ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000
ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Thursday, 10 December 2020

Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

By email: escosa@escosa.sa.gov.au

RE: Retailer Energy Productivity Scheme Code, Draft Decision

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Essential Services Commission of South Australia's (ESCOSA) Draft Decision on proposed Retailer Energy Productivity Scheme (REPS) Code (the Code).

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fueled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load[1]. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

http://www.ermpower.com.au
https://www.shell.com.au/business-customers/shell-energy-australia.html

General comments

ERM is concerned that the scheme commencement date of 1 January 2021 approaches in less than 3 weeks, including the Christmas period, and obliged retailers do not have clarity to the REPS overall targets and do not have individual Energy Productivity Targets. This situation has made compliance planning and customer communications extremely difficult. Retailers rely on the ESCOSA notification of targets both to allow them to procure energy productivity activities and determine the approach to cost recovery.

The commencement of the scheme is now rushed and being implemented without adequate consultation. There are multiple risks stemming from this rushed implementation. Without targets, retailers are unable to provide accurate contracting costs to customers. Currently customers do not have certainty over how their contracts will be impacted. This is particularly difficult for the large customer segment, who have previously been excluded from REES but will be included under the new REPS. Without the quantum of activity delivery requirements known, third party agreements are difficult to finalise and the flexibility required for agreed deliveries may be at a premium.

We understand the ESCOSA is in a difficult position with such tight timeframes, but we believe that the Code could provide transitional arrangements which will ease the timeframe constraints and the risks placed on obliged retailers and the regulator itself.

[1] Based on ERM Power analysis of latest published information.

Transitional deadline for the compliance plan

The compliance plan provides assurance as to the capacities, systems and processes of contractors, audit plans, training, record, and compliance systems to enable an obliged retailer to fulfil scheme obligations. It relies heavily on engagement with activity providers and with an understanding of the types and quantities of activities that are required to fulfill retailer targets. With EPT targets delayed, the current compliance plan deadline of 31st March 2021 is unfeasible. This is particularly the case for retailers who have not been obliged retailers under the REES in recent times. We ask that the ESCOSA consider a transitional arrangement in the initial year whereby retailers are provided with additional time to submit the compliance plan. This will allow for negotiation of activity provider agreements once individual targets are known and allow for target fulfillment to be properly planned from a compliance perspective.

As such, we recommend that the Code be amended to allow retailers to have compliance plans established by 30 April 2021, and that retailers can commence activity fulfilment albeit with plans pending submission and approval.

Further Code consultation

We understand the ESCOSA will undertake a proper Code review in the latter half of 2021. ERM welcomes this consultation. It is our view that the new scheme could be used as an opportunity to improve the approach to compliance by moving to an accreditation regime of energy activity providers. If the scheme was to move to an approach of accreditation of energy activity providers, similar to other jurisdictions, this would bring greater confidence to service provision, consistency in compliance oversight, and remove the current inefficiencies and high compliance costs that are ultimately passed through to customers. An accreditation regime approach would see the removal of the duplication of compliance plans between the retailer and the activity provider and the same information produced by multiple retailers. Currently ESCOSA must review the same compliance plan content for a particular service provider, reduplicated for various retailers. This approach has been a significant incumbrance and deficiency of the previous scheme. ERM looks forward to providing input on how the Code can move the scheme to be more effective and efficient.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Libby Hawker
Senior Manager – Regulatory Affairs
03 9214 9324 - LHawker@ermpower.com.au