



REES

Retailer Energy Efficiency Scheme - Regulatory Performance Report 2018



Key REES highlights in 2018

- ▶ The overall annual REES targets were achieved and all obliged retailers except one met their individual targets.
- ▶ Approximately 2 million GJ of deemed energy savings were delivered to the 21,600 households and businesses benefitting from the REES.
- ▶ Approximately 317,000 GJ of deemed energy savings were delivered to 12,800 households in the Priority Group.
- ▶ Approximately 52,000 energy efficiency activities were delivered and 348,000 energy efficient products installed.

Key REES highlights since 2009

- ▶ Approximately 15 million GJ of deemed energy savings have been delivered.
- ▶ Approximately four million GJ of deemed energy savings and 58,000 energy audits have been delivered to approximately 177,000 households in the Priority Group.

The Retail Energy Efficiency Scheme (**REES**) is a South Australian Government (**Government**) energy efficiency scheme that provides incentives for South Australian households and businesses to save energy. It does this through establishing energy efficiency and audit targets to be met by electricity and gas retailers.

As the administrator of the REES, the Essential Services Commission (**Commission**) has functions and powers as are necessary to give effect to the Retailer Energy Efficiency Scheme (**REES**) in South Australia.

This includes reporting to the South Australian Minister for Energy and Mining annually on the operation of the REES, and from time to time on any other matter relevant to the REES.

This report covers the performance of obliged retailers under the REES in 2018, as well the Commission's observations on the REES since its inception in 2009.

The South Australian Department for Energy and Mining is currently reviewing the REES to determine whether or not the scheme should continue beyond its legislated expiry date of 31 December 2020 and, if so, the structure of the scheme beyond that date.

Further information on the Commission's regulatory role in administering the REES and the overview and structure of the REES can be found on the Commission's website at:

<https://www.escosa.sa.gov.au/industry/rees/regulatory-reporting>.

REES targets and achievements

Of note, under REES, the purported savings in a year from the delivery of energy efficiency activities are "deemed", in the sense that the energy savings value given to an activity for the year is the assumed the full lifetime savings for that activity (rather than the stand-alone value for that year). It is therefore important to understand the results and the deemed savings presented in this report in that context.

This section sets out achievements against the targets for energy audits, overall energy efficiency and priority group energy efficiency.

To allow for comparison, 2009-2014 REES achievement figures have been converted from tonnes of carbon dioxide equivalent to GJ.

The 'credits applied' amounts shown below relate to energy efficiency activities undertaken in previous years that have been applied towards the target. Unapplied credits currently held by retailers, which may be used in future years, are not shown.

Further details on the targets and achievements can be found in the REES time series data, available on the Commission's website.

REES outcomes from 2009 to 2018

Since 2009, the REES has resulted in the delivery of:

- ▶ approximately 15 million GJ¹ of deemed energy savings.
- ▶ approximately 4 million GJ of deemed energy savings to 177,000 households in the Priority Group.
- ▶ 58,486 energy audits to Priority Group households.

Figures 1, 2 and 3 show that retailers have generally built up significant balances of credits over the years to allow them to meet their annual REES targets.

A credit is created when a retailer submits a compliant activity report to the Commission; an activity does not become a credit for REES purposes, and cannot be applied towards a target, until it has been reported to and accepted by the Commission as a compliant activity.

The 'credits applied' amounts shown in the Figures:

- ▶ where shown **below** the target line, refer to credits created (reported to and accepted by the Commission) in a prior year and applied in satisfaction of the relevant year's targets, or
- ▶ where shown **above** the target line, refer to credits created (reported to and accepted by the Commission) in the relevant year (which may be applied towards future targets at the discretion of the retailer).

Activities undertaken by retailers for which a report has been neither submitted to nor accepted by the Commission are not credits for the purposes of REES (albeit that a retailer may choose to submit a record for approval at a later time, thereby creating a credit).

Figure 1: Deemed energy savings (GJ) from energy efficiency activities - actual v target

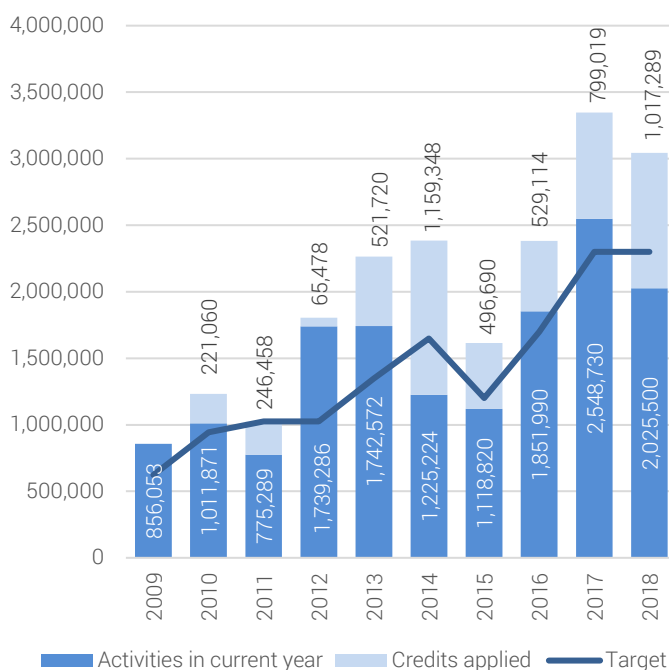
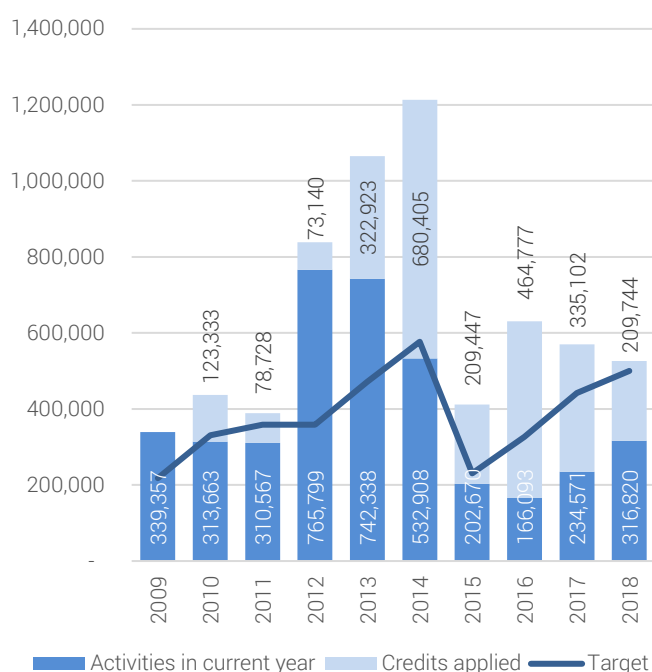
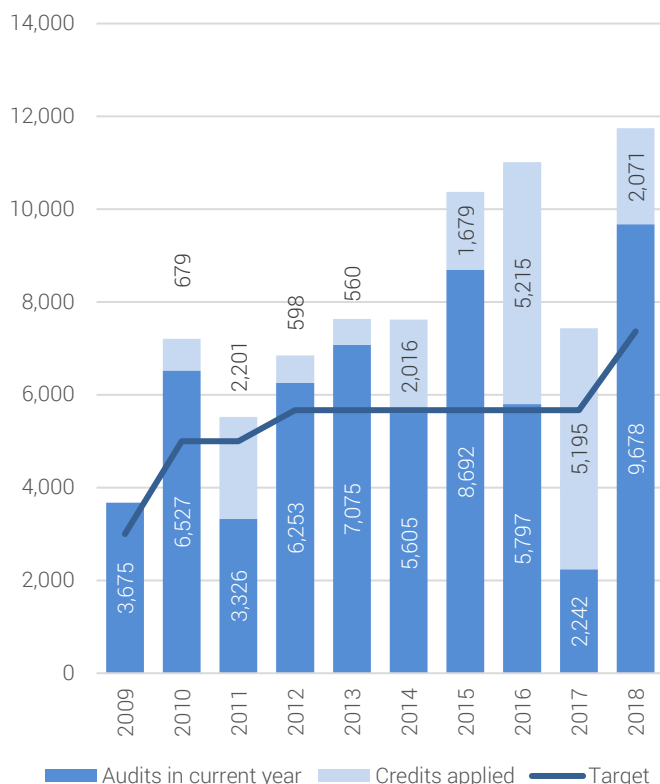


Figure 2: Priority group deemed energy savings (GJ) from energy efficiency activities - actual v target



¹ 1 MWh energy consumption is equivalent to 3.6GJ.

Figure 3: Energy audits - actual v target



Obligated REES retailers overall performance in 2018

The REES requires energy retailers that exceed a prescribed threshold to be set annual targets for the delivery of energy efficiency activities to households and/or businesses.

Retailers with larger residential customer bases are also set targets to deliver a prescribed amount of energy efficiency activities and audits to priority group householders.

The targets and achievements for 2018 are provided in Tables 1 and 2.

Table 1: REES targets and achievements in 2018

	2018 target	Accepted reports	Credits applied ⁽²⁾	Total 2018 achievement
Energy audits (number of audits)	7,367	9,678	2,071	11,749
Energy efficiency (GJ) ²	2,300,000	2,025,500	1,017,289	3,042,789
Priority group energy efficiency (GJ) ³	500,000 ⁽¹⁾	316,820	209,744	526,564

Notes: (1) Subset of Energy Efficiency Target.
(2) Applied credits are energy efficiency activities or energy audits accrued in excess of an obliged retailer's previous years REES target which were applied to a 2018 target.

Table 2: Obligated retailer target achievement in 2018

Obligated retailer	Energy Audit	Energy Efficiency	Priority Group Energy Efficiency
AGL	●	●	●
Alinta Energy	●	●	●
EnergyAustralia	●	●	●
ERM Power	N/A	●	N/A
Lumo Energy	●	●	●
M2 Energy	●	●	●
Momentum Energy	N/A	●	N/A
Origin Energy	●	●	●
Powerdirect	●	●	●
Simply Energy	●	●	●
Tango Energy	N/A	●	N/A

Note: ● = target achieved ● = target not achieved

² Energy efficiency activity savings for an activity in a year are deemed, in the sense that they reflect the assumed full lifetime saving value (not just the value for the particular year).

³ Priority group households include those where a person resides who holds a recognised concession card, participates in an energy retailer's customer hardship program or has a referral from a registered member of South Australian Financial Counsellors Association SAFCA.

REES 2018 outcomes

This section analyses the distribution of energy efficiency activities and energy audits delivered, and the type of households and businesses that received energy efficiency activities and energy audits.⁴

Figures provided in this section relate to actual reported energy efficiency activities and energy audits for the relevant year and do not include any credits applied from previous years.⁵

Energy efficiency activities

In 2018, 52,310 energy efficiency activities⁶ were delivered, resulting in 2,025,500 GJ of deemed energy savings. Over 348,000 energy efficient products were reported in 2018.

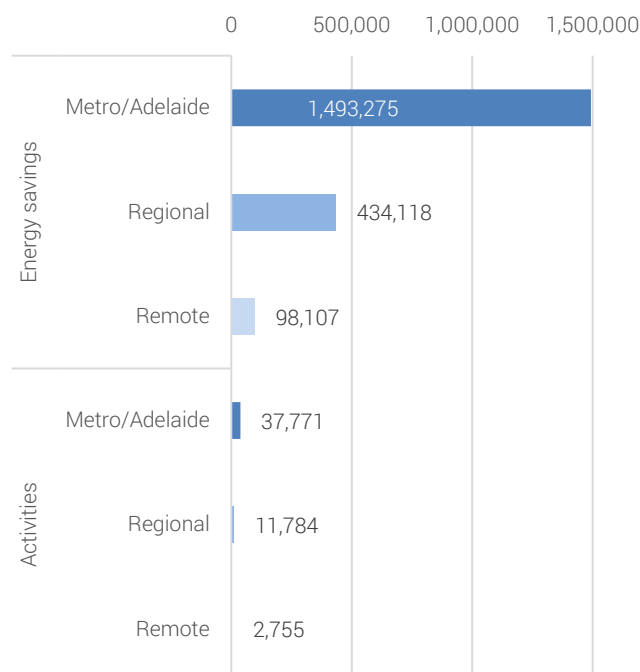
The breakdown of the products, activities and measures delivered in 2018, by location⁷, are shown below in Table 3.

Table 3: Breakdown of products by location in 2018

Category	Metro / Adelaide	Regional	Remote
Residential lighting	111,478	40,804	12,006
Commercial lighting	109,050	25,034	5,965
Standby power controllers	13,039	4,084	281
Shower heads	10,811	3,215	899
Insulation	9,294	276	-
Water heaters	1,106	308	41
Retire Fridge/Freezer	622	3	-
Draught proofing	23	1	-
Total	255,423	73,725	19,192

Figure 4 shows the majority of activities and deemed energy savings were achieved in the Metro/Adelaide region in 2018, consistent with previous years of the REES.

Figure 4: Breakdown of activities and deemed energy savings (GJ) by location in 2018



Benefitting households by nature of tenure

Primary obliged retailers are set a Priority Group Energy Efficiency Target as a proportion of their general Energy Efficiency Target, based on their number of South Australian residential customers.

Of the 21,614 REES beneficiaries in 2018, the Priority Group made up approximately 59 percent of those beneficiaries and achieved deemed energy savings of approximately 317,000 GJ.

Figure 5 shows the majority of activities and deemed energy savings delivered to owner occupied households in 2018.

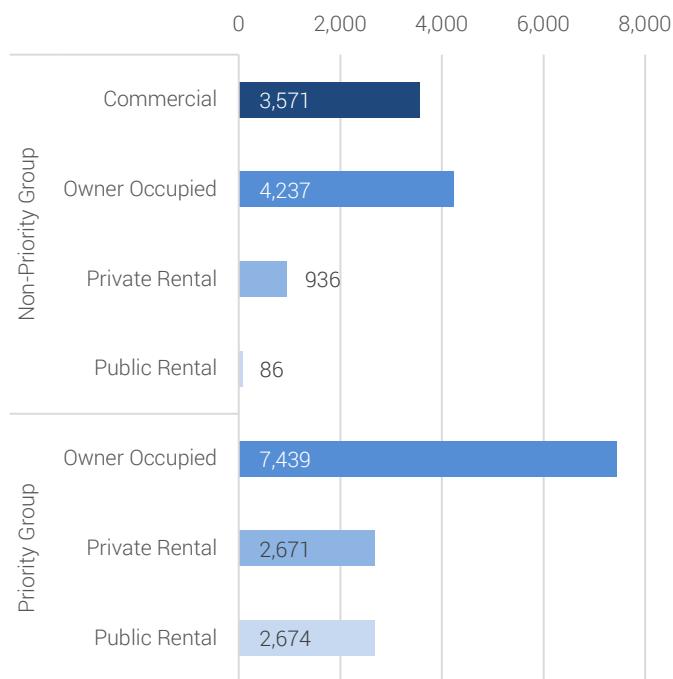
⁴ The information presented in this section fulfils the Commission's reporting requirements outlined in the Ministerial Protocol.

⁵ 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.

⁶ 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.

⁷ The postcodes that make up Metro/Adelaide, Regional and Remote can be found in the REES time series, available at: <https://www.escosa.sa.gov.au/industry/rees/regulatory-reporting>.

Figure 5: Breakdown of benefitting households and businesses by nature of tenure in 2018



Benefitting businesses by nature of tenure

The REES was expanded in 2015 to allow activities to be delivered in commercial premises. To date, only commercial showerheads and commercial lighting activities were delivered.

In 2018, there were 3,571 REES commercial beneficiaries. Those businesses achieved a total of approximately 1.5 million GJ of deemed energy savings or approximately 420 GJ of deemed energy savings per business.

A total of 5,597 REES commercial activities were provided in 2018. Commercial lighting made up approximately 74 percent of those activities, with the remainder made up by commercial showerhead activities.

Table 4 shows the top five benefitting businesses by ANZSIC codes made up 72 percent of the total number of benefitting businesses in 2018.

Table 4: Breakdown of benefitting businesses by ANZSIC codes in 2018

ANZSIC code	No. of benefitting business
G - Retail Trade	1,114
C - Manufacturing	571
S - Other Services	443
F - Wholesale Trade	242
A - Agriculture, Forestry and Fishing	211
I - Transport Postal & Warehousing	144
M - Professional, Scientific & Technical Services	140
H - Accommodation & Food Services	127
E - Construction	114
Q - Health Care & Social Assistance	94
Others	88
L - Rental, Hiring & Real Estate Services	64
N - Administrative & Support Services	60
R - Arts & Recreation Services	43
K - Financial & Insurance Services	38
P - Education & Training	30
D - Electricity, Gas, Water & Waste Services	21
O - Public Administration and Safety	13
J - Information Media & Telecommunications	11
B - Mining	3
Total	3,571

Table 5 shows that commercial lighting made up 99 percent of all commercial activities and 98 percent of all commercial deemed energy savings in 2018.

The majority of those activities and deemed energy savings were delivered to businesses located in the Metro/Adelaide region.

Table 5: Breakdown of the REES commercial activities in 2018

Activity	Region	No. of activities	Deemed energy savings (GJ)
Commercial lighting	Metro/Adelaide	4,148	1,093,358
	Regional	1,096	311,231
	Remote	299	73,313
Showerheads	Metro/Adelaide	33	23,436
	Regional	15	5,644
	Remote	6	1,195
Total		5,597	1,508,177

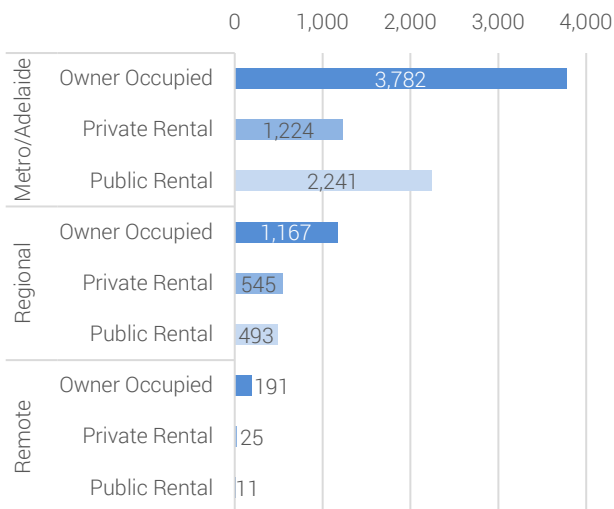
Energy audits

There were 9,678 energy audits delivered to households in 2018. All energy audits are required to be delivered in priority group households.

All energy audits were delivered in-home in 2018. No energy audits were delivered by phone or interview.

Figure 6 shows the majority of energy audits were delivered to owner occupied households in 2018, particularly those located in the Metro/Adelaide region.

Figure 6: Breakdown of energy audits by location and nature of household tenure in 2018



Estimated penetration of the REES

The information in this section estimates the number of households and businesses benefitting under the REES, including a breakdown by household types and nature of household tenure.

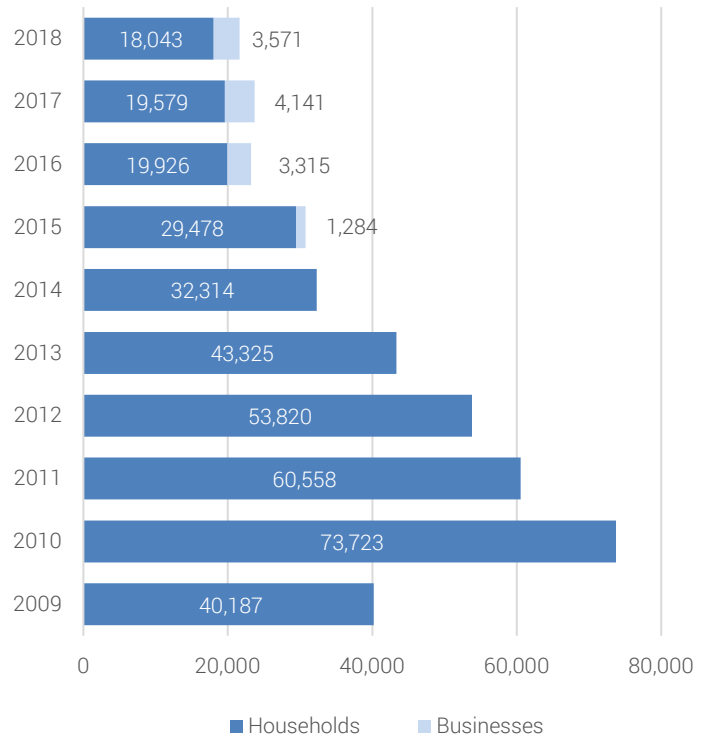
Benefitting households and businesses

Since the REES commenced in 2009, approximately 403,000 premises have received either an energy efficiency activity or energy audit.⁸

Figure 7 shows the total number of benefitting households and businesses has steadily declined since 2010. This trend is mainly driven by two factors:

- ▶ Multiple activities being increasingly undertaken at the same premises as opposed to individual activities undertaken at separate premises, and
- ▶ Increase in the number of commercial activities being undertaken due to the higher deemed values, compared to residential activities.

Figure 7: Total number of households and businesses benefitting under the REES



⁸ Some households may have received benefits from both energy audits and energy efficiency activities but are only counted once.

Breakdown of benefitting households

To date, approximately 177,000 households in the Priority Group have benefitted from the REES. The other beneficiaries (approximately 226,000) were made up of households and businesses in the non-Priority Group.

The majority of the REES activities (approximately 68 percent) were undertaken in owner-occupied premises.

Figure 8 shows both a downward trend for both the number of benefitting households and businesses. The breakdown by tenure is shown in Table 6.

Figure 8: Total number of households and businesses benefitting under the REES

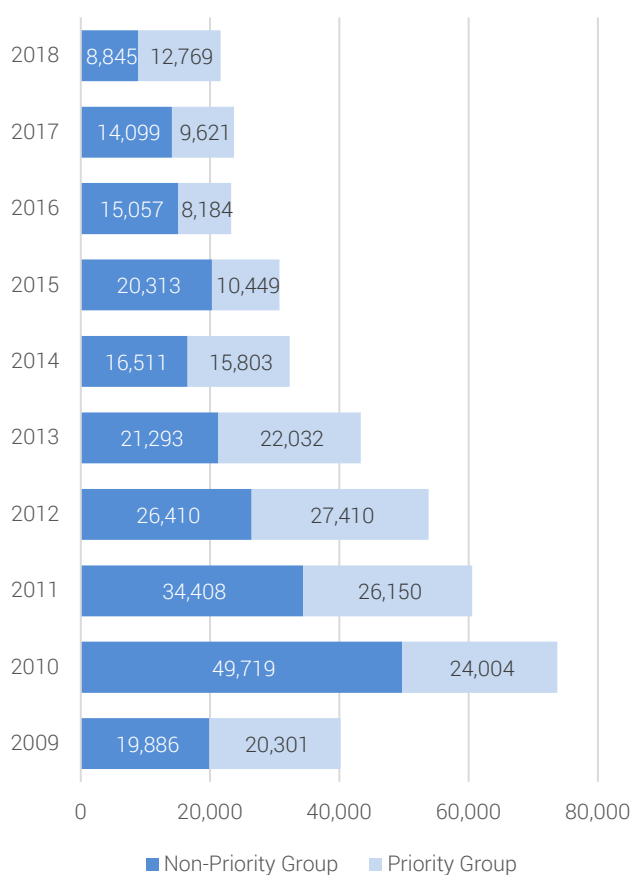


Table 6: Breakdown of benefitting households and businesses, by nature of tenure

	Owner Occupied	Private Rental	Public Rental	Commercial
2018	11,676	3,607	2,760	3,571
2017	14,415	3,299	1,865	4,141
2016	13,138	4,665	2,123	3,315
2015	20,247	6,486	2,745	1,284
2014	20,907	7,888	3,519	-
2013	31,693	7,233	4,399	-
2012	37,897	10,974	4,949	-
2011	43,650	12,903	4,005	-
2010	49,944	15,900	7,879	-
2009	29,859	6,293	4,035	-
Total	273,426	79,248	38,279	12,311

How compliant were obliged retailers with their regulatory obligations?

EnergyAustralia did not achieve its priority group target for 2018. This matter is being addressed through a separate compliance review, the outcome of which will be made public on the Commission's website.

In undertaking its enforcement role, the Commission is guided by its legislative objectives in particular the need to protect the long-term interests of South Australian consumers.

Desktop audits conducted for 2018 activities revealed minimal non-compliant energy efficiency activity and audit data. One of the focus areas for auditing was the evidence of compliance with Australian lighting standards (AS/NZS 1680), introduced for all commercial lighting activities in January 2018. Retailers were given the opportunity to respond to all identified non-compliances which resulted in only a small number of activities being rejected.

Further Information

The complete time series performance data for the REES can be found on the Commission's website at: <https://www.escosa.sa.gov.au/industry/rees/regulatory-reporting>.

The Essential Services Commission 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, visit www.escosa.sa.gov.au.

Essential Services Commission
GPO Box 2605 ADELAIDE SA 5001

Telephone: (08) 8463 4444 E-mail: escosa@escosa.sa.gov.au Web: www.escosa.sa.gov.au