



## Retailer Energy Productivity Scheme Annual Report 2022



### Key REPS outcomes in 2022

- ▶ The overall annual targets for energy productivity, priority group energy productivity and household energy productivity were achieved.
- ▶ All obliged retailers except one met their individual targets. Weston Energy Pty Ltd did not meet its target in 2022 as a result of its market exit due to it being the subject of a retailer of last resort event, initiated by the Australian Energy Regulator on 24 May 2022. Noting these events, the Commission has not taken enforcement action against Weston Energy Pty Ltd for not meeting its full target in 2022.
- ▶ Approximately 2.6 million GJ of deemed energy savings were delivered to 17,246 households and businesses.
- ▶ 552,736 GJ of deemed energy savings from 10,909 activities were delivered to priority group households (for example, residential premises in which a person resides who is experiencing hardship or holds an eligible concession or health card).
- ▶ The average cost of activities delivered in 2022 was \$13.85 per GJ (excluding GST).
- ▶ There are some indicators of barriers to competition in activity delivery. The majority of retailers primarily considered price, compliance track record and capability when engaging activity providers for REPS services.

The Retailer Energy Productivity Scheme (**REPS**) is a South Australian Government (**Government**) energy productivity scheme that provides incentives for South Australian households and businesses. The objective of the REPS is to improve energy productivity for households, businesses and the broader energy system, with a focus on low-income households. It establishes energy productivity targets to be met by electricity and gas retailers through the delivery of energy productivity activities to South Australian households and businesses.

There is a diverse range of approved energy productivity activities, from the installation of Light Emitting Diode (**LED**) lamps to project impact assessment of a commercial or industrial site.<sup>1</sup> Retailers provide incentives for households or businesses to undertake certain activities which may include a discount on services, free products or products up to a certain value, a cash rebate or vouchers, however some activities may require a minimum co-payment.

The REPS was introduced on 1 January 2021 by the South Australian Government to replace the Retailer Energy Efficiency Scheme (**REES**).

As the administrator of the REPS, the Essential Services Commission (**Commission**) has functions and powers as necessary to give effect to the REPS in South Australia. This includes reporting to the South Australian Minister for Energy and Mining (**Minister**) annually on the operation of the REPS, and from time to time, on any other matter relevant to the REPS.

<sup>1</sup> The full list of current REPS activities can be viewed on the Commission website - <https://www.escosa.sa.gov.au/industry/rep/activities/rep-activities>.

The Commission administers the REPS in accordance with the *Electricity (General) Regulations 2012* and the *Gas Regulations 2012* (**Regulations**). The role of the Commission is to ensure obliged energy retailers (**retailers**) and third-party providers comply with the requirements of the REPS Code.<sup>2</sup>

Further information on the REPS, including the Commission's regulatory role in administering the scheme, can be found on the Commission's website at: [www.escosa.sa.gov.au/industry/rebs/overview/rebs](http://www.escosa.sa.gov.au/industry/rebs/overview/rebs).

## REPS targets and achievement

This section sets out achievements against the targets for overall annual energy productivity, priority group productivity and household productivity.

Those targets are measured in gigajoules<sup>3</sup> (GJ) which are met by delivering activities determined by the Minister. For example, the replacement of a non-directional halogen lamp with a LED lamp<sup>4</sup> in a residential premises is estimated to result in a 'deemed' productivity factor of 0.81 GJ over an assumed lifetime of 10,000 hours. However, the actual savings per year will be dependent on a number of variables such as actual usage and the physical condition of the LED lamp. It is important to understand the results and the deemed energy savings presented in this report in that context.

An energy credit is the difference between a retailer's actual achievement in a year and the retailer's target (if the difference is positive). Activities do not become energy credits for purposes of the REPS, and cannot be applied towards a future target, until the reporting year has closed and those activities have been accepted by the Commission as compliant.

The 'credits applied' amounts are shown in Figures 1, 2, and 3 and

- ▶ where shown below the target line, refer to energy credits created (reported to and accepted by the Commission) in a prior year and applied in satisfaction of the relevant year's targets, or
- ▶ where shown above the target line, refer to energy credits created (reported to and accepted by the Commission) in the relevant year (which may be applied towards future targets at the discretion of the retailer).

Further information on the regulatory framework, including REPS targets, energy credits and achievements can be found on the Commission's website.

<sup>2</sup> Applicable REPS Code for 2022 was version: REPSC/01 - <https://www.escosa.sa.gov.au/ArticleDocuments/21608/20201224-REPS-RetailerEnergyProductivitySchemeCode-Final.pdf.aspx?Embed=Y>.

<sup>3</sup> 1 MWh energy consumption is equivalent to 3.6 GJ.

<sup>4</sup> Assumed light output of at least 650 lumens with an efficacy of at least 100 lumens per watt.

Figure 1: Deemed energy savings (GJ) from energy productivity activities - actual v target

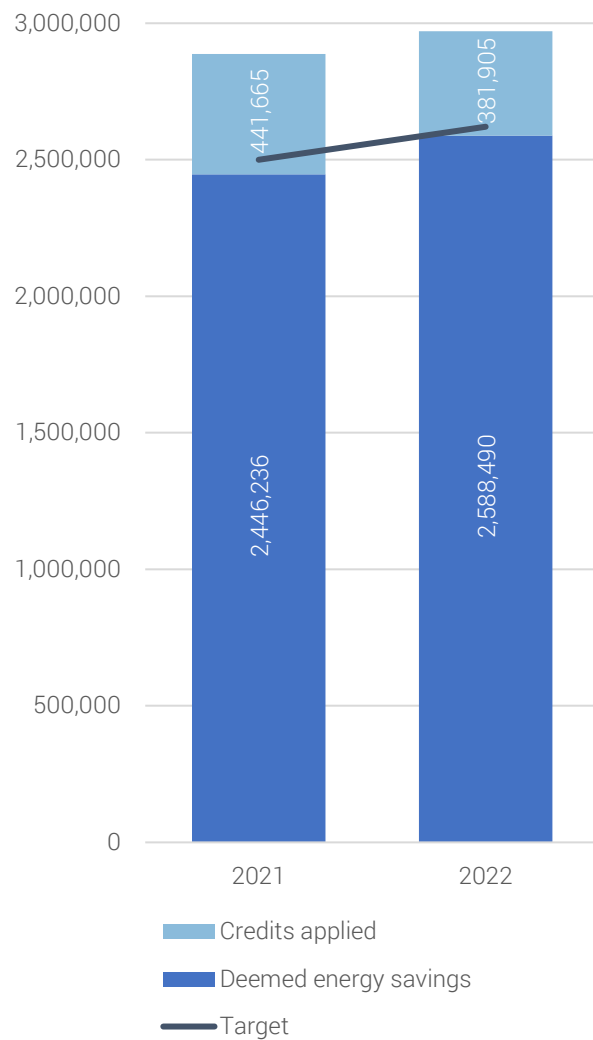
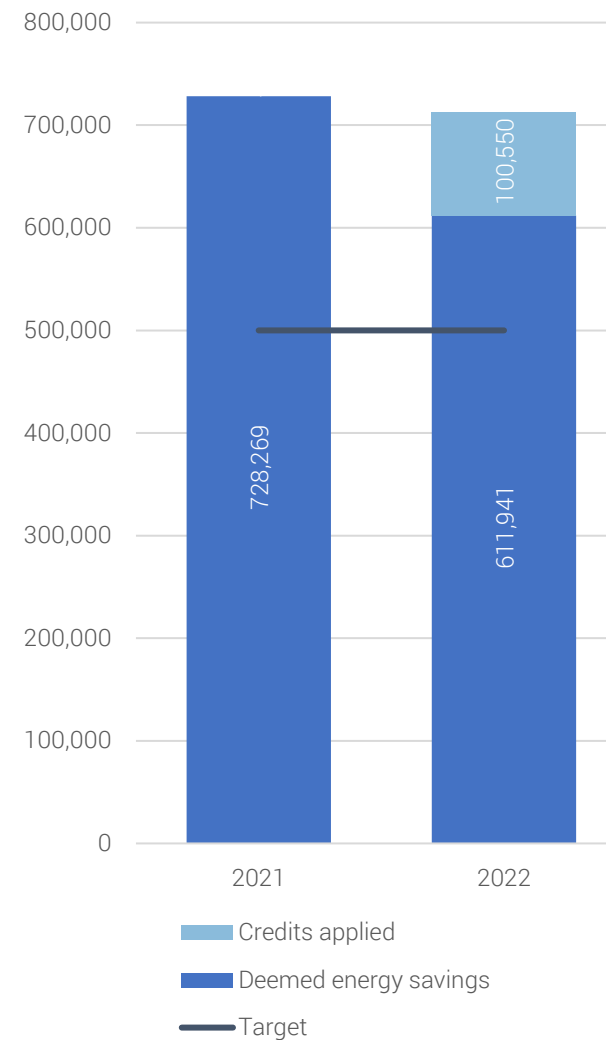


Figure 2: Priority group deemed energy savings (GJ) from energy productivity activities - actual v target



Figure 3: Household deemed energy savings (GJ) from energy productivity activities - actual v target<sup>5</sup>



<sup>5</sup> Note that in Figure 3, the household energy productivity target achievement only includes activities delivered to households not defined as priority group to avoid double counting.

Figures 1, 2 and 3 show that 2022 energy productivity targets were achieved in each category. However, to meet the 2022 Energy Productivity Target, retailers applied credits from 2021 (as permitted under the scheme). Table 1 shows the actual data illustrated in Figures 1, 2 and 3.

Table 1: REPS targets and achievements (GJ)

Target type	2022 targets	Accepted reports	Credits applied	Total 2022 achievement
Energy productivity	2,620,945	2,588,490	381,905	2,970,395
Priority group energy productivity	500,000	551,736	145,388	697,124
Household energy productivity	500,000	611,941	100,550	712,491

Table 2 shows each individual retailer's achievements against apportioned REPS targets in 2022.

Table 2: Obligated retailer target achievement<sup>6</sup>

Obligated retailer	Energy productivity	Priority group energy productivity	Household energy productivity
AGL SA	●	●	●
Alinta Energy	●	●	●
Diamond Energy	●	N/A	N/A
Energy Locals	●	●	●
EnergyAustralia	●	●	●
Flow Power	●	N/A	N/A
Iberdrola Australia	●	N/A	N/A
Lumo Energy	●	●	●
M2 Energy	●	N/A	N/A
Momentum Energy	●	N/A	N/A
Origin Energy	●	●	●
Powerdirect	●	●	●
Red Energy	●	●	●
Shell Energy	●	N/A	N/A
Simply Energy	●	●	●
Weston Energy	●	N/A	N/A
Zen Energy	●	N/A	N/A

Note: ● = target achieved ● = did not undertake sufficient activities to deliver target due to market exit

All retailers met their targets except for Weston Energy Pty Ltd (**Weston Energy**). This shortfall resulted from Weston Energy's suspension from trading in the short-term energy market on 24 May 2022. That action, initiated by the Australian Energy Market Operator, suspended Weston Energy from trading in the short-term energy market.<sup>7</sup> This constituted a Retailer of Last Resort event under the National Energy Retail Law and the

<sup>6</sup> A retailer will be taken not to have failed to achieve the targets that apply to the retailer for a year if the retailer undertakes energy productivity activities in the year sufficient to achieve at least 90 percent of the target.

<sup>7</sup> Refer [https://aemo.com.au/newsroom/news-updates/national-gas-rules\\_public-notice\\_weston-energy](https://aemo.com.au/newsroom/news-updates/national-gas-rules_public-notice_weston-energy).

Australian Energy Regulator revoked Weston Energy's gas retailer authorisation on and from this date and transferred all of its customers to other retailers.<sup>8</sup> Accordingly, Weston Energy did not participate in the South Australian gas retail market for the remainder of the 2022 REPS year and will no longer be subject to the REPS. The Commission has chosen not to take enforcement action against Weston Energy for the shortfall, noting that it did undertake sufficient activities to meet its 'pro rata' target up the point of its suspension.

## REPS 2022 outcomes

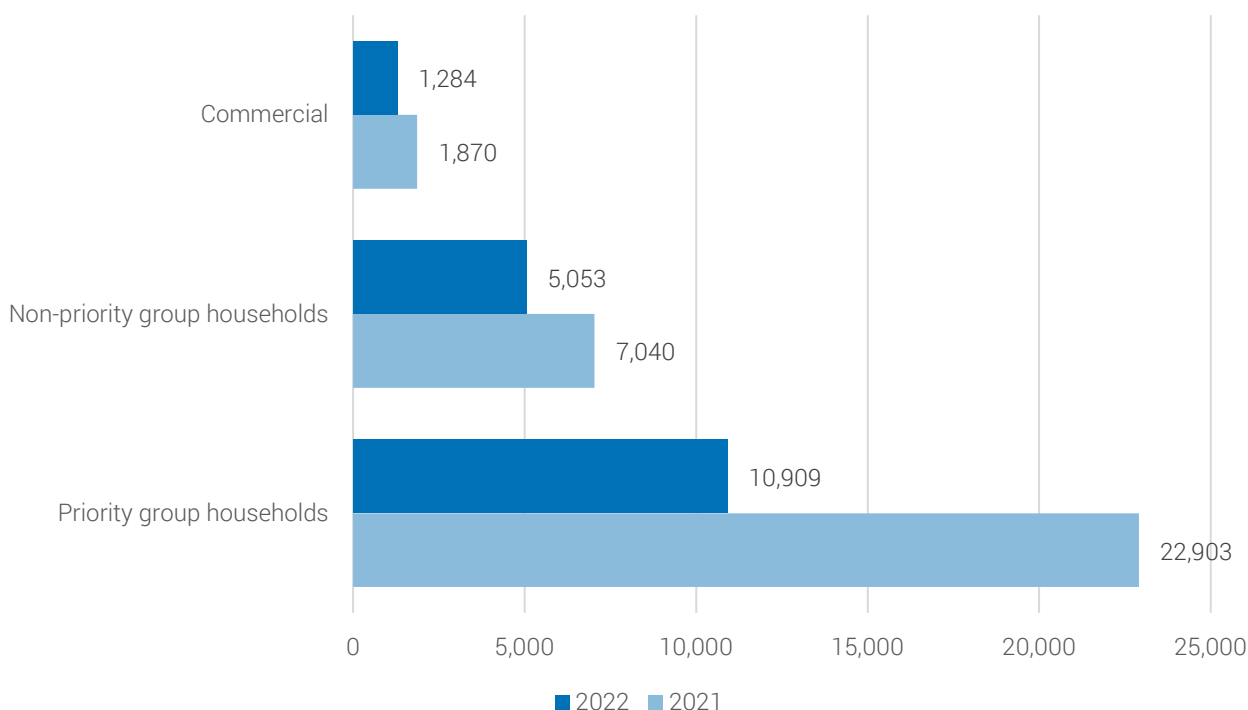
This section analyses the distribution of energy productivity activities delivered, and the type of households and businesses that received energy productivity activities.

The figures provided in this section relate to actual reported energy productivity activities for 2022 and do not include credits applied from 2021.

Figures 4 and 5 show the breakdown of activity by customer type. Commercial activities accounted for 55 percent of all deemed energy savings, seven percentage points higher than 2021. However, they only accounted for seven percent of activities delivered by number. This indicates that commercial activities provide more deemed energy saving per activity than other activities. At the other end of the scale, priority group household activities accounted for 63 percent of all activities by number, but only 21 percent of all deemed energy savings.

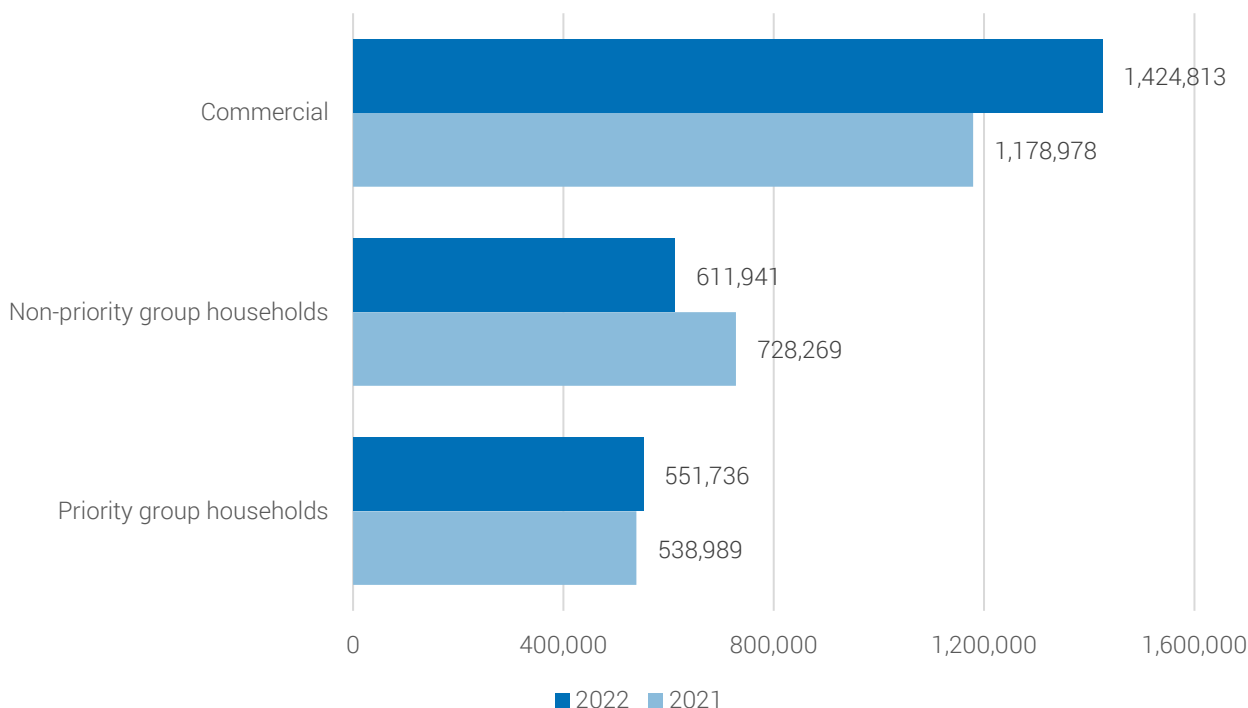
Between 2021 and 2022, the number of activities delivered to priority group households reduced by approximately 52 percent; however, the total deemed energy savings delivered to this group increased by two percent (Figure 5). This indicates an increase in the average deemed savings delivered to priority group households, with an increase in uptake of the higher-value reverse cycle A/C (non-ducted) (93 percent increase) and a decrease in the uptake of lower-value activities such as standby power controllers (92 percent decrease) and lighting (79 percent decrease).

Figure 4: Number of activities delivered by customer type

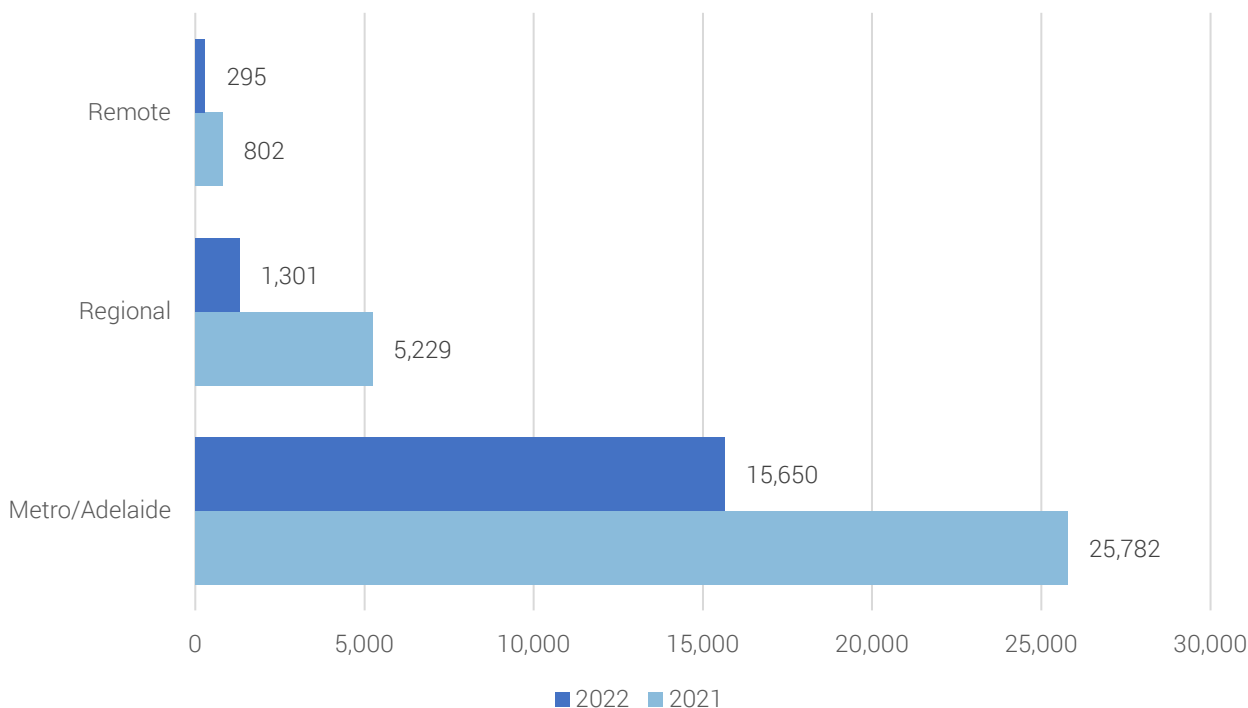


<sup>8</sup> Refer <https://www.aer.gov.au/retail-markets/authorisations/public-register-of-authorized-retailers-authorisation-applications/weston-energy-pty-ltd-authorized-gas-retailer-revoked>.

Figure 5: Deemed energy savings (GJ) by customer type

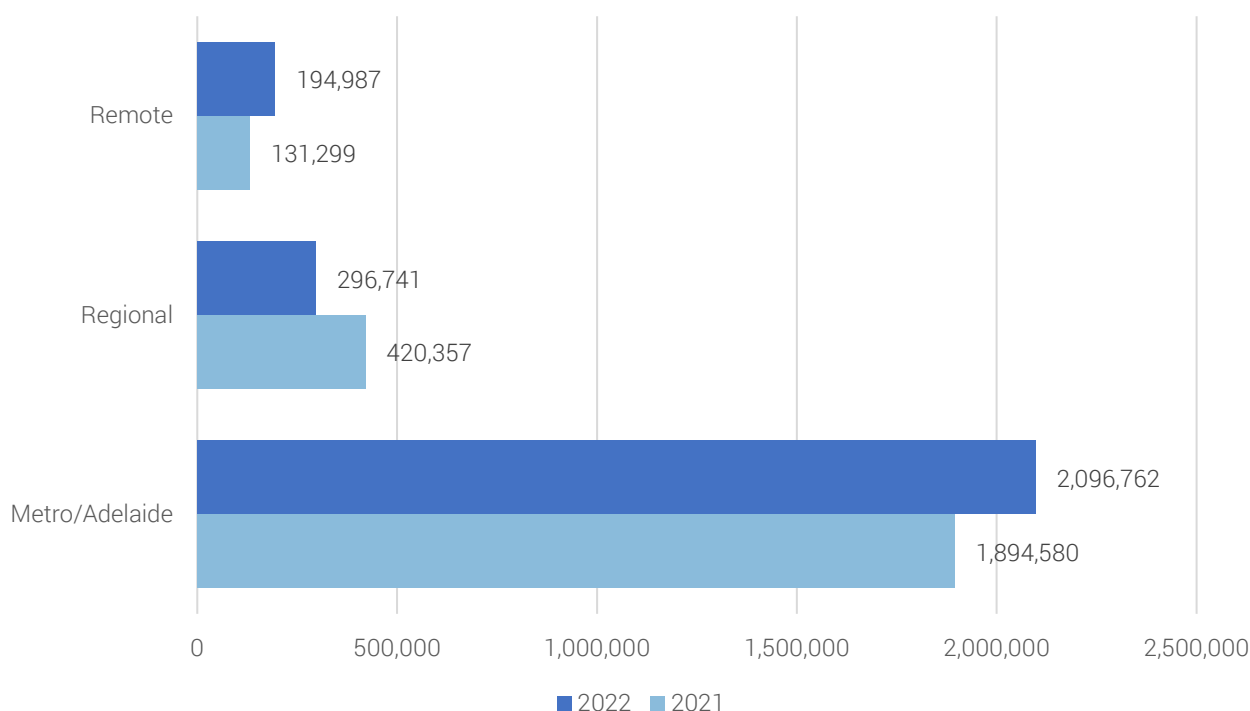


Figures 6 and 7 show the breakdown of activity by region. Metropolitan activities accounted for 81 percent of savings and 91 percent of all activities, compared with 77 percent of savings and 81 percent of all activities in 2021. The other two regions accounted for 11 percent of savings and eight percent of activities (Regional) and eight percent of savings and two percent of activities (Remote) in 2022.

Figure 6: Activities delivered by region (Metro, Regional & Remote<sup>9</sup>)

<sup>9</sup> The metro, regional, and remote regions were determined using the Australian Bureau of Statistics' Remoteness Areas which are defined on the basis of relative access to services.

Figure 7: Deemed energy savings (GJ) by region (Metro, Regional &amp; Remote)



Figures 8 and 9 show REPS activity by tenure type.

There were 1,284 REPS activities delivered to commercial premises: approximately 1.4 million GJ of deemed energy savings. All of those commercial activities were reported to have occurred with co-payments.<sup>10</sup>

Owner-occupied housing contributed to the majority of residential activities (64 percent of total residential activities). Private rental comprised 16 percent of residential activities and public rental 20 percent. Compared with 2021, private rental's share of total activities has dropped by 10 percentage points while its share of deemed energy savings increased by two percentage points.

Of residential activities, 47 percent were reported to have occurred with co-payments. Owner-occupied housing had the highest rate of reported co-payments, which occurred in 58 percent of activities. Public rental activities had the lowest rate of reported co-payments, occurring in 13 percent of activities. For private rentals, 44 percent were reported to occur with co-payments.

<sup>10</sup> A co-payment is defined as payment to the installer by the recipient of REPS activities for the goods and services provided, with the payment being a minimum of \$33 (including GST). The co-payment is required under the scheme once per premises; however, recipients of certain activities and priority group households are not required to make a co-payment.

Figure 8: Activities delivered by tenure type

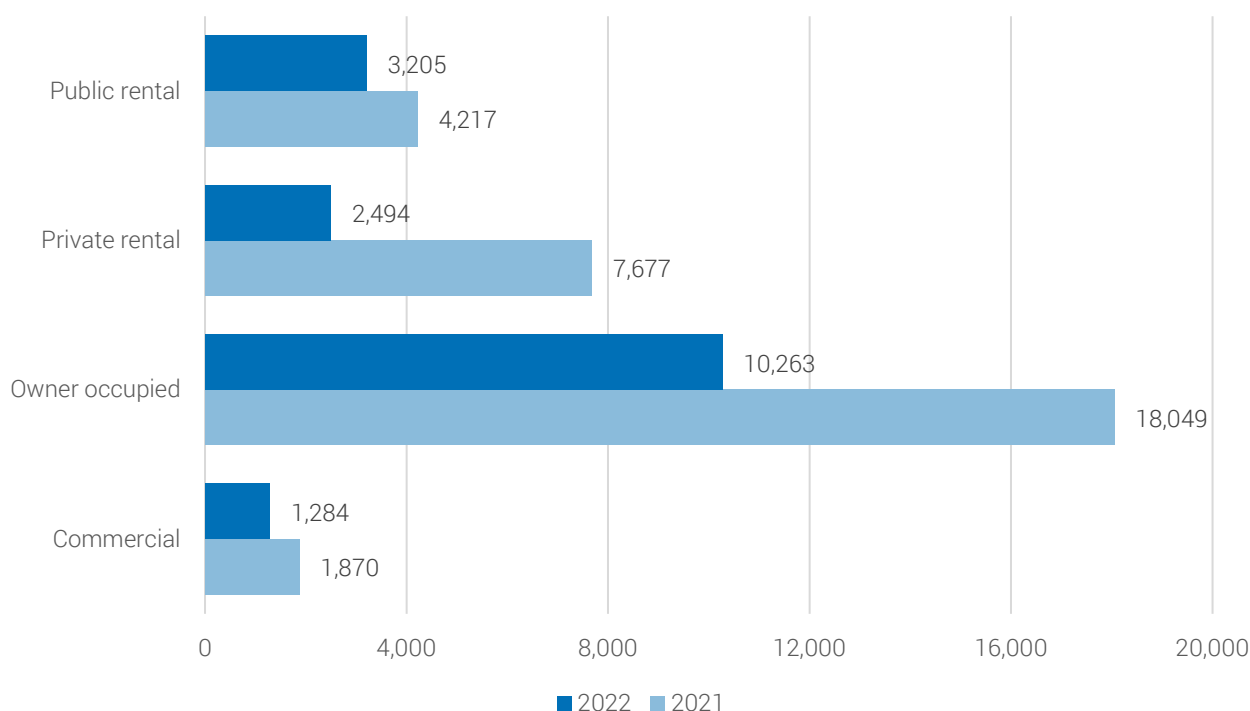


Figure 9: Deemed energy savings (GJ) by tenure type

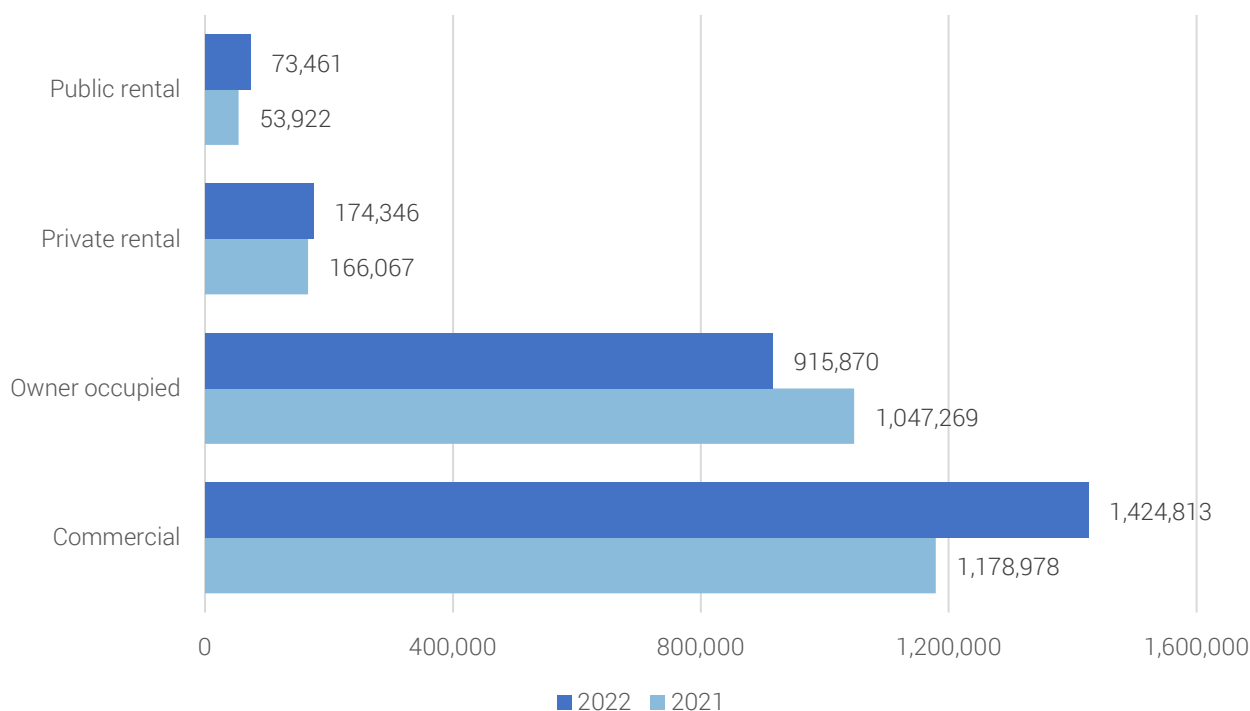


Table 3 shows REPS activities as a percentage of the total activities delivered and the percentage of total deemed energy savings delivered in 2022. Ninety three percent of deemed energy savings were delivered through commercial lighting upgrades (54 percent), installation of efficient new reverse cycle air conditioners (A/C) (non-ducted) (26 percent) and replacement or upgrading of water heaters (13 percent).

Retailers delivered 14 of the 31 activities available in 2022, compared with 15 in 2021. No new REPS activities were delivered in 2022.



Table 3: Activity types delivered in 2022

Activity <sup>11</sup>	Activities delivered	Percentage of total activities delivered (percent)	Deemed energy savings (GJ)	Percentage of total deemed energy savings (percent)
Building sealing	20	0	154	0
Ceiling insulation	195	1	39,513	2
Ceiling insulation top up	15	0	1,950	0
Commercial lighting	1,170	7	1,389,181	54
Connect battery to virtual power plant	153	1	15,648	1
Purchase clothes drier	587	3	30,216	1
Purchase freezer	34	0	487	0
Purchase fridge or fridge freezer	347	2	8,157	0
Remove secondary fridge or freezer	836	5	22,316	1
Residential lighting	3,551	21	22,042	1
Reverse cycle A/C (non-ducted)	4,226	25	678,224	26
Shower head	2,894	17	39,249	2
Standby power controller (TV)	666	4	1,756	0
Water heater	2,55	15	339,595	13
<b>Total<sup>12</sup></b>	<b>17,246</b>	<b>100</b>	<b>2,588,490</b>	<b>100</b>

## Cost to deliver the REPS in 2022

To ensure commercial confidentiality of the pricing data submitted by the retailers, the report aggregates retailers' activity prices. Additionally, where activities have been delivered by two or fewer retailers for the year, the prices of that activity have been excluded from the report to protect confidentiality.

Table 4: Cost (\$, excl GST) per GJ by activity (delivered)

Activity	Minimum	Maximum	Average
Ceiling insulation	10.45	20.07	12.95
Commercial lighting	8.90	15.00	11.21
Residential lighting	11.00	19.90	13.96
Reverse cycle A/C (non-ducted)	9.50	22.58	13.13
Shower head	10.00	45.55	17.30
Standby power controller (TV)	11.00	41.96	19.33
Water heater	9.95	28.35	13.28

Table 4 shows the cost per GJ (excluding GST) of each delivered activity. These vary between activity types, reflecting differences in the associated costs of delivery (for example, due to technical efforts or requirements). Some activities are only delivered by a small number of activity providers. This may be due to various market conditions or because of the skills and licensing required to deliver those activities; for

<sup>11</sup> REPS activities are defined by the Minister by gazette notice. The full list of the current REPS activities and their descriptions can be found on the Department for Energy and Mining's website - <https://www.energymining.sa.gov.au/industry/energy-efficiency-and-productivity/retailer-energy-productivity-scheme-reps/reps-activity-specifications>.

<sup>12</sup> Totals may not add up due to rounding.

example installation of air-conditioning systems. Where there were cost outliers, some retailers explained that this was due to those activities being completed in small quantities for the year, resulting in higher overhead costs per GJ.

The average cost of activities delivered in 2022 was \$13.85 per GJ, compared with \$14.42 in 2021. In addition, commercial lighting had an average cost of \$11.21 per GJ and delivered 54 percent of deemed energy savings in 2022 compared with an average cost of \$11.50 per GJ and 45 percent of deemed energy savings in 2021.

Table 5 shows the cost per GJ (excluding GST) of each activity not delivered based on either quotes or internal calculations. Average costs ranged from \$10.20 to \$36.00, though the majority fell within the range of \$10 to \$25. The average estimated cost of activities not delivered in 2022 was \$18.88 compared with \$15.61 in 2021.

Some activity types included in Table 4 are also included in Table 5, as they had been delivered by some retailers in 2022 and not delivered by other retailers (reported as either a quoted or calculated cost).

Table 5: Cost per GJ (\$, excl GST) by activity (not delivered)

Activity	Minimum	Maximum	Average
Building sealing	36.00	36.00	36.00
Ceiling insulation	13.12	15.40	14.27
Ceiling insulation top up	13.20	14.70	13.95
Commercial and industrial demand savings	10.20	10.20	10.20
Commercial lighting	9.95	12.10	11.03
Connect A/C to DR aggregator	10.20	41.00	32.68
Connect battery to virtual power plant	16.00	30.50	20.83
Connect electric vehicle charger to DR Aggregator	23.62	23.62	23.62
Connect heat pump water heater to DR Aggregator	11.00	30.20	19.55
Connect pool pump to DR aggregator	11.00	30.20	17.40
High efficiency pool pump	11.00	36.00	20.49
NABERS building demand savings	10.20	11.00	10.73
Purchase clothes drier	19.62	19.62	19.62
Purchase freezer	19.62	27.50	23.56
Purchase fridge or fridge freezer	19.62	26.50	23.06
Refrigerated display cabinet	10.20	27.50	14.93
Remove secondary fridge or freezer	15.20	23.60	19.49
Residential down-lights	11.00	36.00	23.09
Residential floodlights	11.00	31.00	20.95
Residential lighting	11.20	21.50	14.38
Reverse cycle A/C (ducted or multi-split)	13.00	36.00	24.28
Reverse cycle A/C (non-ducted)	12.20	17.50	14.97
Shower head	10.20	20.50	13.76
Standby power controller (IT)	11.00	24.50	15.16
Standby power controller (TV)	13.67	25.50	19.11
Switch to time of use tariff	29.20	29.20	29.20
Water heater	11.20	19.50	13.68

## Competition in activity delivery

The Minister has requested that the Commission's annual REPS report cover competition in activity delivery and any identified barriers to competition in the delivery of eligible activities. A key recommendation from the REES Review Report was to include transparency measures to promote greater competition.<sup>13</sup>

Data indicates that three of the nine REPS activity providers delivered approximately 81 percent of submitted activities in 2022 (measured in GJ). This is consistent with the market share observed for the previous five years, noting that market share for all individual providers has fluctuated from year to year.

Given the concentration in activity delivery, retailers were required to report on barriers to competition and the processes used to secure contracts.

Retailers reported that they opted to engage providers who were active in the REPS in 2021, despite also considering new entrants. A third of the retailers ran open tenders in the market when choosing providers, while others relied on closed tenders (including two with eight submissions) as well as requests for quotations or referral. Some retailers already had multi-year contracts in place with activity providers. Others opted to deliver some or all their REPS activities 'in-house'. Where retailers sought to engage activity providers from the market based on tender submissions, they primarily considered the price, compliance track record and capability of the activity providers.

Concentration of activity among a small number of providers appears to reflect their strong reputations for quality and reliability. There have been some shifts in market share over time, with three providers entering the market and two exiting since 2019. New entrants and existing providers with a smaller market share can still offer competition if they can demonstrate a reputation for quality and reliability and compete on price.

Overall, there are some indicators of barriers to competition in activity delivery. Based on information reported to the Commission, there are limited opportunities for new entrants to secure contracts with a strong reliance on existing providers that already have a track record in meeting regulatory requirements, and high costs associated with meeting these requirements. Other barriers identified by providers include the reduced scale benefits in activities each year (due to the impact of 'low multipliers') and other set-up costs.

## Compliance outcomes

Retailers are required to submit a Compliance Plan to the Commission each year. All retailers had a Compliance Plan in place for 2022 that complied with the requirements of the REPS Code.

To promote data quality, the REPS system has built-in checks for the collection of accurate data. At the simplest level, the system's automated compliance testing restricts data entry to valid data types and specific ranges of numerical data only. To provide further data quality assurance, the Commission also conducts planned audits of REPS transactions reported during the course and at the conclusion of the year, based on issues that were identified and considered possibly medium-to-high risk throughout 2022.

In assessing compliance, the Commission focused on activities relating to commercial lighting, air-conditioning and water heating due to the high frequency of these activities and high percentage of total deemed energy savings delivered with them. Water heating and air-conditioning activities were also a compliance focus due to the number of consumer complaints received. The Commission assisted the resolution of these complaints and conducted targeted investigations of activities that were lodged, to verify compliance with the REPS requirements. The Commission is continuing to monitor these types of activities on an ongoing basis.

At the end of 2022, the Commission undertook desktop audits of a sample of activity-based REPS data. No instances of non-compliant energy productivity activity data were identified. The Commission was satisfied with the activity packs submitted for audit by retailers and no activities were rejected for non-compliance in

<sup>13</sup> [https://www.energymining.sa.gov.au/\\_data/assets/pdf\\_file/0018/670023/2019\\_REES\\_Review\\_Report.pdf](https://www.energymining.sa.gov.au/_data/assets/pdf_file/0018/670023/2019_REES_Review_Report.pdf).

this review. The Commission acknowledges the efforts made by retailers under the REPS to maintain ongoing compliance with scheme requirements.

To continue to promote compliance with the scheme, the Commission is publishing compliance and audit outcomes on its website.<sup>14</sup>

## Further information

Further information on the REPS regulatory framework and time series performance data can be found on the Commission's website at: [www.escosa.sa.gov.au/industry/reps/overview/reps](http://www.escosa.sa.gov.au/industry/reps/overview/reps).

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<sup>14</sup> <https://www.escosa.sa.gov.au/industry/reps/compliance>.