

2 June 2017

Chantelle Hobart
Regulatory Officer
Essential Services Commission
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Lodged electronically: rees@escosa.sa.gov.au

Dear Chantelle

Review of the Retailer Energy Efficiency Scheme Code

Tango Energy (formerly Pacific Hydro Retail) welcomes the opportunity to comment on the Review of the Retailer Energy Efficiency Scheme (REES) Code recently released by the Essential Service Commission of South Australia (ESCOSA).

We hold a national electricity retail licence with customers in South Australia, Victoria, New South Wales and Queensland. In 2017 we became an obliged retailer under REES and early this year submitted and sought approval for our Compliance Plan and contracted a service provider to achieve our Electricity Energy Efficiency Target (EEET). Based on our recent experience as a relatively new retailer to this scheme, in this submission, we intend to provide general comments regarding the scheme as well as specific comments related to the questions raised in the issues paper.

1. General Comments on REES

Tango Energy understands that the application of the REES is established under provisions of Part 4 of the Electricity (General) regulations 2012 and Part 4 of the Gas Regulations 2012 and that it is a licence obligation for electricity retailers in South Australia. It is also understood that the REES code is made under an industry code pursuant to the powers of ESCOSA and that this consultation is not intended to discuss the establishment or the framework of REES. Nevertheless as a new entrant to the scheme we believe our views are important when considering changes to the ongoing operation of REES.

As a general statement, from a small retailer perspective, we suggest that the REES is overly complex and causes a substantial administrative burden that creates a disincentive for retailing electricity to small customers in South Australia. The REES creates an energy efficiency target obligation on retailers and places an end to end compliance responsibility on the retailer for the delivery of the approved energy efficiency activities.

Tango Energy is of the view that the REES should be a certificate scheme whereby approved installers are accredited to create energy efficiency certificates and these certificates are purchased by retailers to meet their EEET. This would be a far more efficient process and remove duplication in the administration and compliance costs of the Scheme.

A high level overview of the REES compliance process is as follows:

- there are currently 12 obliged retailers in the REES;
- each retailer is required to prepare a detailed REES Compliance Plan;

- each retailer’s CEO must sign off on their REES compliance plan and take full responsibility for its operation;
- each retailer must submit and have their Compliance Plan approved by ESCOSA;
- each retailer is required to appoint a service provider (currently only 3-4 REES service providers exist in the market) to achieve approved energy efficiency activities;
- each service provider must have a REES compliance plan;
- each service provider must complete approved energy efficiency activities in a compliant manner with the provision of suitable evidence;
- each service provider must monitor, audit and have controls in place to ensure their staff and subcontractors operate in a compliant manner;
- each retailer is responsible for the actions undertaken by their appointed service providers while they achieve the approved activities;
- each retailer must conduct audits and have suitable controls in place to ensure the activities undertaken by their service provider are undertaken in a compliant manner;
- each retailer must validate ESCOSA system address mismatches where REES activities are undertaken;
- each service provider must submit prospective site addresses for proposed activities into the REES – R system; and
- each retailer must lodge completed activities into the REES–R system to be approved by ESCOSA.

There are multiple repetitions in the activities and actions explained above whereby both the retailer and contracted service providers undertake similar functions. Moreover, ESCOSA is required to assess and manage the retailers and the service providers’ plans, processes and controls. A significant reduction in monitoring compliance and administration could be achieved by simply accrediting the 3-4 contractors in the market to create certificates that the 12 obliged retailers could purchase to meet their REES liability.

2. Specific Questions Raised by ESCOSA in the Issues Paper

Question 1

Are there any suggested improvements to the consumer protection requirements outlines in the Code?

Having only recently been listed as an obliged retailer we have no suggested improvements to the consumer protection requirements.

Question 2

What improvements could be made to the annual compliance plan process?

As mentioned under our general comments above a far more efficient process would be to implement a certificate scheme whereby only service providers were required to submit a REES Compliance Plan.

Tango Energy sees little value in a compliance plan being submitted and approved each year. Rather the plan should only need to be resubmitted where it has been significantly amended.

Question 3

Is there a need to expand or further refine the training requirements for REES installers (general or activity specific) and how could these requirements be improved?

Each installer has training programs and these seem adequate at this stage however, where a new activity is introduced or approved the installer should provide copies of training material in their compliance plan covering this activity if this organisation undertakes activities of this kind.

Question 4

Should training requirements for mandatory safety training be further specified?

Additional training requirements for safety should not be specified unless there is accurate statistical data or other information that suggests that there is a need for additional training.

Question 5

How should the REES Code address REES installations where a sub-contractor is engaged?

- Should training requirements for sub-contractors be further defined in the Code?
- What improvements could be made to ensure that the Scheme information provided to customers is adequate?

Each REES service provider should be responsible for the installations undertaken by their sub-contractors including training of any sub-contractors. This can be adequately managed by the existing audits and complaints management processes managed by the retailers and service providers. At this stage we see no need to further amend the Code in this regard.

Question 6

Is it beneficial to require obliged retailers to ensure its contractors and/or agents hold a nominated level of liability insurance? What requirement(s) could be applied?

Each retailer will have their own internal risk management strategies to comply with. Therefore we see no benefit in mandating a minimum insurance level for all contractors. This may only increase the cost of activities for all retailers and further increase costs to be passed onto customers. Individual retailers are best placed to determine the liability insurance level that they require.

Question 7

Are the quarterly assessments of achievements provided to obliged retailers beneficial, or does the REES Retailer Reporting Systems (REES- R) provided sufficient information for obliged retailers to monitor their achievement?

Tango Energy has not been an obliged retailer until this year and therefore is not suitably experienced to provide comment on the value or otherwise of the quarterly assessments.

Question 8

Does the current REES Code present any issues or challenges to obliged retailers in complying with their obligations

We refer to our general comments on the scheme and also to the cost of achieving our EEET. The cost of this scheme is ultimately passed onto customers. With electricity prices rising in SA we believe that every opportunity should be taken to streamline and simplify the REES scheme. It is the most complex energy efficiency scheme of all the state schemes we are exposed to as a nationally licenced electricity retailer, while only serving a relatively small number of customers.

Question 9

Are there any other matters, or merging REES related issues, that the Commission should consider or take into account?

The recently announced South Australian (SA) Energy Security Target developed to encourage SA based synchronised electricity generation will likely be a tradeable certificate scheme similar to QLD Gas and LRET. This scheme will require a registry and may present an opportunity for ESCOSA to leverage this registry for use of a certificate based REES scheme as mentioned in our general comments, thereby minimising transitional costs.

Should you require any further information regarding this submission please do not hesitate to contact me on 03 8621 6425.

Yours sincerely

[Signed]

Randall Brown
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Tango Energy Pty Ltd