

RESIDENTIAL ENERGY EFFICIENCY SCHEME ANNUAL REPORT 2014

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The Essential Services Commission of South Australia is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au

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GLOSSARY

CFL	Compact Fluorescent Lamps
Commission	Essential Services Commission of South Australia, established under the ESC Act
EEFI	Energy Efficiency Fund Initiative
Electricity Act	<i>Electricity Act 1996</i>
Electricity Regulations	<i>Electricity (General) Regulations 2012</i>
ESC Act	<i>Essential Services Commission Act 2002</i>
Gas Act	<i>Gas Act 1997</i>
Gas Regulations	<i>Gas Regulations 2012</i>
GJ	Gigajoules
Government	South Australian Government
Minister	South Australian Minister for Mineral Resources and Energy
Ministerial Protocol	A REES Protocol set by the Minister for maintaining the list of approved Energy Efficiency Activities and Reporting Requirements. Available at http://www.escosa.sa.gov.au/library/081111-REES-ProtocolSetByMinisterForEnergy.pdf
NECF	National Energy Customer Framework
Priority Group Household	Households: <ul style="list-style-type: none"> ▲ with eligibility for various Commonwealth and State Government Concessions, as defined in <i>the Electricity and Gas Regulations</i>; and ▲ otherwise defined in the REES Code.
REES	Residential Energy Efficiency Scheme
REES Code	Residential Energy Efficiency Scheme Code
REES-R	Retailer File Validation System
REES Stage One	2009 to 2011

REES Stage Two	2012 to 2014
REES Stage Three	2015 to 2020
Regulations	<i>Electricity (General) Regulations 2012 and Gas Regulations 2012</i>
SPC	Standby Power Controller
tCO₂-e	Tonnes of Carbon Dioxide Equivalent
VEET	Victorian Energy Efficiency Target

EXECUTIVE SUMMARY

The Residential Energy Efficiency Scheme (**REES**) requires energy retailers which meet specified thresholds of customer numbers and energy sales to provide energy audits and energy efficiency activities to South Australian households in accordance with annual Ministerial targets.

The Minister for Mineral Resources and Energy (**Minister**), who has policy responsibility for REES, sets overall REES targets for each calendar year. The Essential Services Commission of South Australia (**Commission**) which has administrative responsibility for REES, then apportions those targets among obliged retailers in accordance with objective criteria specified in Parts 4 of the Electricity (General) Regulations 2012 and Gas Regulations 2012 (**Regulations**).

Obliged retailers are set an energy audit target and greenhouse gas reduction target (delivered through energy efficiency activities). A proportion of greenhouse gas reductions (35 per cent of the annual target) must be undertaken in priority group households.¹

The scheme commenced on 1 January 2009, with the first stage running until 31 December 2011 (**REES Stage One**). The second stage commenced on 1 January 2012 and concluded on 31 December 2014 (**REES Stage Two**).

This sixth REES Annual Report evaluates scheme outcomes for 2014 and REES Stage Two overall.

REES 2014 outcomes

The overall annual REES targets were achieved in 2014 (Table 1.1). Further, all obliged retailers achieved their individual targets in 2014 (Table 1.2).

Table 1.1 – 2014 REES targets and achievements






















	2014 TARGET	ACCEPTED REPORTS	CREDITS APPLIED⁽²⁾	TOTAL 2014 ACHIEVEMENT
Energy audits (number of audits)	5,667	5,605	2,016	7,621
Greenhouse gas reduction (tCO ₂ -e)	410,000	304,396	288,395	592,791
Priority group greenhouse gas reduction (tCO ₂ -e)	143,500 ⁽¹⁾	129,102	169,255	298,357


Notes: (1) 35% of greenhouse gas reduction target.

(2) Applied credits are energy efficiency activities or energy audits accrued in excess of an obliged retailer's previous years REES target which can be carried forward to satisfy future targets.

¹ Priority group households include those where a person with a recognised concession card resides and those where a person participating in an energy retailer's customer hardship program resides.

Table 1.2 – 2014 Obligated retailer target achievements

OBLIGED RETAILER	ENERGY AUDIT TARGET	GREENHOUSE GAS REDUCTION TARGET	PRIORITY GROUP GREENHOUSE GAS REDUCTION TARGET
AGL			
ALINTA ENERGY			
ENERGY AUSTRALIA			
LUMO ENERGY			
ORIGIN ENERGY			
POWERDIRECT			
SIMPLY ENERGY			

Note:  = target achieved.

The key operational outcomes for REES in 2014 were:

- ▲ A total of 5,605 energy audits were undertaken. Obligated retailers applied an additional 2,016 energy audit credits (earned in prior years) exceeding the target by 34 per cent.
- ▲ 304,396 tonnes of greenhouse gas reductions were delivered in 2014. When applied credits are included, the greenhouse gas reduction target was exceeded by 45 per cent. Many obligated retailers will have additional credit balances to carry over to 2015 targets.
- ▲ Of the total greenhouse gas reductions undertaken in 2014, 42 per cent were delivered to priority group households, exceeding the Ministerial requirement of 35 per cent.
- ▲ Energy efficiency activities were concentrated in lower-cost activity categories, such as standby power controllers (**SPCs**), showerheads and light globes. SPCs accounted for 54 per cent of greenhouse gas reductions and 42 per cent of activities undertaken.
- ▲ There was a 25 per cent drop in the number of premises to which REES activities or audits were delivered in 2014, reflecting a 30 per cent fall in the number of energy efficiency activities undertaken compared to 2013, driven partly by the application of accrued energy credits.

REES Stage Two outcomes

The aggregated annual targets, and achievement of those targets, for REES Stage Two (2012-2014) are set out in Table 1.3 below.

Table 1.3 –REES Stage Two targets and achievements

	AGGREGATED REES STAGE TWO TARGETS	ACCEPTED REPORTS
Energy audits (number of audits)	17,001	18,933
Greenhouse gas reduction (tCO ₂ -e)	1,000,000	1,170,058
Priority group greenhouse gas reduction (tCO ₂ -e)	350,000 ⁽¹⁾	503,699

Notes: (1) 35% of greenhouse gas reduction.

The key operational outcomes for REES Stage Two were:

- ▲ A total of 18,933 energy audits were delivered to priority group households over the course of REES Stage Two, exceeding the Stage Two target by 11 per cent.
- ▲ 1,170,058 tonnes of greenhouse gas reductions were delivered during REES Stage Two, exceeding the target by 17 per cent.
- ▲ Of the total greenhouse gas reductions undertaken in REES Stage Two, 43 per cent were delivered to priority group households.
- ▲ Installation of SPCs was the major activity undertaken during REES Stage Two, representing 48 per cent of activities (68 per cent of greenhouse gas reductions).
- ▲ Lighting activities represented 33 per cent of activities undertaken (13 per cent of greenhouse gas reductions).
- ▲ The average emissions savings delivered per household have increased from 3.8 tonnes of carbon dioxide equivalent (**tCO₂-e**) in REES Stage One to 9.0 tCO₂-e in REES Stage Two.
- ▲ A total of 123,326 households received REES activities or energy audits over the course of REES Stage Two.

REES time series data from 2009 to 2014 are available on the Commission's website.²

REES 2009-2014 outcomes

A total of 32,460 REES energy audits and 1,827,068 tonnes of greenhouse gas reductions were delivered under REES between 2009 and 2014. A total of 245,087 households received REES activities or energy audits over this period.

Most retailers have met all their annual REES targets to date. A few retailers had minor shortfalls in one or more years which were added to their subsequent year's targets. The Commission issued a shortfall financial penalty notice of \$243,750 to Lumo Energy in relation to its performance in 2011. The penalty payment was used to establish the Energy Efficiency

² Refer: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-annual-reports.aspx>

Fund Initiative (**EEFI**), which provides energy efficiency benefits to energy consumers in financial stress through grants to not-for-profit organisations between 2012 and 2015.

REES has been dominated by lower cost, easy to install activities provided free of charge to residential customers. Installation of SPCs and efficient light globes have been the most popular activities, representing 70 per cent of all greenhouse gas reductions delivered by REES to date. 18 per cent of all activities have been delivered to households in regional or remote areas. During the period, there has been a trend towards REES activity delivery in those areas.

A summary of REES between 2009 and 2014 is contained in Chapter 6 of this report.

Future of REES

REES will be expanded from 2015 and continue until 2020 as the Retailer Energy Efficiency Scheme (**REES Stage Three**).³

The number of approved energy efficiency activities has expanded from 13 to 28 and includes activities that can be undertaken in commercial premises. The Minister has assumed the role of setting, reviewing and gazetting REES activity specifications (a role previously undertaken by the Commission). The scheme targets have been changed from a greenhouse gas metric (tCO₂-e) to an energy metric (expressed in gigajoules (**GJ**)).⁴

Some obliged retailers have accrued large credit balances to be carried over into 2015. Accordingly, there is the potential for activity levels to be lower during 2015, as some retailers are well advanced in meeting 2015 targets with the application of existing credits.

Further detail on REES Stage Three is contained in Chapter 7 of this report.

³ Refer: <http://www.sa.gov.au/topics/water-energy-and-environment/energy/rebates-concessions-and-incentives/retailer-energy-efficiency-scheme-rees>

⁴ Refer section 6 for further details on the expansion of the scheme.

1. INTRODUCTION

REES requires energy retailers, which meet specified thresholds of customer numbers and energy sales, to provide energy audits and energy efficiency activities to South Australian households in accordance with annual Ministerial targets.

Under REES, the Minister sets the overall policy framework and fixes annual greenhouse gas reduction and energy audit targets. The Commission administers the scheme within the parameters defined by the Government's policy framework and in accordance with the Regulations and the provisions of the Essential Services Commission Act 2002 (ESC Act).

The Minister sets overall REES targets for each calendar year. The Commission then apportions those targets among obliged retailers in accordance with objective criteria specified in the Regulations.

Obliged retailers are set an annual energy audit target and greenhouse gas reduction target (delivered through energy efficiency activities). A proportion of greenhouse gas reductions (35 per cent of the annual target) must be undertaken in priority group households.⁵

REES was established by the Government in 2008 and commenced on 1 January 2009. The Government's stated objectives of REES include:

- ▲ improving residential energy efficiency and reducing greenhouse gas emissions
- ▲ assisting households, particularly low income households, to prepare for likely increases in energy prices associated with policy responses to reduce greenhouse gas emissions
- ▲ reducing energy costs for households, but particularly low income households.

The scheme commenced on 1 January 2009, with REES Stage One running until 31 December 2011. REES Stage Two commenced on 1 January 2012 and concluded on 31 December 2014.

1.1 *Role of the Commission*

The Commission has functions and powers necessary to give effect to REES including:

- ▲ administering REES
 - allocation of individual annual retailer targets
 - establishing requirements in relation to the conduct and operation of energy retailers through a Residential Energy Efficiency Scheme Code (**REES Code**)
 - encouraging effective participation in the scheme.

⁵ Priority group households include those where a person with a recognised concession card resides and those where a person participating in an energy retailer's customer hardship program resides.

- ▲ monitoring energy retailer compliance with REES
 - receiving and assessing reports of activities and audits undertaken
 - establishing and implementing a targeted compliance program
 - determining annual target achievement.
- ▲ reporting to the Minister annually in relation to the operation of REES, and from time to time in relation to any other matter with respect to REES.

The rules to be followed by retailers in meeting their obligations under REES are set out in the REES Code.⁶ The main administrative activities undertaken by the Commission in 2014 are described in section 5 of this report.

1.2 Purpose of this report

The Commission has prepared this 2014 REES Annual Report in accordance with its reporting obligations under the Regulations in order to advise the Minister on the REES outcomes, to facilitate ongoing policy evaluation of REES and inform future target setting.⁷

Information and supporting commentary to satisfy the requirements of the REES Ministerial Protocol⁸ and the Regulations is provided in this report and is based on data provided by energy retailers which the Commission understands to be accurate at the time of publication.

⁶ Essential Services Commission of South Australia, Residential Energy Efficiency Scheme Code, REESC/07, February 2014 (as in force in 2014); available at <http://www.escosa.sa.gov.au/library/140227-REESCodeFinal-07.pdf>

⁷ This obligation is in the form of a Ministerial Protocol which can be found on the Commission's website at: <http://www.escosa.sa.gov.au/library/081111-REES-ProtocolSetByMinisterForEnergy.pdf>

⁸ The REES Ministerial Protocol requires annual reporting of activities, energy audits and benefiting households by number, location, and household tenure.

2. STRUCTURE OF THE SCHEME

Under REES, energy retailers with 5,000 or more South Australian residential electricity or gas customers are obliged to provide to South Australian households a specified number of energy audits and sufficient energy efficiency activities to meet set greenhouse gas reduction targets.⁹

The value of each energy efficiency activity is “deemed”, in terms of greenhouse gas reduction, in the sense that the full value of future estimated energy saving is credited at the time the activity is undertaken. Accordingly, the scheme’s annual greenhouse gas reductions outcome does not mean that greenhouse savings at that level were actually achieved within that year.

Retailers can elect to provide the energy efficiency activities and/or energy audits themselves or to engage the services of third-party providers to provide the activities on their behalf. Obligated retailers have generally chosen to engage third-party providers. However, while the provision of energy efficiency activities and energy audits may be “outsourced”, REES obligations continue to rest with obliged retailers, not with their contractors.

It is for retailers to determine how and when energy efficiency activities and energy audits are offered to customers, in order to achieve REES targets. Obligated retailers can also determine whether activities are provided free of charge to the recipient, whether recipients are asked to make a co-payment or if another incentive is offered to take up the activity. Overall, obliged retailers have significant discretion as to how they achieve targets.

2.1 Obligated retailers for 2014

Table 2.1 shows the seven obliged retailers for 2014. Retailers have separate electricity and gas REES obligations.

Table 2.1 –REES 2014 obliged retailer energy obligations

ENERGY RETAILER	ELECTRICITY	GAS
AGL SA	✓	✓
Origin Energy	✓	✓
EnergyAustralia ¹⁰	✓	✓
Simply Energy	✓	✓
Lumo Energy	✓	-
Powerdirect ¹¹	✓	-
Alinta Energy	✓	-

During REES Stage Two, Red Energy was an obliged retailer only in 2012 and Alinta Energy first had an obligation from 2013.

⁹ Prior to the introduction of the National Energy Customer Framework (NECF) in South Australia (1 February 2013), this requirement was set out as a condition of retail licences. Under NECF, this is now a direct obligation under section 63AB(1)(b) of the Electricity Act 1996.

¹⁰ TRUenergy Pty Ltd prior to 14 November 2012.

¹¹ Powerdirect is a wholly owned subsidiary of AGL

2.2 *Priority group households*

Consistent with the Government's stated policy objective of assisting low-income consumers, REES requires that all energy audits and a specified percentage of the greenhouse gas reductions target (in any year) must be provided to priority group households.

For REES Stage Two, the Minister set the priority group greenhouse gas reduction target at 35 per cent of the overall greenhouse gas reduction target.

The Regulations define priority group households; the category generally covers those households in which a person with a recognised concession card resides. The Commission has power to determine additional categories of priority group customers, and has identified those participating in an energy retailer's customer hardship program as an additional class of priority group household.

2.3 *Energy audits*

The Minister establishes the specification for the conduct of energy audits.¹² Only those audits which meet the specification in full can be counted towards an energy audit target.

Energy audits may only be provided to priority group households. They are aimed at assessing current energy use practices, comparing these to energy efficient practices and identifying practical ways to enhance energy efficiency.

Obligated retailers are generally required to conduct energy audits inside the home of the householder. However, in limited circumstances, such as remote premises, interview and phone audits are permitted. Each phone audit is worth half an in-home audit.

¹² SA Government Gazette, 15 December 2011, available at http://www.governmentgazette.sa.gov.au/2011/december/2011_084.pdf, applied for REES Stage Two requirements.

2.4 Energy efficiency activities

Unlike energy audits, energy efficiency activities may be provided to any South Australian household. As is the case with energy audits, an energy efficiency activity may only count towards the satisfaction of a greenhouse gas reduction target, to the extent that the particular activity meets the specification for that energy efficiency activity.

The list of REES activities that applied for 2014 is detailed in the text box below. The REES Code in 2014¹³ included detailed specification and deemed greenhouse gas reductions (expressed in units of tCO₂-e) for each activity.

List of approved REES activities in 2014

Minimum specifications relevant to the conduct of each individual energy efficiency activity are also listed in detail in schedule 4 of the REES Code. The list of approved activities during 2014 was:

- ▲ Showerheads - replace an inefficient showerhead with an efficient showerhead
- ▲ Ceiling Insulation - install ceiling insulation where no insulation has previously been in place
- ▲ Draught Proofing - install draught proofing products
- ▲ Disposal of Secondary Refrigerators and Freezers - remove and destroy a secondary refrigerator or freezer
- ▲ Install Compact Fluorescent Lamps (**CFLs**) - replace an incandescent or halogen lamp with a compact fluorescent lamp
- ▲ Install Efficient Extra Low Voltage Down Lights – replace an existing lamp with a more efficient alternative
- ▲ Upgrade Ductwork - install insulated ductwork of higher than standard to a ducted reverse cycle air conditioner or gas central heater
- ▲ Upgrade Heating/Cooling System (Non-Ducted) – install upgraded reverse cycle air conditioner or gas room heater
- ▲ Water Heaters - install or replace a water heater with a water heater of specified type
- ▲ Install Standby Power Controllers – Audio Visual (AV) or Information Technology (IT) – install a standby power controller to automatically reduce standby power consumption of AV and IT equipment
- ▲ High Efficiency Pool Pumps – install upgraded high energy efficient pool pump
- ▲ Installation of Enhanced Air Conditioning Ductwork System – replacement of an existing flexible ductwork system for a reverse cycle air-conditioner with a new flexible ductwork system (including all fittings)

The deemed greenhouse gas reduction values which apply for each sub-activity within the broad classes described above are detailed in the REES Code.

¹³ Essential Services Commission of South Australia, *REES Code (REESC/07)*; available at <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-regulatory-documents.aspx>.

2.5 *Energy credits*

Obligated retailers have the ability to bank any excess achievement in relation to individual targets for a year and apply that credit to REES targets in subsequent years.

Energy credit means the following (if the relevant differences are positive):

- ▲ in relation to energy audits, the difference (expressed as a number of energy audits) between the number of energy audits reported by a retailer in a year and the Energy Audit Target that applies to the retailer for that year
- ▲ in relation to energy efficiency activities, the difference (expressed in tCO₂-e) between the actual tCO₂-e reported by a retailer in a year through the conduct of energy efficiency activities and the Greenhouse Gas Reduction Target that applies to the retailer for that year;
- ▲ in relation to energy efficiency activities for priority group households, the difference (expressed in tCO₂-e) between the actual tCO₂-e reported by a retailer in a year through the conduct of energy efficiency activities for priority group households and a Priority Group Greenhouse Gas Reduction Target that applies to the retailer for that year.

Energy credits are accrued on an annual basis following the Commission's annual determination of individual retailer's target achievement.

3. REES TARGETS AND ACHIEVEMENTS

This section sets out achievements against the targets for energy audits, greenhouse gas reduction and priority group greenhouse gas reduction.¹⁴ Further details on the overall targets and achievements can be found in the REES time series data.

3.1 Targets and achievements

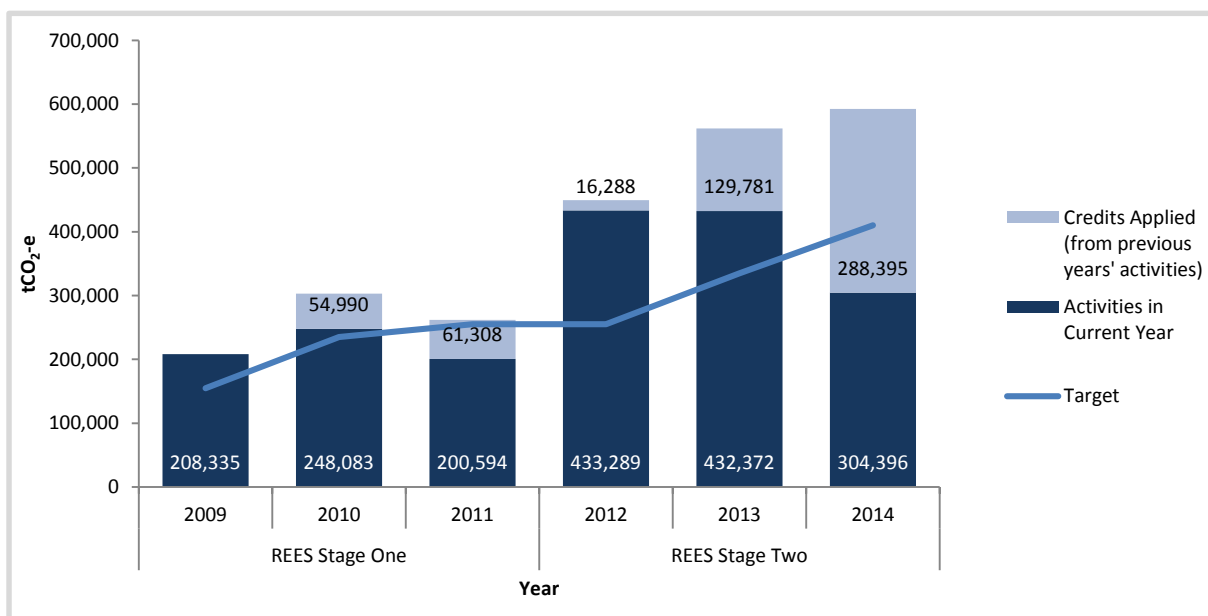
The overall targets set by the Minister were achieved in 2014 and for REES Stage Two overall. Refer to Annexure A for a summary of individual retailer achievement. Achievement against the REES targets for energy audits, greenhouse gas reduction and priority group greenhouse gas reduction is set out in Figures 3.1 - 3.3 below.

Some retailers have banked large numbers of credits to be used against future year targets.¹⁵ Also, 303 energy audits, 1,093 tCO₂-e of greenhouse gas reduction credit and 63,479 tCO₂-e of priority group greenhouse gas reduction credit accrued in previous years remain banked, and were not applied by obliged retailers in 2014 (these are not included in Figures 3.1 to 3.3).

3.1.1 Greenhouse gas reductions (tCO₂-e) from energy efficiency activities

Figure 3.1 illustrates the greenhouse gas reductions achieved and the target for each year of REES.

Figure 3.1 – Greenhouse gas reductions (tCO₂-e) from energy efficiency activities - actual v target



¹⁴ For annual reports relating to previous years refer: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-annual-reports.aspx>.

¹⁵ Banked credits from any year are undifferentiated in terms of whether they apply to an electricity or gas target. It is not the Commission's role to assume how an obliged retailer may wish to apply any 'credits' earned in a given year to future years of the scheme. Nevertheless, the Commission encourages retailers to apply all credits in the following year of achievement as this shows an accurate estimate of their progress towards the next target.

3.1.1.1 2014 outcomes

All retailers met their 2014 greenhouse gas reduction targets. However, 30 per cent fewer energy efficiency activities were undertaken in 2014 than was the case in 2013. Uncertainty over the details and structure of the scheme to apply from 2015 may have led retailers to undertake a lower volume of activity than in 2013, relying instead on the application of energy credits accrued in earlier years to meet individual targets. When applied credits are included, the greenhouse gas reduction target was exceeded by 45 per cent.

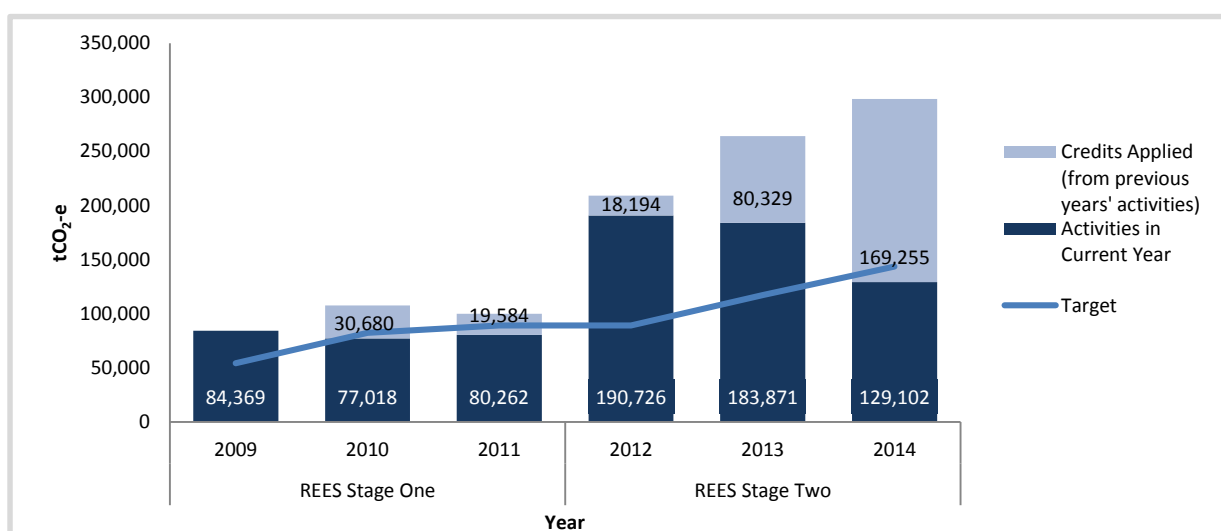
3.1.1.2 REES Stage Two outcomes

A total of 1,170,058 tCO₂-e of greenhouse gas reductions were undertaken in REES Stage Two, with the aggregate annual targets exceeded by 17 per cent.

3.1.2 Priority group greenhouse gas reductions (tCO₂-e) from energy efficiency activities

Figure 3.2 illustrates the greenhouse gas reductions achieved and the priority group target for each year of REES.

Figure 3.2 - Priority group greenhouse gas reductions (tCO₂-e) from energy efficiency activities - actual v target



3.1.2.1 2014 outcomes

All retailers met their priority group greenhouse gas reduction targets in 2014. Of the total greenhouse gas reductions undertaken in 2014 (304,396 tCO₂-e), 42 per cent was in priority group households. While 30 per cent fewer priority group energy efficiency activities were undertaken than in 2013, the priority group target was exceeded by 108 per cent when applied credits are included.

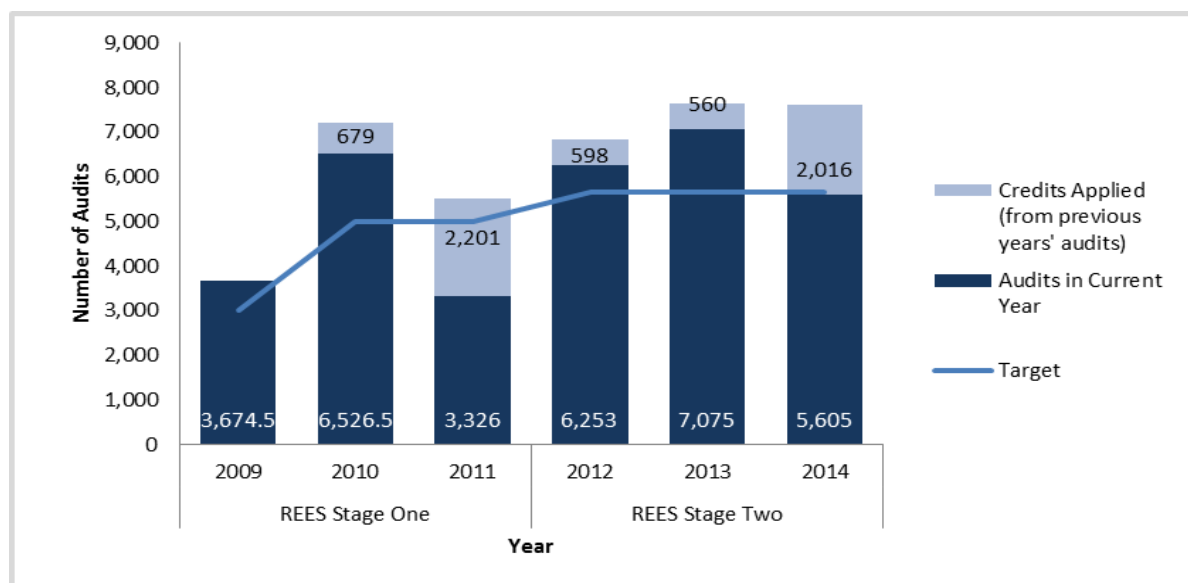
3.1.2.2 REES Stage Two outcomes

A total of 503,699 tCO₂-e of greenhouse gas reductions were undertaken in priority group households in REES Stage Two, 44 per cent more than the aggregate target. 43 per cent of greenhouse gas reductions in REES Stage Two were undertaken in priority group households, compared to the target of 35 per cent.

3.1.3 Energy audits

Figure 3.3 illustrates energy audits undertaken and the target for each year of REES.

Figure 3.3 - Energy Audits - Actual v Target



3.1.3.1 2014 outcomes

All retailers met their individual 2014 energy audit targets, with a total of 5,605 energy audits undertaken during the year (see Figure 3.3). Retailers also applied an additional 2,016 accrued credits from previous years' overachievement to assist in meeting individual targets for 2014. When applied credits are included, the energy audit target was exceeded by 34 per cent.

3.1.3.2 REES Stage Two outcomes

A total of 18,933 energy audits were delivered over the course of REES Stage Two, exceeding the aggregate overall energy audit target (17,001) for REES Stage Two by 11 per cent.

4. ANALYSIS OF OUTCOMES

This section analyses the distribution of activities and audits undertaken and the type of households that received REES activities and audits.¹⁶ Figures provided in this section of the report relate to actual reported activities and audits for the relevant year and do not include any credits applied from previous years.¹⁷

4.1 Energy efficiency activities

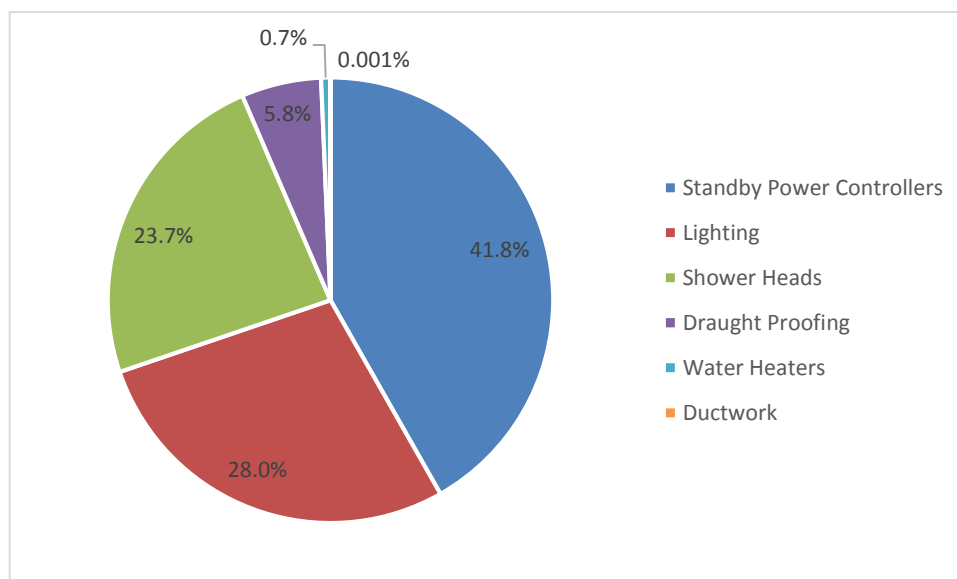
In 2014, 78,900 energy efficiency activities¹⁸ were undertaken, resulting in 304,396 tCO₂-e of greenhouse gas reductions. Over REES Stage Two, a total of 281,950 energy efficiency activities were delivered to South Australian households resulting in 1,170,058 tCO₂-e of greenhouse gas reductions.

4.1.1 Energy efficiency activities by type

4.1.1.1 2014 outcomes

Figure 4.1a shows the proportion of the different types of energy efficiency activities undertaken in 2014.

Figure 4.1a - Energy efficiency activities undertaken in 2014



¹⁶ The information presented in this section fulfils the Commission's reporting requirements as outlined in the Ministerial Protocol.

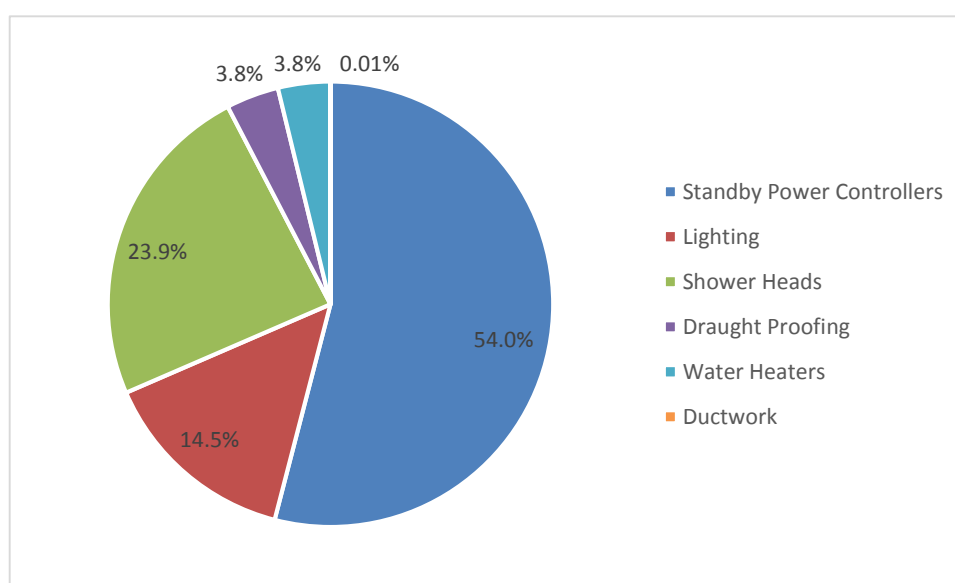
¹⁷ In some cases activities reported by retailers were rejected by the Commission in its compliance checking process, e.g. due to duplicated activities at a single premises. Consequently reported activities in this report refer to those activities reported in a given year that were accepted as compliant by the Commission and excludes any applied credits.

¹⁸ The term 'activity' means the implementation of an activity at an individual premises. For example, the installation of two showerheads in a single premises on a particular day is considered to be one activity, but installing one showerhead and five light globes is considered two activities.

Of the 13 approved activities (refer section 2.4), seven were utilised during 2014.¹⁹ Installation of SPCs was the major activity undertaken, representing 42 per cent of activities, but fewer were installed than in 2012 and 2013. There was a large increase in the proportion of showerheads being installed (28 per cent in 2014), but fewer lighting activities have been undertaken in each of the last four years (noting that only CFLs have been undertaken from the available lighting activities). There was also an increase in the uptake of draught proofing activities in 2014, mainly from the installation of chimney balloons.

Figure 4.1b shows the proportion of greenhouse gas reductions from the different types of energy efficiency activities undertaken in 2014.

Figure 4.1b –Greenhouse gas reductions (tCO₂-e) from different types of energy efficiency activities in 2014



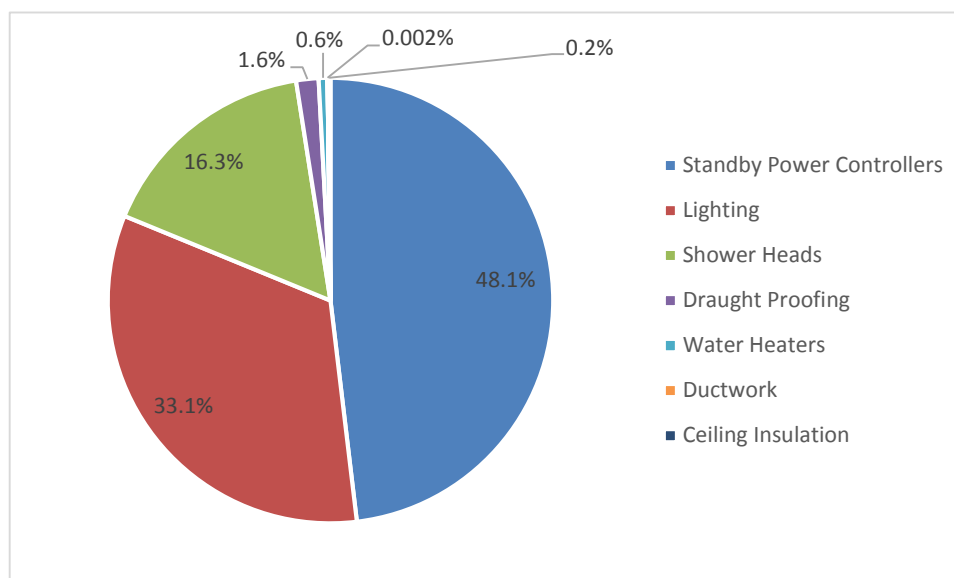
SPCs accounted for 54 per cent of greenhouse gas reductions in 2014. The deemed values for SPCs were reduced from 1 January 2014, resulting in a larger proportional fall in greenhouse gas reductions from SPC installations than the fall in the number of SPC activities undertaken. No other deemed values were adjusted in 2014. Greenhouse gas reductions from installing showerheads increased to 24 per cent, reflecting the increase in activities undertaken and the reduction in SPC deemed values.

¹⁹ These seven activities are Standby Power Controllers (AV & IT), Lighting, Showerhead replacement, Water Heaters and Draught Proofing and Ductwork, i.e. SPCs contain two activities. Refer REES time series data for a detailed breakdown.

4.1.1.2 REES Stage Two outcomes

Figure 4.1c shows the energy efficiency activities undertaken over REES Stage Two.

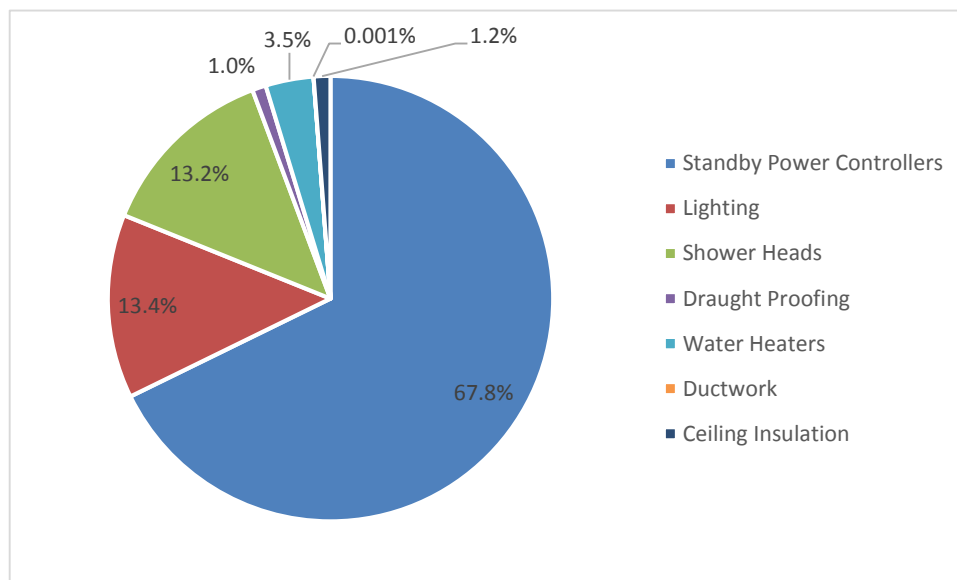
Figure 4.1c - Energy efficiency activities undertaken in REES Stage Two



The activities delivered over REES Stage Two were concentrated in lower capital cost activities, predominantly lighting, SPCs and showerheads, which accounted for 98 per cent of activities undertaken. SPCs, introduced into REES in 2012, were the dominant activity (48 per cent of activities) throughout REES Stage Two. Lighting was a less important activity in REES Stage Two compared to REES Stage One, the proportion of activities falling from 76 per cent to 33 per cent, largely due to the introduction of SPCs. Installing showerheads remained similarly important over the two stages. Far fewer ceiling insulation activities were undertaken compared to REES Stage One, and the incidence of water heater installations was also lower.

Figure 4.1d shows the proportion of greenhouse gas reductions from the different types of energy efficiency activities undertaken over REES Stage Two.

Figure 4.1d - Greenhouse gas reductions (tCO₂-e) from different types of energy efficiency activities in REES Stage Two



Lighting, SPCs and showerheads accounted for 94 per cent of greenhouse gas reductions in REES Stage Two, with SPCs delivering 68 per cent of total greenhouse gas reductions. Ceiling insulation activities delivered much reduced greenhouse gas reductions in REES Stage Two, with the level of activity falling after the discontinuation of the Commonwealth Home Insulation Program in February 2010.

Figures 4.1e and 4.1f show the activities undertaken and greenhouse gas reductions from each activity for each year since REES began.

The REES time series data includes further details about the total number of activities undertaken and the number of devices/products installed in each REES year.

Figure 4.1e - Energy efficiency activities undertaken (%)

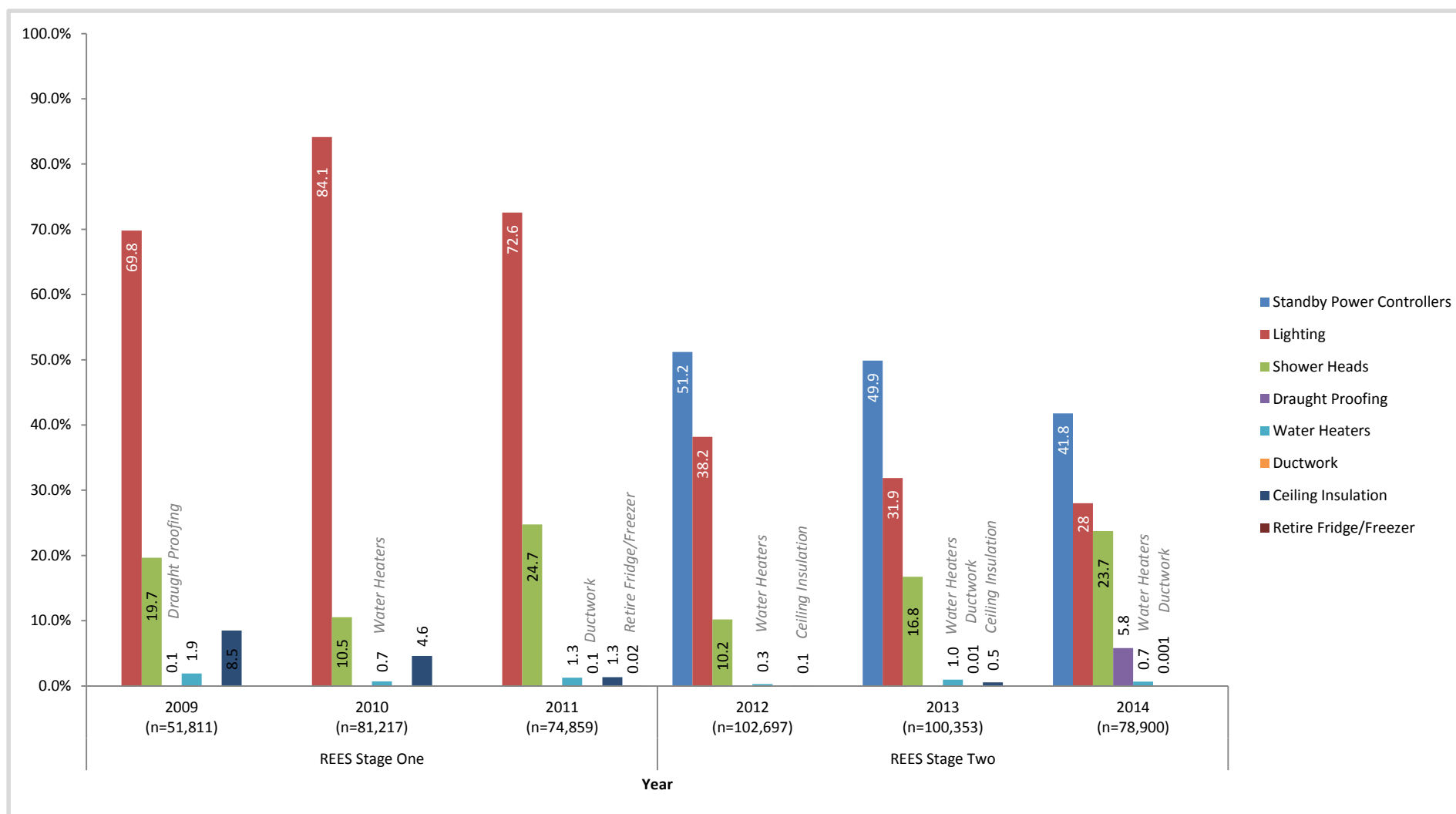
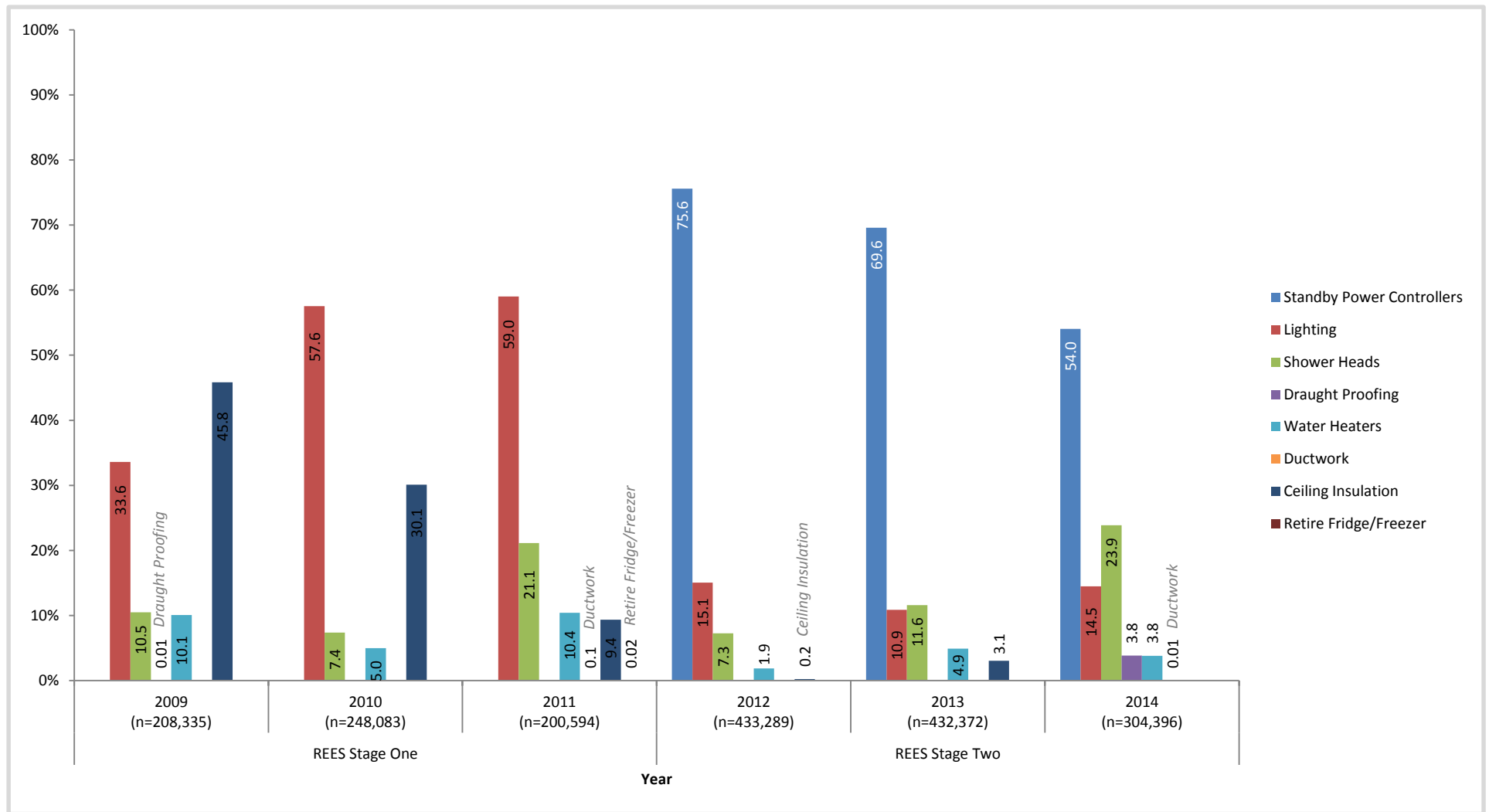


Figure 4.1f - Greenhouse gas reductions (tCO₂-e) from different types of energy efficiency activities (%)



4.1.2 Energy efficiency activities by household location

Activity information received from retailers has been categorised into three locations - metro/near Adelaide, regional and remote. The postcodes applying to each location are detailed in Annexure B. The proportion of activities undertaken in each of these locations is outlined in Figure 4.2a, and the proportion of greenhouse gas reductions from those activities in each location is in Figure 4.2b.

Figure 4.2a – Location of energy efficiency activities (%)

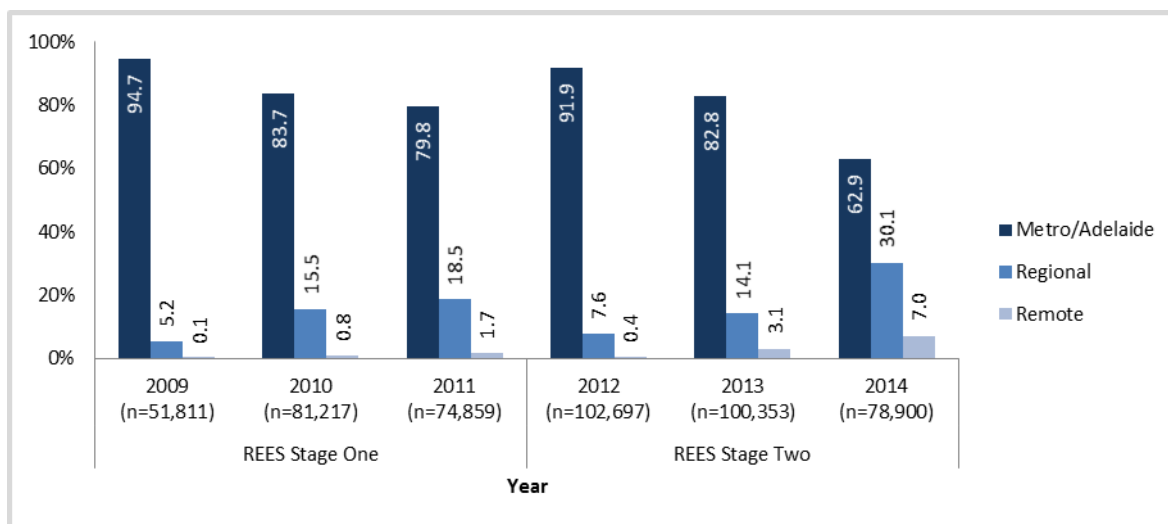
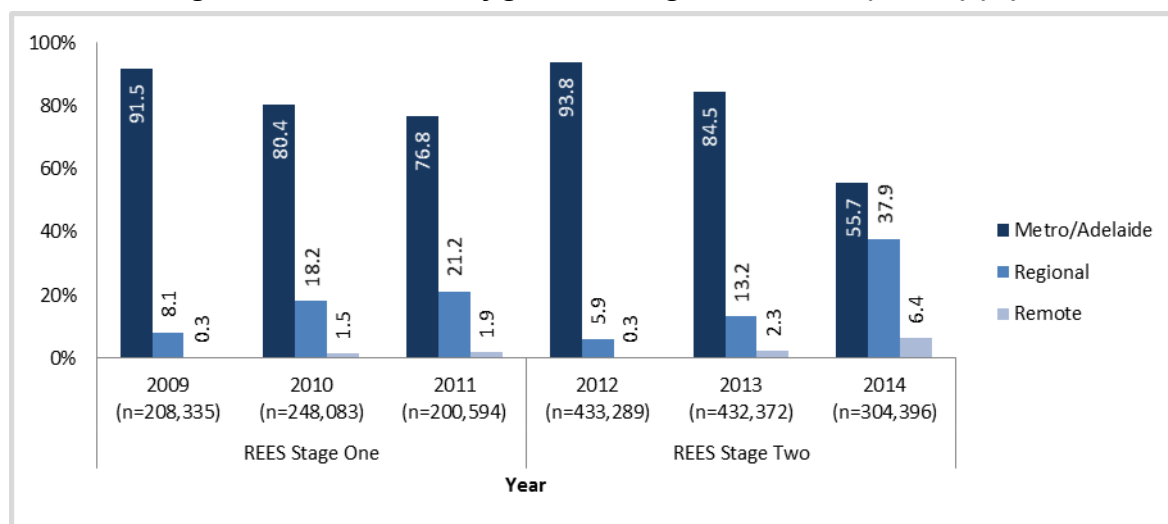


Figure 4.2b – Location of greenhouse gas reductions (tCO₂-e) (%)



4.1.2.1 2014 outcomes

The proportion of activities conducted in regional and remote areas increased to 37 per cent in 2014, compared to 17 per cent in 2013 and eight per cent in 2012. More activities were undertaken in regional areas in 2014 than in the previous five years combined. The Commission has observed that new activities tend to be rolled out in metropolitan areas first. Once the metropolitan area becomes saturated with particular REES activities, those activities are then rolled out to regional and remote areas (as observed with SPCs in 2012).

Figures 4.2a and 4.2b show a similar trend occurred in REES Stage One, when insulation and lighting products were the key REES activities being undertaken.

The value (in tCO₂-e) of activities undertaken in 2014 in each location is split similarly to the number of activities undertaken, as in prior years.

4.1.2.2 REES Stage Two outcomes

The proportion of activities conducted in regional and remote areas over REES Stage Two (19 per cent) was higher than in REES Stage One (15 per cent).

The proportion of greenhouse gas reductions from activities undertaken in regional and remote areas in REES Stage Two was 20 per cent, against 17 per cent in REES Stage One.

Data on energy efficiency activities performed, segmented by postcode, is available in the time series data.

4.1.3 Energy efficiency activities by household type

Retailers are set a priority group greenhouse gas reduction target of 35 per cent of their total greenhouse gas reduction target. The proportion of greenhouse gas reductions from activities in priority and non-priority group households is outlined in Figure 4.3a. The proportion of greenhouse gas reductions from activities in different tenure properties is outlined in Figure 4.3b

Figure 4.3a – Greenhouse gas reductions (tCO₂-e) - priority group v non-priority group households (%)

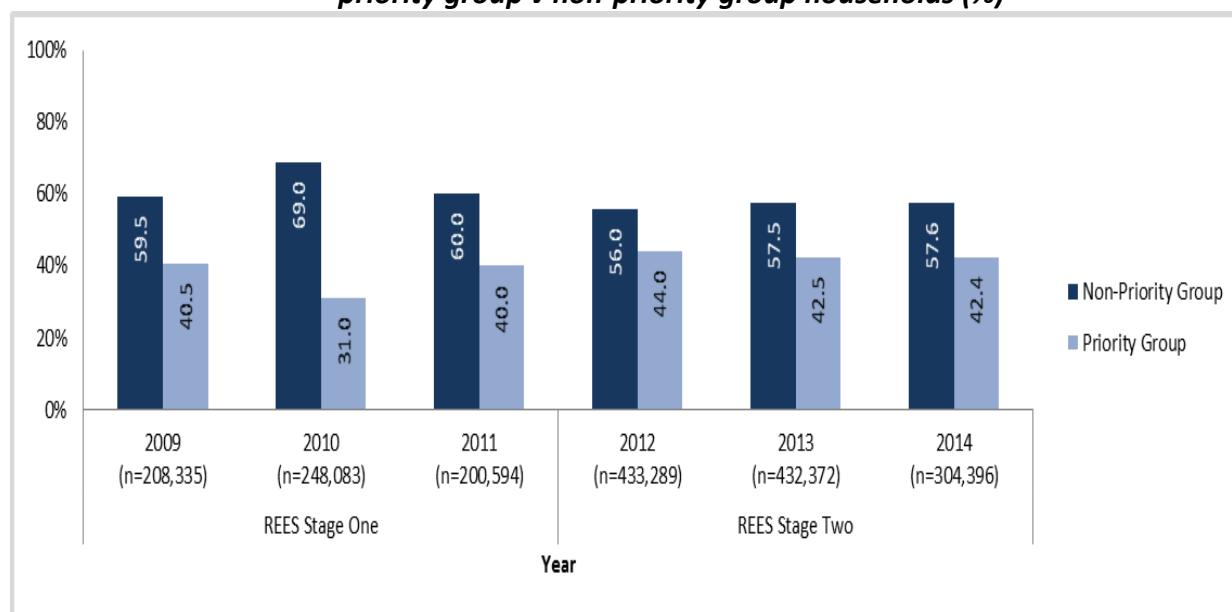
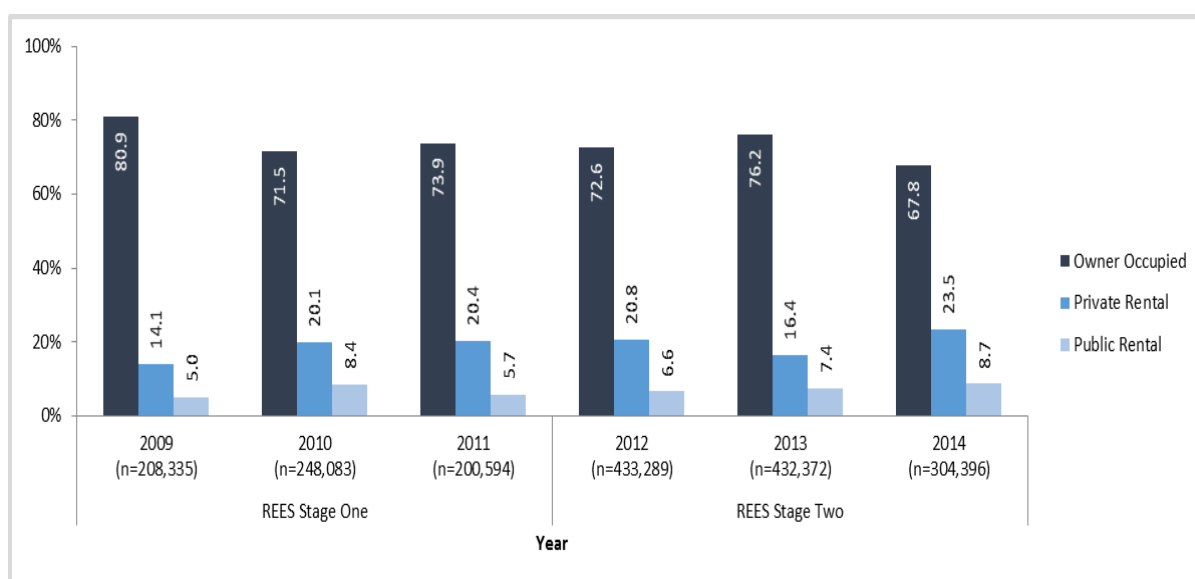


Figure 4.3b - Greenhouse gas reductions (tCO₂-e) - nature of tenure of households (%)



4.1.3.1 2014 outcomes

42 per cent of greenhouse gas reductions were achieved through activities provided to priority group households in 2014, exceeding the Ministerial target of 35 per cent. This is a similar proportion to prior years. In terms of the number of REES activities undertaken, 48 per cent were in priority group households in 2014.

68 per cent of deemed greenhouse gas reductions were achieved in owner occupied households in 2014. In terms of the number of REES activities undertaken, 65 per cent were in owner occupied households, 25 per cent were in private rentals and 10 per cent were in public rentals in 2014. 68 per cent of households in South Australia are owner occupied.²⁰ For priority group households, 57 per cent of activities were undertaken in owner occupied households, and in non-priority group households 72 per cent of activities occurred in owner occupied households in 2014.

4.1.3.2 REES Stage Two outcomes

Over REES Stage Two, 43 per cent of greenhouse gas reductions were achieved through activities provided to priority group households. 48 per cent of activities were undertaken in priority group households in REES Stage Two.

73 per cent of greenhouse gas reductions were achieved in owner occupied households in REES Stage Two. A similar proportion of the activities undertaken were in owner occupied households. There was no significant difference in these proportions in REES Stage One.

The REES time series data provides a detailed breakdown of the nature of energy efficiency activities conducted by household tenure.

²⁰ Source ABS Census Data 2011: Quick Stats (refer www.abs.gov.au).

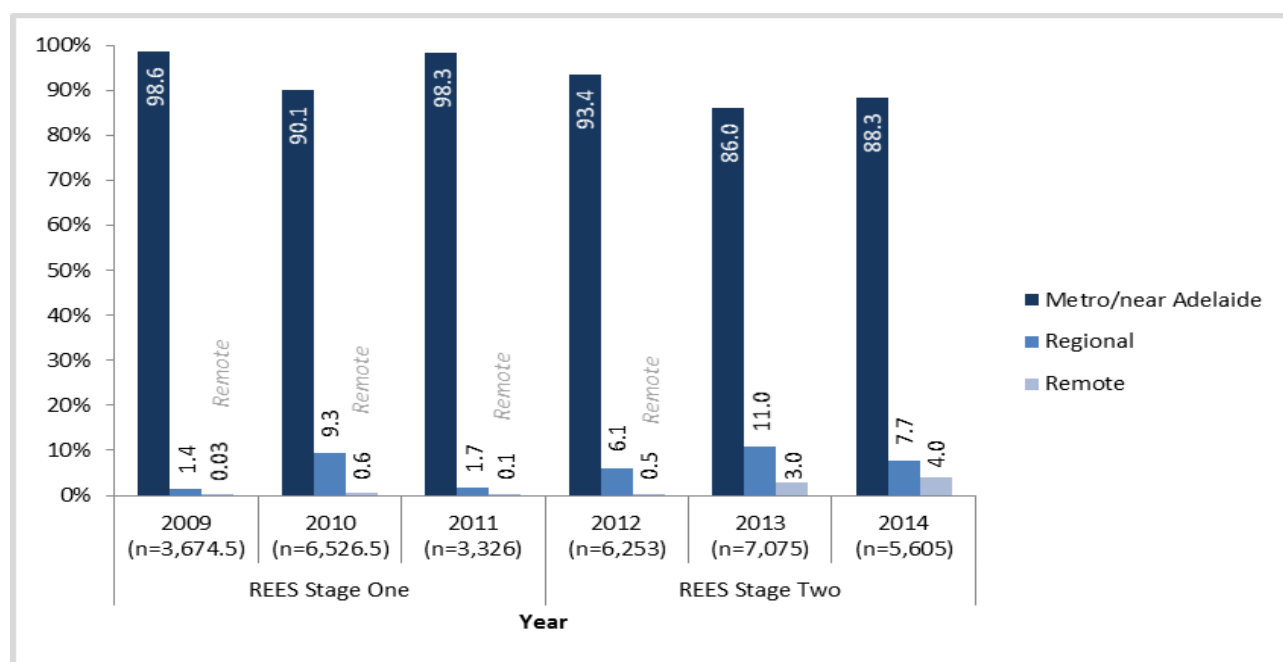
4.2 Energy audits

In 2014, 5,605 energy audits were undertaken. Over REES Stage Two, 18,933 energy audits were delivered to South Australian households. All energy audits were conducted at the premises (rather than by phone or interview) over REES Stage Two.

4.2.1 Energy audits by household location

Figure 4.4 shows the level of energy audit activity in the metro/near Adelaide, regional and remote areas of South Australia.

Figure 4.4 - Location of energy audits (%)



4.2.1.1 2014 outcomes

In 2014, 88 per cent of audits were performed in the metro/near Adelaide area. Both 2013 and 2014 saw an increase in energy audits performed in remote areas.

4.2.1.2 REES Stage Two outcomes

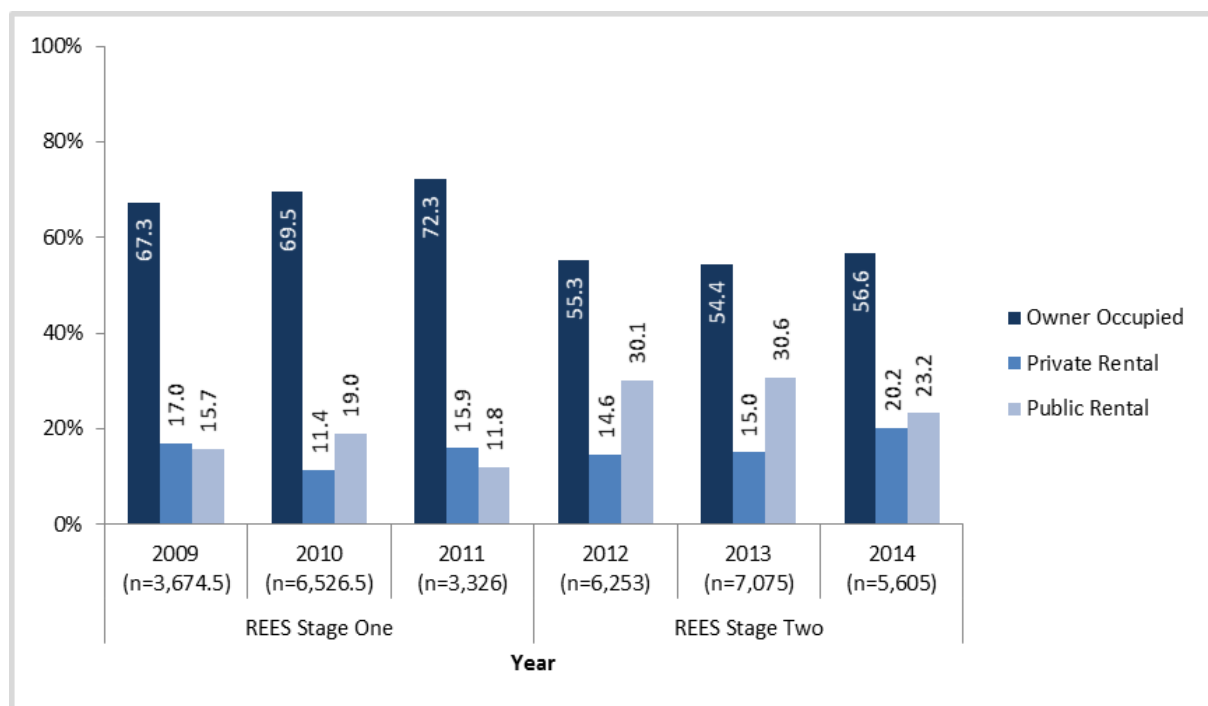
11 per cent of energy audits were performed in regional or remote areas during REES Stage Two, compared to six per cent in REES Stage One.

Data on energy audits performed, segmented by postcode, is available in the time series data.

4.2.2 Energy audits by household type

Figure 4.5 shows the nature of tenure of households where energy audits have been undertaken. All energy audits must be undertaken in priority group households.

Figure 4.5 – Energy audits - nature of tenure of households (%)



4.2.2.1 2014 outcomes

Of the 5,605 audits undertaken in 2014, 57 per cent were conducted in owner occupied households. This is a similar proportion to 2012 and 2013, but lower than the proportion of households in South Australia that are owner occupied (68 per cent). A higher proportion of energy audits were undertaken in private rental households in 2014 (20 per cent) than in any previous year.

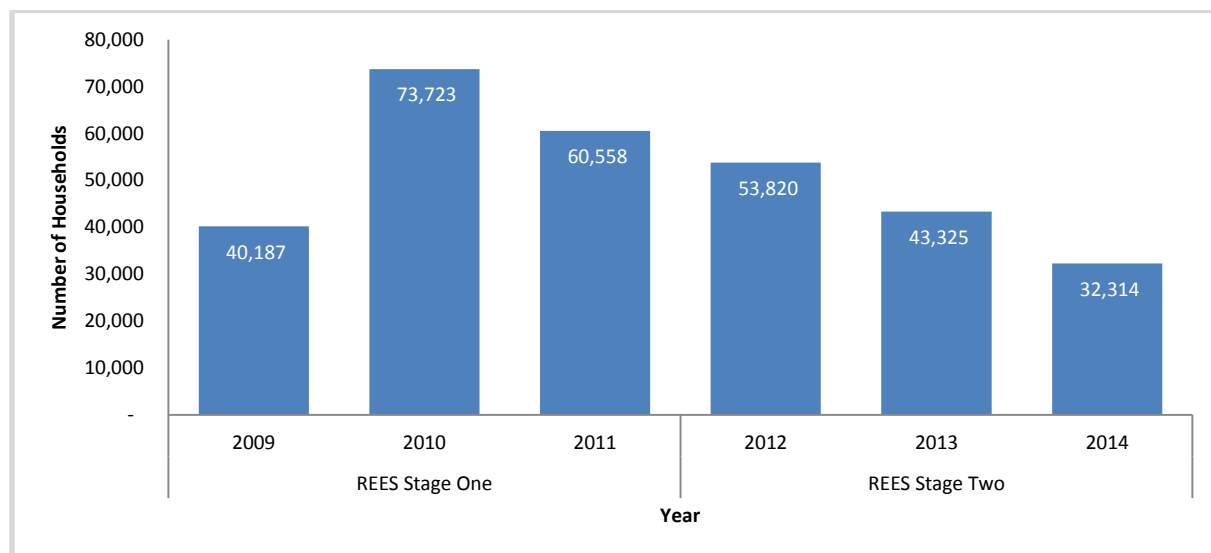
4.2.2.2 REES Stage Two outcomes

45 per cent of energy audits were undertaken in rental housing in REES Stage Two, compared to 30 per cent in REES Stage One. It appears there was a greater focus by REES third-party providers to target public rental households during REES Stage Two.

4.3 Households receiving a REES activity or energy audit

Figure 4.6 shows the number of households that have received either a REES activity or energy audit.²¹

Figure 4.6 - Number of households receiving a REES activity or energy audit²²



In 2014, there were 32,314 households that received a REES activity or energy audit. This was a 25 per cent decrease compared to 2013. This reflects that 21 per cent fewer activities and audits were undertaken in 2014 compared to 2013. The average greenhouse gas savings per household was 9.4 tCO₂-e in 2014, compared to 10 tCO₂-e in 2013.

There has been a steady decline in the number of households receiving REES activities and energy audits per year since 2010. Low cost, high value SPCs were available in REES from 2012, which helped increase the average greenhouse gas reductions per household from 3.8 tCO₂-e (for REES Stage One) to 9.0 tCO₂-e (for REES Stage Two). This meant that retailers needed to visit fewer households to meet their targets.

A total of 123,326²³ households received a REES activity or energy audit over REES Stage Two. Due to multiple visits to some households to perform different activities, this is less than the sum for years 2012 to 2014 (129,459).

²¹ Some households may have received benefits from both audits and activities but are only counted once.

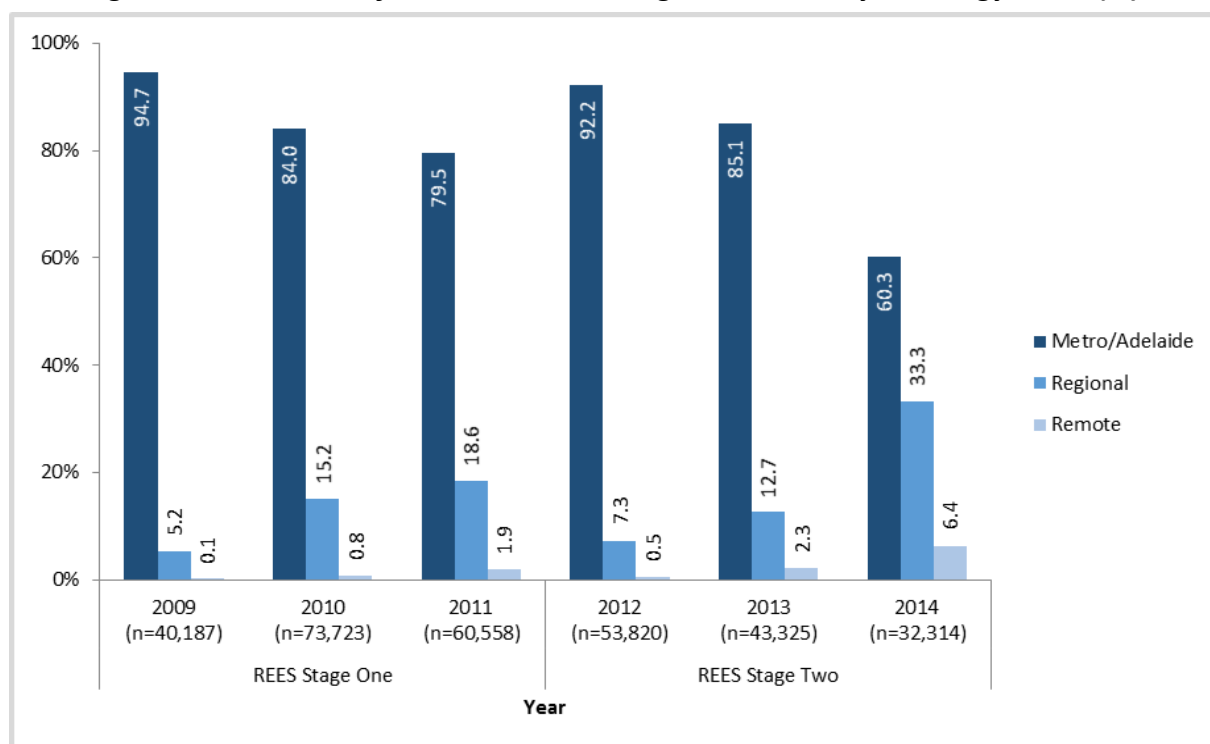
²² Historical figures used in Section 4.3 vary slightly (by a maximum of 1.5 percentage points) from the 2013 Annual Report as that report used a different calculation method.

²³ This is approximately 20 per cent of households in South Australia (619,000 occupied households in South Australia, Source ABS Census Data 2011: Quick Stats (refer www.abs.gov.au)).

4.3.1 Household location

Figure 4.7 shows the location of households that have received a REES activity or energy audit.

Figure 4.7 - Location of households receiving a REES activity or energy audit (%)



4.3.1.1 2014 outcomes

The proportion of activities and energy audits conducted in regional and remote areas increased to 40 per cent in 2014, compared to 15 per cent in 2013 and eight per cent in 2012 (in line with the number of energy efficiency activities conducted by location).

4.3.1.2 REES Stage Two outcomes

The proportion of activities and energy audits conducted in regional and remote areas over REES Stage Two (18 per cent) was higher than in REES Stage One (15 per cent).

4.3.2 Household type

Figure 4.8a shows the proportion of priority group households that have received a REES activity or energy audit. Figure 4.8b shows the tenure of households that have received a REES activity or energy audit.

Figure 4.8a - Priority group v non-priority group households receiving a REES activity or energy audit (%)

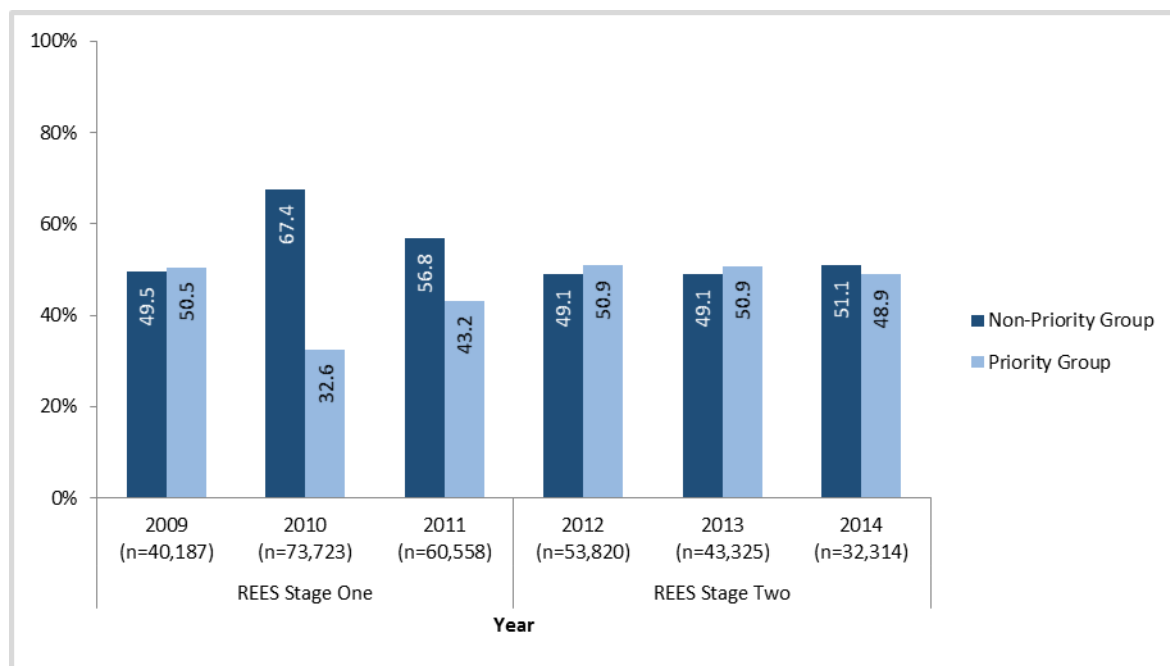
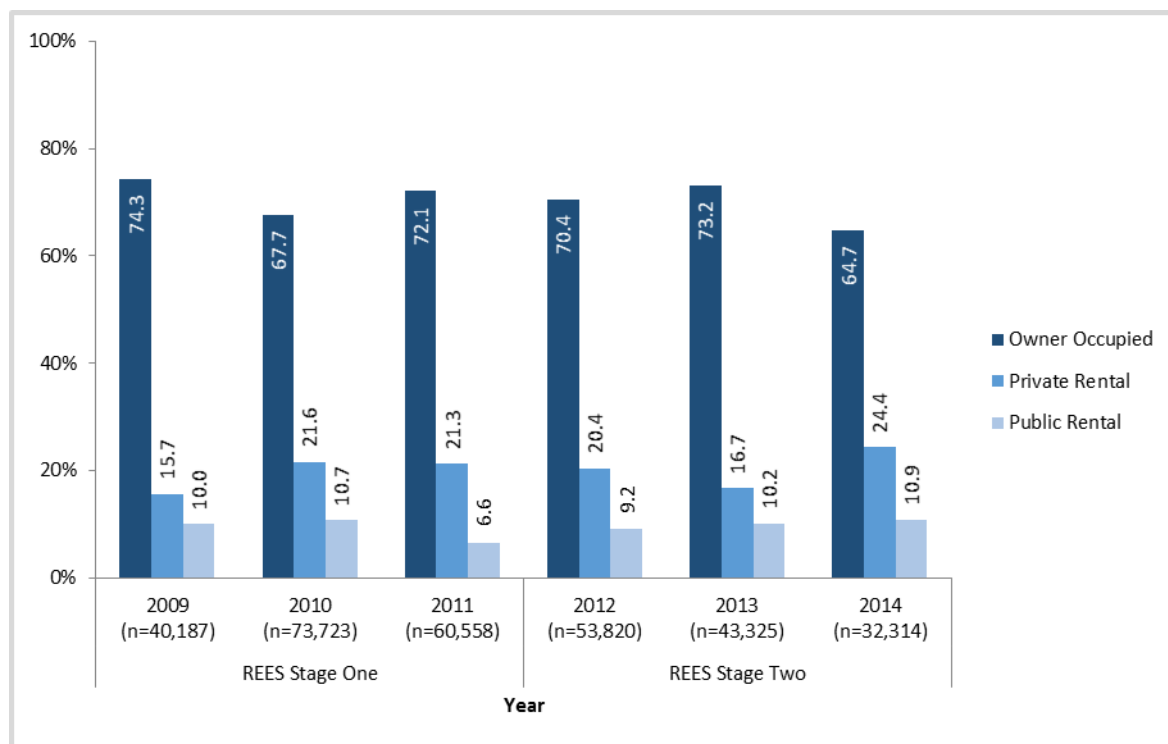


Figure 4.8b - Nature of tenure of households receiving a REES activity or energy audit (%)



4.3.2.1 2014 outcomes

Priority group households accounted for 49 per cent of households receiving a REES activity or energy audit in 2014. This was a similar proportion to 2012 and 2013. This reflects that 42 per cent of activities (see Section 4.1.3) and all energy audits were undertaken in priority group households.

Owner occupied households accounted for 65 per cent of households receiving a REES activity or energy audit in 2014 (in line with the number of energy efficiency activities conducted by tenure). This is broadly reflective of the property ownership profile in South Australia.²⁴

4.3.2.2 REES Stage Two outcomes

Over REES Stage Two, priority group households accounted for 50 per cent of REES activities and energy audits performed.

Owner occupied households accounted for 70 per cent of households receiving a REES activity or energy audit during REES Stage Two, similar to the proportion in REES Stage One.

²⁴ 68% of households are owner occupied, 28% rented and 4% unknown, Source ABS Census Data 2011: Quick Stats (refer www.abs.gov.au).

5. ADMINISTRATION OF REES

As the administrator of REES, the Commission's main functions in 2014 relating to REES included:

- ▲ regular reporting on REES progress and outcomes
- ▲ reviewing the list of approved energy efficiency activities
- ▲ reviewing the REES Code, which sets out a reporting and compliance regime with respect to the achievement of annual REES targets
- ▲ redevelopment of the REES IT system, with associated internal controls and processes
- ▲ provision of regulatory advice on REES matters to obliged retailers, and regular review of the REES page on the Commission's website
- ▲ ensuring compliance with the REES Code and relevant Acts and Regulations, including assessing achievement of targets
- ▲ managing customer complaints and enquiries
- ▲ administering the Energy Efficiency Fund Initiative.

5.1 REES Code amendment

The REES Code establishes requirements in relation to the conduct and operations of energy retailers in satisfaction of their REES obligations. In October 2014, the Commission consulted on changes to the REES Code relating to the proposed changes to the scheme from 1 January 2015 (refer section 7). The final amendment to the REES Code, released in December 2014, came into effect from 1 January 2015.²⁵

5.2 REES Retailer File Validation System (REES-R)

The Commission maintains the Retailer File Validation System (**REES-R**), which improves data file processing efficiency by allowing retailers to validate data files for data and address errors prior to submission. REES-R also provides multiple claim notifications for all activities and audits. This compliance check notifies retailers of individual activities or audits that have previously been reported to the Commission. Given the previous high level of non-compliance of reported data against this particular compliance trigger, this validation was implemented in the interests of providing retailers with a greater level of upfront assurance of activity compliance. Access to the REES-R is also available to third-party providers.

During 2014, the Commission began redeveloping the REES-R in response to the Government's decisions on the future direction of the scheme. In REES Stage Three, the number of approved energy efficiency activities has more than doubled, the scheme has been extended to small businesses, the scheme metric has been changed and the validation date has changed to the reported date (rather than transaction date). All of these factors have required major changes to REES-R and the REES data management system.

²⁵ Refer: <http://www.escosa.sa.gov.au/projects/214/rees-code-proposed-amendments-2014.aspx>

From 1 January 2015, retailers (and their third party-providers) will be able to use a web based system to validate and lodge data directly in REES-R, greatly improving the efficiency of REES data reporting.

5.3 *REES communication*

The Commission places great importance on working cooperatively with scheme participants and other stakeholders. This has involved regular informal telephone discussions and written communications with obliged retailers, workshops, the issuing of advisory REES Bulletins and formal consultation on REES Code amendments.

The Commission conducts regular workshops with obliged retailers, usually every six months, to discuss issues relating to the operation of REES, and to set expectations. Those workshops include discussions on individual retailer progress in a given REES year, the Annual Report, enhancements to REES-R, any REES Code amendments and compliance issues.

The Commission updates the REES related pages on its website regularly to ensure current and consistent communication to all interested parties. A direct link to the REES main page is provided on the Commission's website homepage.

5.4 *Compliance*

The Commission takes a risk based approach towards REES compliance. This balances the need for a strong culture of compliance against the associated costs for regulated entities. It relies on obliged retailers having robust compliance systems and processes in place. Obligated retailers' compliance systems and processes should allow them to adequately identify and appropriately respond to their obligations and report any breaches to the Commission at the earliest opportunity.

The Commission's REES compliance regime consists of:

- ▲ requiring obliged retailers to develop annual compliance plans
- ▲ compliance reporting
- ▲ conducting compliance audits in response to identified areas of risk
- ▲ administering the penalty regime.

The compliance approach taken by the Commission for REES is similar to the Commission's approach to compliance in general; however, given the nature of the risks inherent in the REES design, the Commission has taken a stronger up-front approach to compliance, actively seeking information and assurance on retailers' activities and actions.

The Commission's role is to ensure that energy retailers comply with all regulatory obligations under REES. In particular, the Commission assesses whether obliged retailers have met their REES annual targets for energy efficiency activities and audits, and requires that obliged retailers submit a compliance plan at the beginning of each REES year (due by 31 March).

The Commission reviews these plans to assess the extent to which obliged retailers have put into place mitigation and management strategies aimed at ensuring that they are able to

meet their REES obligations and manage various risks. A comprehensive compliance plan reduces the risk that activities reported towards annual REES targets will be precluded by the Commission for failing to comply with the REES Code or other relevant legal requirements.²⁶

Retailers are required to advise the Commission of any material changes to the information provided in their compliance plans (such as a change in the activities it intends to undertake) within 20 business days of such a change occurring.

The Commission reviewed all retailer compliance plans for 2014 and was satisfied that they all met the requirements set out in the REES Code.

In assessing obliged retailers' REES annual achievements, the Commission undertakes an annual compliance assessment of all activities and audits against the requirements of the REES Code. This can result in some activities and audits being disallowed. In 2014, a small number of activities and audits were removed due to duplicate reporting at the same premises, where showerheads were installed after a compliant REES water heater installation, and where audits were undertaken in non-priority group households. The Commission did not apply any shortfall penalties to retailers in 2014.

The Commission will continue to monitor retailers' compliance with the REES Code by undertaking projects such as (but not limited to):

- ▲ 'Mystery shopping' telephone calls to ensure that call centre staff are providing customers with basic information about REES
- ▲ Undertaking targeted audits on obliged retailers' compliance systems from time to time to ensure compliance with the REES Code provisions
- ▲ Follow-up calls to customers to ensure that activities/audits have been implemented according to the relevant specification in response to complaints received.

5.5 Consumer complaints and REES enquiries

The Commission handled customer enquiries and complaints during the year, the majority of which were from customers seeking to verify the legitimacy of REES and the information provided by energy efficiency activity installers or energy auditors. A small number of complaints were received concerning the conduct of persons carrying out energy efficiency activities or energy audits on behalf of obliged retailers.

There was an increase in the level of complaints received in the final quarter of 2014. This correlated with an increased level of activity in that period, once the details of REES Stage Three had been finalised (48 per cent of activities and 64 per cent of energy audits undertaken in 2014 were performed in the final quarter).

The complaints predominantly related to a lack of information being left with the customer, products not installed or not installed correctly, and installed showerheads not being compatible with the existing water heater. The Commission raised each instance with the

²⁶ Refer: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-bulletins.aspx>

relevant retailer and was satisfied with the prompt and appropriate responses of those retailers.

5.6 Energy Efficiency Fund Initiative (EEFI)

In 2011, Lumo Energy did not meet its greenhouse gas reduction target, priority group greenhouse gas reduction target and energy audit target. Accordingly, the Commission issued a shortfall penalty notice for \$243,750.²⁷ The Commission used these funds to establish the EEFI²⁸; a scheme that provides energy efficiency benefits to energy consumers in financial stress, through grants delivered to not-for-profit organisations.²⁹

Following public nomination processes, the Commission approved funding under the EEFI in 2013 as follows:

- ▲ **Uniting Care Wesley Country SA** received funding to provide targeted grants to households to purchase energy efficient products in country areas, and to distribute 5,000 energy efficient light globes
- ▲ **Normanville Natural Resource Centre** received funding to conduct energy audits (including training for volunteers to undertake energy efficiency audits), install simple energy saving devices, conduct energy efficiency courses for households in the Yankalilla area and to provide small grants for energy efficient items
- ▲ **Orana Inc.** received funding to install solar power units for its newly renovated housing complex at Marleston for residents who have intellectual disabilities
- ▲ **Uniting Communities** received funding to distribute energy efficiency retrofit packs (containing showerheads, light globes, door snakes, power boards, kill switches, window seals, shower timer and thermometer) and to provide small grants for larger energy efficient items.

All EEFI recipients have completed their program rollout. The EEFI funds have now been expended in full in accordance with the terms of the grant agreements. The programs offered by grantees met the objective of providing energy efficiency benefits for low-income households in innovative ways as explained above.

²⁷ Pursuant to the provisions of section 94B of the *Electricity Act 1996*.

²⁸ Pursuant to its requirements under section 94B(12) of the *Electricity Act 1996*

²⁹ Refer REES Bulletin 18 for details on the penalty regime available at: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-bulletins.aspx> . No penalties were issued in 2014.

6. SUMMARY OF REES 2009-2014

Between 2009 and 2014:

- ▲ 32,460 REES energy audits were undertaken in South Australian priority group households
- ▲ REES energy efficiency activities undertaken in South Australian households will lead to a reduction in greenhouse gas emissions of 1,827,068 tCO₂-e over the life of the products installed.

Retailer achievement of targets

The majority of retailers met their annual targets for each year of REES Stage One, with a few retailers having minor shortfalls against individual targets in one or more year. Lumo Energy did not meet one or more target in all three years of REES Stage One, and by greater than the statutory tolerance band of 10 per cent, for all targets in 2011.

The Commission issued a shortfall financial penalty notice to Lumo Energy in relation to its performance in 2011. Lumo Energy's penalty payment (\$243,750) was used to establish the EEFI, a scheme aimed at providing energy efficiency benefits to energy consumers in financial stress through grants to not-for-profit organisations (refer Section 5.6).

Most obliged retailers met all applicable individual annual targets during REES Stage Two. One retailer had a shortfall of 1.5 per cent of its annual Energy Audit Target in 2012, which was rolled over to its 2013 target.

Energy efficiency activities

The original list of nine approved energy efficiency activities was established by the Minister, and included activities such as upgrading of inefficient lighting, replacing or exchanging inefficient showerheads, installing ceiling insulation, water heater and draught proofing. The Commission completed a review of the initial list of activities in July 2011 and assumed responsibility for maintaining the list of approved energy efficiency activities and approval of new activities from January 2012. This review increased the number of approved activities to eleven from January 2012, including the addition of standby power controllers.

The early stages of REES have been dominated by low capital cost, easy to install activities provided free of charge to residential customers. Replacement of incandescent lights with CFL's and installation of ceiling insulation, which received additional incentives through the Commonwealth Home Insulation Program which operated during 2009-10, were particularly popular during the first three years of the scheme.

SPCs were added to the list of approved activities for the first time in 2012. SPCs have been a popular activity, accounting for 43 per cent of all greenhouse gas reductions delivered by REES to date. They are a simple product to install and received a high deeming value relative to other approved activities. Although the deeming values for SPCs decreased from 1 January 2014 (based on changes to the equivalent deeming values applied under the Victorian Energy Efficiency Target (VEET) scheme) they continued to remain a popular activity in 2014.

Roll out of REES energy efficiency activities and energy audits

Retailers tend to engage the services of third party providers to undertake REES activities and audits on their behalf. Third party providers employ a range of methods to find customers, including door to door sales, telemarketing and advertising. Third party providers have generally offered REES activities and audits to customers in the metropolitan/near Adelaide region before expanding to regional and remote areas, reflecting the generally higher cost to service regional and remote areas. This pattern occurred in both REES Stage One and Stage Two, where lighting activities were not rolled out in higher volumes to regional and remote areas until later in Stage One, and SPCs were not rolled out to regional and remote areas until 2013 and 2014 when those activities became saturated in metropolitan areas. In total, 18 per cent of all activities were delivered to households in regional or remote areas.

Over the course of the scheme to date, the Commission has observed an increase in the average emissions savings delivered per household. The main drivers of this have been changes in marketing techniques, an increased focus on delivering higher savings per visit and that more low capital cost activities have become available as the scheme has progressed.

Other matters

In 2011, the Commission undertook a cost-effectiveness review of REES Stage One³⁰, which examined the benefits of the scheme in terms of private benefits (reduction in energy bills) and public benefits (reduction in pollution (tCO₂ -e)). The Review indicated that REES could not be justified on carbon emissions abatement alone; however, it suggested that REES had produced positive net benefits relative to a “do nothing” scenario.

The Commission participates in ongoing discussions regarding opportunities for greater harmonisation of REES with interstate schemes and national energy efficiency initiatives.

Further information on REES is available in past REES Annual Reports available on the Commission’s website.³¹

³⁰ Refer <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-2011-annual-report.aspx>.

³¹ Refer <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-annual-reports.aspx>.

7. FUTURE OF REES – REES STAGE THREE

In 2013 and 2014, the Government undertook a review to assess the operation of REES and to consider the scheme's future from 2015 onwards. On 28 November 2013, the Minister announced that the Government would extend the scheme for a further six years - until 2020, and expand it to include small businesses.³²

On 18 August 2014, the Department of State Development consulted on proposed REES thresholds, metrics and activity specifications³³ to apply from 1 January 2015. The expanded scheme was enacted through amendments to the Regulations made on 6 November 2014.³⁴ The final thresholds, metrics and activity specifications were gazetted on 11 December 2014.³⁵

The Government's stated objective for the scheme from 2015 is to reduce household and business energy use, with a focus on low-income households (implemented through priority group targets). Energy retailers that exceed certain thresholds are set annual targets for the delivery of energy efficiency activities to households and/or businesses. In addition, retailers with larger residential customer bases are set targets for ensuring that a certain amount of the energy efficiency activities they deliver go to priority group households; and providing energy audits to priority group households.

7.1 Key changes to REES from 2015

- ▲ REES will be renamed the Retailer Energy Efficiency Scheme and expanded to allow retailers to meet their targets by delivering energy savings to small businesses as well as homes.
- ▲ The Minister will assume the role of setting, reviewing and gazetting REES activity specifications (a role previously undertaken by the Commission) and energy audit minimum specifications from 1 January 2015.
- ▲ The Minister is also responsible for publishing the REES Ministerial Protocol setting out the principles to be used in maintaining and reviewing the list of calculation methods, eligible activities and their specifications.
- ▲ The number of approved energy efficiency activities has expanded from 13 to 28 and includes activities that can be undertaken in commercial premises.
- ▲ The scheme targets have been changed from a greenhouse gas metric (tonnes of carbon dioxide equivalent (tCO₂-e)) to an energy metric (expressed in GJ).
- ▲ As at 31 December 2014, retailers may have accrued energy efficiency activity credits or may have a shortfall that will be added to their 2015 target. The new phase of REES allows conversion of pre 2015 credits and shortfalls from tCO₂-e to GJ.

³² Department of State Development, *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*, October 2013, viewed 15 September 2014, available at http://www.sa.gov.au/__data/assets/pdf_file/0004/36319/REES-Review-Report.pdf.

³³ Department of State Development, *South Australian Energy Efficiency Scheme, Consultation Paper on Proposed REES Thresholds, Metrics & Activity Specifications*, August 2014, viewed 15 September 2014, available at http://www.sa.gov.au/__data/assets/pdf_file/0019/114319/REES-Consultation-Paper-2014-A542706.pdf.

³⁴ SA Government Gazette, 6 November 2014; available at: http://www.governmentgazette.sa.gov.au/2014/november/2014_082.pdf

³⁵ SA Government Gazette, 11 December 2014; available at: http://www.governmentgazette.sa.gov.au/2014/december/2014_089.pdf

- ▲ The methodology to be used by the Commission to apportion REES annual targets to obliged retailers has been revised. The Minister set the REES thresholds to apply from 1 January 2015.
- ▲ From 1 January 2015, data reported to the Commission will be validated and assessed for multiple claims based on the date the energy efficiency activity or energy audit is reported in the REES-R system (instead of the date the individual energy efficiency activity or energy audit was performed, as was the case between 2009-2014).

Further information on REES Stage Three can be found on the Department's website.³⁶ The final REES Code, Final Decision on the REES Code amendment (reflecting the changes to the scheme) and the REES Guideline and can also be found on the Commission's website.³⁷

³⁶ Refer: <http://www.sa.gov.au/topics/water-energy-and-environment/energy/rebates-concessions-and-incentives/retailer-energy-efficiency-scheme-rees>

³⁷ Refer: <http://www.escosa.sa.gov.au/projects/214/rees-code-proposed-amendments-2014.aspx>

ANNEXURE A– INDIVIDUAL RETAILER 2014 ACHIEVEMENT

Table A1: Greenhouse gas reduction target

		TARGET	ACCEPTED REPORTS	CREDIT APPLIED	TOTAL ACHIEVEMENT
AGL SA	Electricity	166,105	90,522	123,405	213,927
	Gas	17,811	9,479	20,000	29,479
Lumo Energy	Electricity	27,365	29,734	3,568	33,302
Origin Energy	Electricity	56,132	-	56,132	56,132
	Gas	30,053	-	30,053	30,053
Powerdirect	Electricity	11,233	13,725	8,815	22,540
Simply Energy	Electricity	35,096	97,093	-	97,093
	Gas	4,568	-	23,370	23,370
Alinta Energy	Electricity	5,551	314	5,533	5,847
EnergyAustralia	Electricity	45,629	63,529	4,641	68,170
	Gas	10,458	-	12,878	12,878
Grand Total		410,001	304,396	288,395	592,791

Table A2: Priority group greenhouse gas reduction target

		TARGET	ACCEPTED REPORTS	CREDIT APPLIED	TOTAL ACHIEVEMENT
AGL SA	Electricity	58,137	39,938	85,528	125,466
	Gas	6,234	4,250	7,000	11,250
Lumo Energy	Electricity	9,578	12,686	3,066	15,752
Origin Energy	Electricity	19,646	-	19,646	19,646
	Gas	10,519	-	10,519	10,519
Powerdirect	Electricity	3,932	4,086	5,822	9,908
Simply Energy	Electricity	12,284	45,724	-	45,724
	Gas	1,599	-	22,767	22,767
Alinta Energy	Electricity	1,943	276	2,679	2,955
EnergyAustralia	Electricity	15,970	22,141	5,239	27,380
	Gas	3,660	-	6,989	6,989
Grand Total		143,500	129,102	169,255	298,357

Table A3: Energy audit target

		TARGET	ACCEPTED REPORTS	CREDIT APPLIED	TOTAL ACHIEVEMENT
AGL SA	Electricity	1,841	2,161	-	2,161
	Gas	639	940	-	940
Lumo Energy	Electricity	220	243	12	255
Origin Energy	Electricity	741	-	741	741
	Gas	934	-	934	934
Powerdirect	Electricity	76	-	100	100
Simply Energy	Electricity	330	891	-	891
	Gas	146	187	132	319
Alinta Energy	Electricity	69	11	64	75
EnergyAustralia	Electricity	408	679	26	705
	Gas	263	493	7	500
Grand Total		5,667	5,605	2,016	7,621

ANNEXURE B– POSTCODES APPLYING TO LOCATION CATEGORIES

Table B1: Postcode location categories

LOCATION CATEGORY	POSTCODES
Metro/Adelaide	5000 – 5202 5210 – 5214 5231 – 5236 5240 – 5252 5350 – 5352 5355 5360 – 5372 5400 5800 - 5950
Regional	5203 – 5204 5237 – 5238 5253 – 5263 5271 5277 – 5291 5321 – 5346 5353 – 5354 5356 – 5357 5373 – 5374 5401 – 5416 5451 – 5453 5455 – 5464 5495 – 5573 5600 5608 – 5909 5700 - 5710
Remote	0872 5220 - 5223 5264 – 5270 5272 - 5276 5301 - 5320 5381 5417 - 5440 5454 5470 - 5493 5575 - 5583 5601 - 5605 5607 5630 - 5690 5720 - 5734



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