



Retailer Energy Productivity Scheme Regulatory Framework – Information sheet

The purpose of this information sheet is to provide an overview of the South Australian Retailer Energy Productivity Scheme (REPS)

REPS is a South Australian Government energy productivity scheme that provides incentives for South Australian households and businesses to save energy. It does this through establishing energy productivity targets to be met by electricity and gas retailers.

This information sheet provides:

- ▶ a description of the Essential Services Commission's regulatory role in administering REPS, and
- ▶ an overview of REPS, including the structure of the scheme

Role of the Commission in administering REPS

The Commission administers the REPS in accordance with the Government's policy framework, Parts 4 of the *Electricity (General) Regulations 2012* and the *Gas Regulations 2012* (**Regulations**), and the provisions of the *Essential Services Commission Act 2002*. The Commission's functions under the REPS include:

- ▶ allocation of individual annual retail targets,
- ▶ establishing and implementing a targeted compliance program,
- ▶ determining annual target achievement,
- ▶ reporting to the South Australian Minister for Energy and Mining (**Minister**) annually in relation to the operation of REPS, and from time to time in relation to any other matter with respect to REPS, and
- ▶ to include information relating to energy productivity activities and measures being undertaken and any other information required by the Minister or considered relevant by the Commission in its annual report.

An overview of the Retailer Energy Productivity Scheme

REPS requires energy retailers that exceed prescribed thresholds be set annual targets for the delivery of energy productivity activities to households and/or businesses.

In addition, retailers with larger residential customer bases are set targets to deliver a prescribed amount of the energy productivity activities to households and priority group households.

The Government's stated objective of REPS is to improve energy productivity for households, businesses and the broader energy system, with a focus on low-income households. This will reduce energy costs and greenhouse gas emissions, also potentially improving human health.

The REPS commenced on 1 January 2021 following the expiry of the Retail Energy Efficiency Scheme on 31 December 2020. The REPS is currently scheduled to run until 31 December 2030.

Structure of the Retailer Energy Productivity Scheme

Under REPS, the Minister sets the overall policy framework and fixes annual Energy Productivity Targets. The Commission then apportions those targets among obliged retailers in accordance with the methodology and principles specified by the Minister.

Who are the obliged energy retailers

The Minister has set the methodology by which the Commission determines which retailers have REPS obligations in any year. A retailer will be obliged under REPS if, in the preceding financial year, it exceeds one of the following thresholds:

- ▶ Primary threshold – retailed electricity to 5,000 or more South Australian residential customers, or retailed gas to 5,000 or more South Australian residential customers.

- ▶ Secondary threshold – its total electricity purchases less designated electricity purchases were greater than 20,000 megawatt hours (MWh), or its total gas purchases less designated gas purchases were greater than 133,000 Gigajoules (GJ).

Retailers that meet the primary threshold are referred to as primary obliged retailers and are set an Energy Productivity Target, a Household Energy Productivity Target and a Priority Group Energy Productivity Target.

Retailers that do not meet the primary threshold but meet the secondary threshold (electricity and/or gas) are referred to as secondary obliged retailers and are only set an Energy Productivity Target.

How is energy productivity determined and delivered

The value of each energy productivity activity is 'deemed' in the sense that the full value of future estimated energy saving is credited at the time the activity is delivered. Accordingly, the scheme's annual energy savings outcome does not mean that energy savings at that level were actually achieved within that year.

Retailers can elect to provide the energy productivity activities themselves or to engage the services of third-party providers to provide the activities on their behalf. However, REPS obligations ultimately rest with retailers, not with their contractors

Overall, retailers have significant discretion as to how they achieve targets. Retailers are responsible for determining how and when energy productivity activities are offered to customers, in order to achieve REPS targets. Retailers also determine whether activities are provided free of charge to the recipient, whether recipients are asked to make a co-payment or if another incentive is offered to take up the activity.

Priority group households

Consistent with the Government's stated policy objective of assisting low-income consumers, REPS requires that a specified amount of energy savings from energy productivity activities (in any year) must be provided to priority group households.

The Regulations define priority group households as residential premises in which a person of a class determined by the Minister for the purposes of these regulations resides.

On 21 December 2020, the Minister defined a priority group household as residential premises in which a person resides who either:

- ▶ holds a recognised concession card
- ▶ receives the South Australian government energy bill concession
- ▶ has a residential tenancy agreement with the landlord of the premises and the rent for the premises is \$400 or less per week
- ▶ participating in an energy retailer's customer hardship program
- ▶ is actively participating in an energy retailer's payment plan, or
- ▶ has received a referral from a registered member of the South Australian Financial Counsellors Association.

Households

Consistent with the Government's stated policy objective to improve energy productivity for households, REPS requires that a specified amount of energy savings from energy productivity activities (in any year) must be provided to residential households.

In accordance with the Regulations, this specified amount of energy savings must be achieved in addition to the energy savings from energy productivity activities required to be provided to priority group households.

Energy productivity activities

Many energy productivity activities may be provided to any South Australian premises however some energy productivity activities are restricted to either household or commercial premises. An individual energy productivity activity may only be delivered once per premises unless otherwise permitted in the activity's minimum specification.

An energy productivity activity may only count towards the satisfaction of an Energy Productivity Target if the particular activity meets the minimum specification for that energy productivity activity.

Retailers are responsible for determining how and when energy productivity activities are offered to customers, in order to achieve REPS targets. The cost of uptake for an activity is the largest barrier to the delivery of some approved activities. Generally, retailers choose to undertake activities that achieve a high energy saving per activity/unit in relation to the cost (to the retailer and contractors).

The Minister has the function of maintaining, reviewing and amending the list of eligible energy productivity activities (including energy savings values and minimum specifications) for the purposes of REPS.

Energy credits

Retailers have the ability to bank any excess achievement in relation to individual targets for a year and apply that credit to REPS targets in subsequent years.

Energy credit means the following (if the relevant differences are positive):

- ▶ **Energy productivity activities** – the difference (expressed in GJ) between the actual GJ reported by a retailer in a year through the conduct of energy productivity activities and the Energy Productivity Target that applies to the retailer for that year.
- ▶ **Energy productivity activities for priority group households** – the difference (expressed in GJ) between the actual GJ reported by a retailer in a year through the conduct of energy productivity activities for priority group households and a Priority Group Energy Productivity Target that applies to the retailer for that year.
- ▶ **Energy productivity activities for households** – the difference (expressed in GJ) between the actual GJ reported by a retailer in a year through the conduct of energy productivity activities for households (minus any GJs used to satisfy a retailer's Priority Group Energy Productivity Target) and a Priority Group Energy Productivity Target that applies to the retailer for that year.

Energy credits are accrued on an annual basis following the Commission's annual determination of an individual retailer's target achievement.

On 21 December 2020, the Minister set the following maximum energy credits that a retailer may apply to have taken into account in determining whether the retailer has met a target that applies in the subsequent year:

- ▶ 2022—20 per cent of the retailer's 2021 Energy Productivity Target
- ▶ 2023—20 per cent of the retailer's 2022 Energy Productivity Target
- ▶ 2024—10 per cent of the retailer's 2023 Energy Productivity Target
- ▶ 2025—Zero (0) per cent of the retailer's 2024 Energy Productivity Target

Administration of REPS

The Commission takes a risk-based approach towards REPS compliance. This balances the need for a strong culture of compliance against the associated costs for regulated entities.

It relies on obliged retailers having robust compliance systems and processes in place (based on the Australian Standard on Compliance Programs, AS ISO 19600:2015).

Retailers' compliance systems and processes should allow them to adequately identify and appropriately respond to their obligations and report any breaches to the Commission at the earliest opportunity.

The Commission's REPS compliance regime consists of:

- ▶ requiring retailers to develop annual compliance plans
- ▶ assessing whether retailers meet their REPS annual targets
- ▶ conducting, or requiring retailers to conduct, compliance audits in response to identified areas of risk
- ▶ compliance reporting, and
- ▶ administering the penalty regime.

Compliance plans

Retailers are required to submit to the Commission a compliance plan at the beginning of each REPS year (due by 31 March).

The Commission reviews these plans to assess the extent to which retailers have put into place mitigation and management strategies aimed at ensuring that they are able to meet their REPS obligations and manage various risks.

The REPS Code sets out the minimum requirements of a compliance plan. Retailers are also required to advise the Commission of any material changes to the information provided in their compliance plans (such as a change in the activities it intends to undertake) within 20 business days of such a change occurring.

Annual target compliance

The Commission assesses whether retailers have met their REPS annual targets for energy productivity activities.

In assessing retailers' REPS annual achievements, the Commission undertakes compliance

assessments of all energy productivity activities against the requirements of the REPS Code.

Other compliance work

In addition to the automated compliance testing built into the REPS-R system, the Commission also undertake further compliance testing across all reported data; including data reasonableness checks and desktop data audits.

Desktop audits generally focus on areas identified as having a higher risk of non-compliance or where requirements under REPS are new or varied from previous years.

Retailers are required to provide an evidence pack to support the activities being audited by the Commission. The Commission then assesses whether the evidence supports the activity reported and meets the requirements of the minimum specification for the audited activity.

Where the evidence provided is insufficient or does not meet minimum requirements, the frequency and/or extent of those desktop audits increases until a satisfactory level of compliance is consistently demonstrated.

Any data submitted by retailers that is found to be non-compliant with the REPS Code or applicable activity specification will be rejected.

The Commission also separately monitors retailers' compliance with the REPS Code by undertaking projects such as (but not limited to):

- ▶ 'Mystery shopping' telephone calls to ensure that call centre staff are providing customers with basic information about REPS.
- ▶ Undertaking targeted audits on obliged retailers' compliance systems from time to time to ensure compliance with the REPS Code provisions.
- ▶ Follow-up calls to customers to ensure that energy productivity activities have been implemented according to the relevant specification in response to complaints received.
- ▶ Data reasonableness checks and desktop data audits focusing on areas identified as having a higher risk of non-compliance.

Further Information

The complete time series performance data for REPS can be found on the Commission's website.

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.

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