



16 July 2021

Mr Simon Vine  
Essential Services Commission of South Australia  
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ADELAIDE SA 5001

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Dear Mr Vine

## **RE: Retailer Energy Productivity Scheme: Reporting Requirements**

Shell Energy Australia Pty Ltd (Shell Energy) welcomes the opportunity to respond to the Essential Services Commission of South Australia's (the Commission) consultation on the Retailer Energy Productivity Scheme reporting requirements that will apply to energy retailers.

### **About Shell Energy in Australia**

Shell Energy is Australia's largest dedicated supplier of business electricity. We deliver business energy solutions and innovation across a portfolio of gas, electricity, environmental products and energy productivity for commercial and industrial customers. The second largest electricity provider to commercial and industrial businesses in Australia<sup>1</sup>, we offer integrated solutions and market-leading<sup>2</sup> customer satisfaction, built on industry expertise and personalised relationships. We also operate 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and are currently developing the 120 megawatt Gangarri solar energy development in Queensland. Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy.

[www.shellenergy.com.au](http://www.shellenergy.com.au)

### **Reporting requirements for determining REPS obligations**

The Commission proposes that energy retailers will not be required to report on energy sales and customer numbers for the purpose of determining REPS obligations. Instead it is proposed that data from Australian Energy Market Operator (AEMO), SA Power Networks (SAPN) and Australian Gas Networks (AGN) will be used to determine all REPS obligations and to apportion targets and subtargets. Energy purchase data from AEMO is proposed to be used to determine if an energy retailer is above the threshold to be identified as a secondary obliged retailer in REPS- sell 20,000 MWh or more of electricity or 133,000 GJ or more of gas in a year to South Australian households and businesses.

Shell Energy notes that in 2021, the Commission used AEMO data to determine energy retailers' REPS obligations and apportion targets and proposes to continue this approach.

### **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.**

Shell Energy supports measures to streamline data collection and reduce progress reporting requirements on retailers. However, further clarity is required by the Commission on how energy purchase data reported by AEMO is used to determine a retailer's liability. That is, at what point is a load aggregated to? For example, settlement data is provided at the transmission node identifier (TNI). Is it the Commission's intention to also

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<sup>1</sup> By load, based on Shell Energy analysis of publicly available data

<sup>2</sup> Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2020.



use the TNI as the calculation point and if so, how will the Commission account for loss factors? Shell Energy would welcome the opportunity to discuss this matter further with the Commission.

We note that the Commission proposes that where an energy retailer's residential customer numbers are close to the participation threshold, the Commission may validate customer number data with an individual retailer directly but will not require data from all retailers. Shell Energy considers that the Commission should also validate AEMO energy purchase data with a retailer if the data is close to the participate threshold for secondary obliged retailers (+/- 15% validation). This is so the Commission may better understand the contracting arrangements behind this data which may impact a retailers REPS obligation.

Shell Energy notes that the Minister has not specified designated purchases, so large customer energy purchase data is not required from individual retailers. We consider this a sensible approach. Should this approach change, we encourage the Commission to undertake further consultation on this matter to ensure REPS does not interfere with large customers' retail contracting decisions.

## New reporting on costs of REPS activities

It is proposed that obliged retailers annually provide the following information for a minimum of 15 energy productivity activities in total (delivered and not deliver) for:

- All energy productivity activities delivered: average direct, overhead and total delivery costs (excluding GST) by activity, provider and customer type, and
- Energy productivity activities not delivered: estimates of average direct, overhead and total delivery costs (excluding GST) by activity, source of estimate, provider (if applicable), and customer type.

### Consultation question

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

Shell Energy notes that the Minister has required individual costs for a majority of eligible REPS activities must be reported - whether or not a majority of eligible REPS activities are being delivered by the obliged retailers. However, Shell Energy does not agree with the Commission that all obliged retailers should be required to report costs on a minimum of 15 energy productivity activities. This seems to contradict the Commission's aim to reduce reporting requirements for retailers. We consider that obliged retailers should only be required to report cost data on the activities it actually partakes in. This may be the intention of the Commission but as currently written this is not made clear in the proposed Annual Report Proforma. Further, if the activities are undertaken in-house, or by any liaison arrangement that does not directly cause a retailer to engage with a third party contractor, this cost data should be estimated only.

In addition, obliged retailers should only be required to report on the costs of activities in which they have delivered in the reporting calendar year. Having to track direct costs and overhead costs for an activity which may or may not be delivered, in our view, is excessive and provides little additionality. It also creates an additional complexity for us to determine our cost factors and contracting agreements with service providers in advance to be able to meet this reporting requirement. It is also unclear how the Commission will use this information and we are concerned that reporting cost data for activities that have not been delivered could be misleading and expose a retailer to incorrect interpretations of the activities it is undertaking.

## New reporting on competition in activity delivery

The Commission proposes to report on competition in activity delivery and any identified barriers to competition and the delivery of eligible activities, given concerns that obliged retailers use the same providers. To facilitate reporting, the Commission is proposing that each obliged retailer must report on the process by which energy productivity activity providers are selected.



### Consultation question

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

Shell Energy notes that the Commission is proposing to request information on how many providers were considered for activities; how many providers were engaged; what was the process for selecting providers; and, what were the key criteria (top three) for selecting providers.

While, Shell Energy welcomes additional competition in this sector we are concerned about the commercial sensitivity of this information being published and what it would mean for future commercial contracting arrangements. Shell Energy is committed to responsible management practices that minimise any adverse health, safety or environmental impacts arising from our activities, products or services. We aspire to a vision of zero harm and zero loss. Given the regulatory requirements and obligations in REPS we do not want a consequence of this reporting obligation to be that we will be required in the future to engage with providers who do not meet our safety and compliance requirements.

Shell Energy considers that if the Commission wants to seriously address barriers for service providers to partake in REPs, rather than asking retailers to report on their procurement activities, the Commission should develop a central accreditation scheme for service providers.

Currently the compliance and operational burden placed on retailers to manage third party service providers' compliance risk and delivery is inefficient and costly. There are duplications of compliance plans between activity providers and retailers who must detail the compliance processes and controls of their appointed third party. A central accreditation of each service provider would address the duplication that currently occur where a number of retailers performing their own compliance checks for the same service provider. This approach would remove the retailers' costly risk management of contracted third-party installers and streamline the compliance monitoring to be centralised and managed by the Commission, allowing activities to be provided safely, at lowest cost. If an accreditation scheme existed which resulted in a pool of service providers accredited by the Commission, retailers would more likely engage with a greater number of providers. It is our view this move can be quickly realised if the accreditation held by providers in other schemes, such as the NSW Energy Savings Scheme or VEU accreditation was deemed acceptable for application and operation in South Australia under REPS.

### Implementation

The Commission proposes to commence the reporting process in October each year with obliged retailers being required to submit returns by 31 January the following calendar year. Retailers have extensive green reporting obligations over this period which also correlates with a busy holiday/shut down period. Shell Energy recommends that the Commission consider allowing retailers to deliver their report by the end of Q1 to enable new reports to be built and service providers to provide invoices.

Please contact Carmel Forbes at [carmel.forbes@shellenergy.com.au](mailto:carmel.forbes@shellenergy.com.au) if you would like to discuss this submission further.

Yours sincerely

[signed]

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