generation in the National Electricity Market.

EnergyAustralia has previously made representations that it does not consider that the REES scheme is the most appropriate mechanism to achieve energy efficiency in South Australia. These representations continue to reflect our views however we are committed to supporting the REES scheme while it remains government policy. To this end, we welcome changes to the scheme that will increase the opportunities for energy savings and provide comments on aspects of the proposed amendments which, in our view, do not contribute to this end. Furthermore, we seek that the administrative obligations in performing the obligations of the REES scheme do not add incremental costs in performing the abatement activities.

1. The Proposed REES Thresholds

EnergyAustralia notes the change from a Residential Energy Efficiency Scheme to the Retailer Energy Efficiency Scheme and the intent to broaden the coverage of the scheme to drive energy savings in commercial enterprises. Although we are broadly comfortable with the thresholds for which retailers must participate, we are concerned by metric used to define large energy users. We understand that a 30GWh per annum threshold has been suggested to provide consistency with other efficiency obligations such as NABERS, however we consider that there may be insufficient opportunities for energy savings at the larger end of the market in the new activities outlined. This scenario has the potential to drive up the price of conducting REES as the supply of certificates being created will be insufficient to meet aggregated retailer liabilities and a number of retailers may be subjected to costly penalties if require level of energy savings cannot be achieved.

To remedy this, we suggest that the large energy users threshold be set at lower level (suggest 160MWh to be aligned with the definition of small customer under the National Energy Retail Law (Local Provisions) Regulations 2013).

In addition to our view that the proposed range of activities does not provide sufficient opportunities to create certificates at commercial and industrial sites. We also consider that effectively subsidising some activities through inclusion in the scheme, may deter large users from undertaking already planned, larger scale efficiency measures as the previously viable business case would no longer be considered commercially attractive in comparison. We do not believe that this outcome would be in line with government's desired policy objectives.

2. The REES Proposed Energy Metric

EnergyAustralia supports the proposed energy metric.

3. The Proposed Energy Audit Changes

EnergyAustralia supports the additional requirement for a competent person to have an ability to engage with the householder during and after the assessment. We believe that ongoing engagement is crucial to educate consumers and drive behavioural change to realise energy savings. We believe that the government has missed an opportunity to deliver true engagement with consumers by failing to provide incentives to provide a higher standard of audits which result in greater value to the consumer.

Under the current arrangements where retailers have a numerical audit target to achieve, there is little incentive to "deep dive" into customer behaviour and seek additional opportunities for energy savings beyond a basic standard. While there is certainly value for customers in this basic service, deeming more in depth audits to have an energy savings value would incentivise auditors to tailor audits to customer circumstance and potentially unlock additional REES activities such as appliance replacement.

Providing incentives to conduct more comprehensive audits can lead to the delivery of energy savings through changes to consumer behaviour and can lead to the identification of larger scale savings rather than the 'low hanging fruit' that is often picked during a more cursory audit.

4. The Proposed REES Activities

EnergyAustralia welcomes the inclusion of new activities to REES. By providing a wide range of eligible activities the market can deliver energy savings to consumers in an efficient manner by engaging in those activities which provide the greatest energy reductions at the lowest cost per unit of energy saved.

We welcome the inclusion of the Aggregated Metered Baseline method, however we have some concerns that the framework surrounding its operation under the scheme will limit the energy savings achieved. EnergyAustralia is concerned that the methodology which requires a "control group" and a "treatment group" will necessarily exclude some customers from being able to access energy savings and we believe that it may be more appropriate to assign a deemed value to the activities which are suggested under the AMB method so that all South Australian consumers may benefit from their adoption. We acknowledge deemed values must represent realistic assessments of expected energy savings and will require substantiation in the form of trial projects or research, however we believe that this approach will encourage retailer innovation and driver consumer engagement.

If you have any questions with regard to the attached submission, please contact Joe Kremzer on (03) 8628 1731 or email joe.kremzer@energyaustralia.com.au.

Regards

A handwritten signature in black ink, appearing to read 'Joe Kremzer', with a long horizontal flourish extending to the right.

Joe Kremzer
Regulatory Manager