

16 July 2021

Mr Simon Vine
Regulatory Officer
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Via email to reps@escosa.sa.gov.au

Dear Mr Vine,

Re: Retailer Energy Productivity Scheme: Reporting requirements consultation

Simply Energy welcomes the opportunity to provide feedback on the Essential Services Commission of South Australia's (ESCOSA) consultation on reporting requirements for the Retailer Energy Productivity Scheme (REPS).

Simply Energy is a leading energy retailer with over 750,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a consumer-centric retailer, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Reporting requirements to determine REPS obligations

Simply Energy supports ESCOSA's proposal to reduce the reporting requirements for retailers in relation to determining REPS obligations.

Data required to apportion targets and sub-targets

Simply Energy agrees with ESCOSA that solely relying on electricity and gas purchase data from the Australian Energy Market Operator (AEMO) is appropriate. In the context of there being no specified designated purchases under the REPS, there does not appear to be any benefit in retailers providing data on energy purchases to ESCOSA on an individual basis.

The removal of designated purchases under the REPS also means that the load from commercial and industrial (C&I) customers now contributes to retailers' targets. Retailers' C&I load is significantly more variable than small customer load on a year-to-year basis. For that reason, Simply Energy is concerned that the current methodology to apportion targets based on the load in the previous financial year will lead to mismatches between a retailers' costs and revenues in each REPS period. To ensure that C&I customers do not pay more than their fair share of REPS costs in each year, retailers may charge C&I customers a fee based on their forecast contribution to the following year's REPS obligation. Other energy efficiency schemes, such as the Victorian Energy Upgrades program, set liabilities based on the current year's load. This avoids the types of revenue and cost mismatches that can occur under the REPS, particularly for highly variable C&I customer loads.

Data required to determine obliged retailers

Simply Energy supports ESCOSA's proposal to rely on customer number data from the networks and energy purchases data from AEMO. While data provided individually by retailers may be slightly more accurate, this will make little practical difference for most retailers. For those retailers that are close to the scheme participation threshold, Simply Energy agrees with ESCOSA's proposal to consider these retailers on a case-by-case basis to decide whether they meet the threshold.

Reporting requirements for the REPS Annual Report

Simply Energy would have appreciated some more detail from ESCOSA on how it is proposing to present the requested information in its REPS Annual Report. Regardless of whether the report is made public or not, Simply Energy would be concerned if ESCOSA intended to use the requested information to make comparisons between retailers and rank the performance of different retailers.

The consultation paper also has little explanation on how ESCOSA considers that the proposed information requests will satisfy the Minister's requirements.

In the below sections, Simply Energy provides specific feedback on ESCOSA's proposed information requests in relation to the costs of activities and competition in activity delivery.

Reporting on costs of REPS activities

Simply Energy acknowledges that consumers may benefit from more transparency on how the REPS affects their energy bills. However, Simply Energy would be concerned if the introduction of these reporting requirements suggested that the South Australian Government decided to implement the REPS without understanding the broad costs involved in administering the scheme. Simply Energy has consistently preferred a certificate-based scheme over an activity-based scheme, as it would lead to more transparent cost information and would be more cost efficient to administer. Moving to a certificate-based scheme would be consistent with the energy efficiency schemes in other Australian jurisdictions.

[NB: confidential information has been removed] ESCOSA has not explained in its consultation paper how requesting information on the estimated costs of undelivered activities would satisfy the Minister's request. By collecting information from all industry participants on their actual costs of delivered REPS activities, ESCOSA should have sufficient information to satisfy the Minister's request for 'information on the costs of each type of activity **being delivered by the REPS**' (emphasis added).

[NB: confidential information has been removed]

Reporting on competition in activity delivery

As outlined in the previous section, the South Australian Government could have addressed any perceived issues with the competition levels and transparency of the scheme by transitioning the Retailer Energy Efficiency Scheme from an activity-based scheme to a certificate scheme.

In relation to ESCOSA's proposed information request, Simply Energy does not consider there is any value in providing this type of information on an annual basis. Simply Energy has a standard procurement process that does not vary significantly from year-to-year. Each retailer will likely have their own robust procurement processes that will value certain factors (including price, reliability, consistency, etc.) differently when assessing tender responses. ESCOSA has not explained

in its consultation paper how requesting information on each retailers' specific procurement processes could be collated to provide useful analysis for the Minister.

If ESCOSA is concerned that retailers are unable to obtain efficient prices from third-party providers due to a lack of competition in the market, perhaps ESCOSA could instead request that retailers detail their concerns on a voluntary basis. If there is a trend in issues raised, this may enable ESCOSA to further investigate whether there are anti-competitive practices occurring amongst third-party providers. It is not clear how adding an additional regulatory burden on retailers is intended to inform ESCOSA about the behaviour of third-party providers in the market.

Concluding remarks

Simply Energy looks forward to continuing to work actively with ESCOSA to ensure that the final REPS reporting requirements provide ESCOSA with relevant information to develop its REPS Annual Report.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive, slightly slanted style.

James Barton
General Manager, Regulation
Simply Energy