

16/07/21



Retailer Energy Productivity Scheme (REPS)

Reporting Requirements

Consultation Paper Reply

June 2021

Executive Summary

Demand Manager welcomes the opportunity to reply to the *Retailer Energy Productivity Scheme: Reporting Requirements, June 2021* consultation paper.

We are and remain very concerned for some time on the market share and how much influence in competition by Third Party Contractors occurs in the REES and now in the REPS. This has now been identified by the reported 80% of G.J.'s delivered in 2020 REES year by only 3 Third Party Providers.3.2.2 in the consultation paper.

It is also regrettable that a consultation paper has emerged half way through the first year of the new scheme (REPS) requesting information on reporting when it would have made more sense that this occurred a year ago and guidelines put in place, if required, before the new Scheme started. That way, any changes could have been made before the REPS actually started.

The requirements for reporting is encouraged, welcomed and a starting point to transparency in the REPS.

We look forward to improved competition, integrity, a focus on fairness and equity and the ability of the Scheme opening up access so Demand Manager and others can offer a variety of residential and commercial activities in the REPS going forward.

Demand Manager Overview

Demand Manager is a clean energy financial services firm with extensive experience, ranging over a 15 year period, in the creation of environmental certificates including NSW ESCs, Victorian VEECs, Commonwealth STCs and LGCs, and South Australian GJ savings. To date, Demand Manager has secured in excess of \$200 million in funding for our customers, helping deliver of thousands of individual clean energy projects.

Demand Manager is an Accredited Certificate Provider and operates in NSW, Victoria and SA, with multiple accreditations. We are one of the largest creators of ESCs for commercial lighting under the NSW Energy Savings Scheme and have created over 5 million certificates across multiple State and Federal programs. Demand Manager is also an Accredited Party under the Victorian Energy Upgrade Scheme (VEU), under which we have created over 350,000 VEECs. In addition, Demand Manager has created well over 2 million RECs/STCs/LGCs under the Renewable Energy Target.

Demand Manager is the owner and developer of its own on-site software product called LightWork. This has now grown to cover a variety of energy efficiency scheme activities across Australia. We are able to streamline our approach with certificate creation to mitigate against compliance issues and to create better outcomes for all our customers. As our internal software developer numbers have grown and we have developed this product across multiple state certificate schemes, it allows us the flexibility to add new energy saving activities where and when they are required. This not only puts a sharp focus on our current evidence, compliance and auditing outcomes for all our stakeholders but allows us to continue with our new REPS specific offerings into the future. This will revolve around both commercial and residential offerings as SA is leading the pack with introducing a multitude of new and relevant Scheme activities.

Demand Manager is one of the Third Party Contractors that has been working in the South Australian Schemes: REES and now REPS, for over 5 years across multiple electricity retailers. Due to our knowledge, flexibility and quick response we have become a reliable partner to the electricity retailers, contractors and end customers whom we have engaged.

Demand Manager's professional staff have extensive experience with the necessary commercial, legal and administrative tasks involved in carbon abatement calculations, record keeping, reporting, audits and quality assurance. Demand Manager has transitioned to offer many new activities in the REPS, both in the residential and commercial markets, as we to continue to stay competitive in the Scheme.

Consultation Question 1:

Do you support the streamlined process to determine REPS obligations, whereby energy retailers will no longer be required to report energy sales and customer numbers to the Commission? If not, why not?

Demand Manager has no comment on Question 1.

Consultation Question 2:

Should the information requested from obliged retailers to inform reporting on the costs of each type of activity delivered under REPS be changed? If so, how?

What the Minister has proposed and requested is a step in the right direction.

Whilst comparable Schemes in NSW and Victoria have functioning certificate markets which deliver price transparency, no such information is available in the South Australian market. Demand Manager believes the lack of such information undermines the Retailer Energy Productivity Scheme.

Demand Manager would support price information being made publicly available, perhaps reported based on the individual sub-targets that comprise the overall REPS would permit greater price competition in the market.

Consultation Question 3:

Is there any additional evidence that would inform reporting on competition in activity delivery and any identified barriers to competition and delivery of eligible activities?

In April 2017, Demand Manager raised this issue in a Scheme consultation:

“In closing, we are of the belief that more competition among the “Third Party Contractors” will result in lower prices and a better service for the end customer and electrical retailers. The current scheme has limited companies with too much power and influence. We encourage competition as this increases efficiencies and innovation.”

In our view, nothing has changed in the past four years except that these same limited group of “Third Party Contractors” are producing more GJs as the targets increase. In addition to many contractors leaving the REES/REPS Scheme, those remaining only have limited scope to access the scheme.

As reported, 80% of all GJ is supplied by just three Third Party Contractors. Assuming an even split by the top three (27% of market share each) and ignoring the remaining market share, a calculation of the competition in the industry using the Herfindahl-Hirschman Index can be performed as follows:

$$\text{HHI} = S_1^2 + S_2^2 + S_3^2 + \dots S_n^2$$

Thus, $\text{HHI} = 27^2 + 27^2 + 27^2 = 2187$

Even ignoring the remaining player's market share, the HHI score is above the 2000 score which is used in the Australian Consumer and Competition Council (ACCC) guideline for what is considered a highly concentrated market.

The Scheme has changed in name to Retailer Energy Productivity Scheme (REPS) but barriers to competition and entry continue within the Scheme with no appreciable effort from the Department to address this obvious shortfall. This has led to higher costs to consumers, lower service standards for customers and less innovation in program delivery. It is regrettable that this was not addressed a year ago before the start of the new scheme so guidelines could have been integrated into the Rule change.

The first item I would address is transparent reporting on Third Party Contractor's market share each year.

I would recommend that for the past 5 years of the REES, the Third Party Contractor's actual GJs and market share for each year are published publicly in the same way that the Electricity Retailers obligations are published. Having transparency around the problem is the first step in addressing the problem.

This year, first year of the REPS that the GJs and market share of Third Party Contractor's are published to the market in the same way that the Electricity Retailers have their obligation published.

If the Government is now interested in the competition of activity delivery and barriers to competition in the REPS, then a speedy resolution would be desired such that the market can take positive steps before the start of 2022 calendar year.

For the record, Demand Manager believes there are issues in the Scheme with competition and involvement in the delivery of activities. We believe this affects the integrity of how the Scheme is run and the cost to the ultimate consumer – electricity customers. Demand Manager can deliver many different activities across the residential and commercial sectors in the REPS and we welcome more involvement, competition, equity and fairness in the REPS in the future.

As always if the department would like any other additional information or a face to face meeting to discuss in detail we are willing to participate.

Regards,

Mark Hofner

State Manager SA / Victoria

 Demand Manager