

# REVIEW OF THE RETAILER ENERGY EFFICIENCY SCHEME GUIDELINE

*Final Decision*

September 2015



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The Essential Services Commission of South Australia 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, please visit [www.escosa.sa.gov.au](http://www.escosa.sa.gov.au)

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## GLOSSARY OF TERMS

<b>AEMO</b>	Australian Energy Market Operator
<b>Commission</b>	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
<b>Department</b>	Department for State Development
<b>Designated Electricity Purchase</b>	Purchase of 1,000 MWh or more of electricity for on-selling and subsequent use in South Australia through an individual contract for sale
<b>Designated Energy Purchase</b>	Either a Designated Electricity Purchase or Designated Gas Purchase
<b>Designated Gas Purchase</b>	Purchase of 3,600 GJ or more of gas for on-selling and subsequent use in South Australia through an individual contract for sale
<b>DLF</b>	Distribution Loss Factor
<b>EET</b>	Energy Efficiency Target
<b>ESC Act</b>	<i>Essential Services Commission Act 2002</i>
<b>GJ</b>	Gigajoules
<b>Guideline</b>	<i>REES Guideline - Statistical Information - Energy Industry Guideline No. 6.</i>
<b>Minister</b>	The Minister for Mineral Resources and Energy, responsible for the administration of the <i>Electricity Act 1996</i> and/or the <i>Gas Act 1997</i>
<b>MIRN</b>	Meter Installation Reference Number
<b>MWh</b>	Megawatt hours
<b>NMI</b>	National Meter Identifier
<b>REES</b>	Retailer Energy Efficiency Scheme
<b>Regulations</b>	The <i>Electricity (General) Regulations 2012</i> and the <i>Gas Regulations 2012</i>
<b>Scheme</b>	Refer to REES

## EXECUTIVE SUMMARY

The Essential Services Commission of South Australia (**Commission**) is established under the *Essential Services Commission Act 2002 (ESC Act)* as a regulator of certain essential services in South Australia, with the primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality and reliability of those essential services.

One of the Commission's functions within both the electricity and gas industries is to administer the Retailer Energy Efficiency Scheme (**REES**). That scheme was established by the South Australian Government and commenced on 1 January 2009. REES requires energy retailers which meet specified thresholds of customer numbers and energy sales to provide energy audits and energy efficiency activities to South Australian households and businesses in accordance with annual Ministerial targets.

The Minister for Mineral Resources and Energy (**Minister**) has set the REES obligation thresholds, targets and methodology to apportion REES annual targets to obliged retailers to apply for the years 2015 to 2017. The Commission is responsible for determining which energy retailers are REES obliged retailers, and for apportioning the Minister's targets to those retailers.

In December 2014, the Commission issued *REES Guideline - Statistical Information - Energy Industry Guideline No. 6 (Guideline)* setting out the data that retailers must report so that the Commission can apportion REES targets.

The process of apportioning the REES 2015 targets and feedback from retailers highlighted the need for further clarification and reconsideration of some aspects of the Guideline. Accordingly, the Commission undertook a review and has now revised the Guideline.

This Final Decision discusses designated electricity and gas purchases. These are energy purchases made by a retailer for the purposes of supplying energy to large customers (those consuming more than 1,000 megawatt hours (**MWh**) or 3,600 gigajoules (**GJ**) of energy in a year<sup>1</sup>). These amounts, grossed up by distribution losses, can be netted off a retailer's total electricity and gas purchases in apportioning the annual Energy Efficiency Target (**EET**). The Guideline requires retailers to report large customer sales data as a proxy for designated electricity and gas purchases.

This Final Decision paper sets out the Commission's decisions on the following changes to the Guideline, to:

- ▲ require customer sales to be based on actual consumption for the period 1 July to 30 June, rather than sales for bills issued in that period
- ▲ allow retailers to gross up customer sales by the relevant Distribution Loss Factors (**DLF**) applying to the sites supplied

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<sup>1</sup> As set by the Minister in the South Australian Gazette (published on 11 December 2014).

- ▲ require the following additional information to be provided by retailers in their Statistical Information Annual Return:
  - consumption for each site where multiple sites have been aggregated under a single customer contract
  - the DLF applied to each National Meter Identifier (**NMI**)
  - total consumption in the year for each NMI grossed up by the DLF
  - total wholesale electricity and gas purchases for retailing to South Australian customers
- ▲ provide examples of the types of records that retailers must maintain as evidence of their designated energy purchases
- ▲ require retailers to have a documented process in place regarding producing designated energy purchases data
- ▲ clarify that the Commission has the authority and power to administer REES and deal with issues within the bounds of the legal framework.

In making this Final Decision, the Commission sought stakeholder comment on the Draft Decision by way of a public consultation, which commenced on 31 July 2015. Submissions were received from:

- ▲ Alinta Energy
- ▲ ERM Power
- ▲ Momentum Energy
- ▲ Origin Energy

The Commission has been assisted by the submissions it has received through this review process.

# 1. INTRODUCTION

## 1.1 Purpose of this Final Decision

The Commission has made a Final Decision on amendments to the *REES Guideline - Statistical Information - Energy Industry Guideline No. 6 (Guideline)*.

The changes are to clarify aspects of the Guideline to ensure consistency in the data provided by retailers.

## 1.2 The Commission's role in REES

The Essential Services Commission of South Australia is established under the *Essential Services Commission Act 2002* as a regulator of certain essential services in South Australia, with the primary objective of protecting the long-term interests of South Australian consumers with respect to the price, quality and reliability of those essential services.

One of the Commission's functions within both the electricity and gas industries is to administer the REES. That scheme was established by the Government of South Australia and commenced on 1 January 2009. REES requires energy retailers which meet specified thresholds of customer numbers and energy sales to provide energy audits and energy efficiency activities to South Australian households and businesses in accordance with annual Ministerial targets.

REES is given statutory effect through Parts 4 of the *Electricity (General) Regulations 2012* and *Gas Regulations 2012 (Regulations)*. The Regulations establish the Commission as the administrator of REES and provide that REES will run until 31 December 2020.

The Minister has set REES obligation thresholds and overall targets, and the methodology to apportion those targets to obliged retailers for the years 2015 to 2017. The Commission is responsible for determining which energy retailers are REES obliged retailers and for apportioning the Minister's targets amongst those retailers.

## 1.3 Determining obliged retailers and apportioning of REES targets

The Minister has set the methodology by which the Commission determines which retailers have REES obligations in any year. A retailer will be obliged under REES if, in the preceding financial year:

- ▲ it retailed electricity to 5,000 or more South Australian residential customers, or retailed gas to 5,000 or more South Australian residential customers; or
- ▲ its total electricity purchases less designated electricity purchases were greater than 27,000 MWh, or its total gas purchases less designated gas purchases were greater than 100,000 GJ.

Designated electricity purchases are electricity purchases made by a retailer for the purposes of supplying electricity to customers that consume more than 1,000 MWh of electricity in a year. Designated gas purchases are gas purchases made by a retailer for the purposes of supplying gas to customers that consume more than 3,600 GJ of gas in a year. For simplicity, this Final Decision refers to the 1,000 MWh and 3,600 GJ levels as “large customer thresholds”.

The Minister has also set the methodology to be used by the Commission to apportion REES annual targets to obliged retailers. The annual Energy Audit Target and Priority Group Energy Efficiency Target are apportioned only to retailers with 5,000 or more South Australian residential electricity customers or 5,000 or more South Australian residential gas customers. The apportionment is based on a retailer’s share of total electricity and gas residential customers of obliged retailers.

The annual Energy Efficiency Target (**EET**) is apportioned to retailers according to their proportion of total energy (electricity and gas combined) purchases less designated energy purchases. The apportionment methodology is detailed in Annexure A.

To determine obliged retailers and apportion REES targets, the Commission requires retailers to provide the following statistical information:

- ▲ their number of South Australian residential customers at the end of the preceding financial year
- ▲ their total designated electricity (grossed up by distribution losses) and gas purchases in the preceding financial year.

The Australian Energy Market Operator (**AEMO**) provides total retailer electricity and gas purchases to the Commission.

The Guideline requires retailers to report customer sales of large customer’s data as a proxy for designated electricity and gas purchases.

In December 2014, the Commission issued a Guideline establishing these statistical information requirements.

The process of apportioning the REES 2015 targets and feedback from retailers highlighted the need for further clarification and reconsideration of some aspects of the Guideline. The Commission also received a request to consider allowing designated energy purchases to be included where a customer’s annualised energy purchases exceed the large customer threshold (refer section 2.6). The Commission undertook a review and, in July 2015, released a Draft Decision on proposed changes to the Guideline. In summary, the Draft Decision proposed to:

- ▲ require customer sales to be based on actual consumption for the period 1 July to 30 June, rather than sales for bills issued in that period
- ▲ allow retailers to gross up customer sales by the relevant Distribution Loss Factors (**DLF**) applying to the sites supplied



- ▲ require additional information to be provided by retailers in their Statistical Information Annual Return
- ▲ provide examples of the types of records that retailers must maintain as evidence of their designated energy purchases
- ▲ require retailers to have a documented process in place regarding producing designated energy purchases data
- ▲ clarify that the Commission has the authority and power to administer REES and deal with issues within the bounds of the legal framework.

These changes do not alter what designated energy purchases a retailer can report to the Commission, but aim to clarify matters to ensure consistency of reporting by retailers.

In accordance with Part 4 of the ESC Act and the Commission's Charter of Consultation and Regulatory Practice, the Commission consults with all stakeholders when making or varying industry guidelines.

With the release of the Draft Decision in July 2015, the Commission invited written submissions on its proposed changes to the Guideline as described above. The Commission received submissions from Alinta Energy (**Alinta**), ERM Power (**ERM**), Momentum Energy (**Momentum**) and Origin Energy (**Origin**). Copies of these submissions are available on the Commission's website.

The issues raised by stakeholders through the consultation period have been carefully considered and, where relevant, certain arguments and submissions have been mentioned in the text to assist in understanding the decisions that have been reached.

A failure to reference an argument or submission does not mean that it has not been taken into account in reaching the final positions. While not all of the positions put in the submissions have been adopted, all submissions have been helpful in considering each of the relevant issues.

## 2. DISCUSSION

Respondents to the Draft Decision were generally supportive of the proposed changes. Momentum and Origin suggested changes to how customer consumption is recorded (section 2.1). Origin questioned the need for retailer wholesale energy purchases to be reported to the Commission (section 2.3). Submissions from ERM, Momentum and Origin questioned the need for retailers to identify confidential information submitted to the Commission (section 2.5). Alinta's submission made no specific comments on changes to the Guideline, but noted that the revised requirements were achievable.

The ERM and Momentum submissions also requested that the Commission and the Department for State Development (**Department**) consider amending the legal framework, in particular the methodology used for setting targets. This matter relates to ERM's request to amend the Guideline to allow a retailer's sales to a customer to be included as designated energy purchases where a customer's annualised energy purchases (not just their actual sales) exceed the large customer threshold (section 2.5). The Minister is responsible for making and amending the Regulations. The Commission will inform the Department of the matters raised by ERM and Momentum.

Taking into account the matters raised, the Commission has reviewed its rationale for the proposed changes, and sets out its Final Decision below.

### 2.1 *Energy sales and consumption*

The Guideline states that electricity or gas customer sales are "actual billed sales" in the 12 months to 30 June of the previous financial year.

It has become apparent that there could be different interpretations of what is required to be reported as energy sales to large customers. In most instances, the Commission was satisfied with how retailers reported energy sales data for the 2014 financial year; however, the Draft Decision proposed to clarify this matter by changing Clauses 2.2.4(iii) and 2.2.5(iii) of the Guideline so that customer electricity and gas sales are the "actual consumption, as billed" by customers, rather than sales for bills issued in the year.

Origin was concerned that this definition was unclear and that actual consumption would be most accurately recorded by allowing retailers to prorate customer consumption for the period 1 July to 30 June. Momentum submitted that some customers still have old accumulation meters, for which usage is billed either on a pro-rated estimated basis each month or on an actual basis after a meter read (which is likely to be every three months). This may mean that actual consumption, as billed, may not be available until a few months into the next financial year for some customers.

The Commission acknowledges that there are different methods to record energy sales as a proxy for designated energy purchases. Two options are:

1. Energy sales based on consumption

Retailers would report actual customer consumption for the period 1 July to 30 June of each financial year. Most large customers are billed monthly as at the end of the month, so reported consumption would be the 12 monthly billed amounts. For customers that are not billed as at the end of the month, a retailer may need to prorate customer consumption for the period 1 July to 30 June by adjusting billed amounts at the start and end of the financial year.

2. Energy sales based on bills issued

Retailers would report “sales for bills issued” in the 12 months to 30 June of each financial year. This interpretation, for example, would mean that sales on a bill issued after 1 July 2015, but relating to consumption between 1 July 2014 and 30 June 2015, would be excluded for the year end 30 June 2015.

The Commission’s preferred approach is for retailers to report actual customer consumption for the period 1 July to 30 June (option 1 above). This would most closely align the period for which energy sales to large customers are reported with the period reported for gross energy purchases (as provided by AEMO). If actual customer consumption for a period is unavailable, such as where a customer’s meter is manually read quarterly, it would be acceptable to include an estimate in accordance with standard metrology practice. Reported consumption must be verifiable by customer invoices (refer section 2.4).

The Commission acknowledges that retailers may gather energy sales data in different ways and that prorating consumption for customers not billed as at the end of the month may cause issues for some retailers. If, due to cost or other factors, it is difficult for a retailer to comply with this requirement, the Commission will consider an application from a retailer to use an alternative methodology for calculating customer consumption.

**Final Decision:**

Clauses 2.2.4(iii) and 2.2.5(iii) of the Guideline will be amended to reflect that customer electricity and gas sales are the actual consumption by that customer between 1 July and 30 June. Where a retailer has difficulty meeting this requirement, the Commission will consider an alternative proposed methodology for calculating customer consumption.

## 2.2 *Distribution Loss Factor (DLF)*

The DLF describes the average electrical energy losses for electricity distributed to an end-user’s connection point through a distribution network from the relevant transmission

network connection point or virtual transmission node, during the financial year in which they apply.<sup>2</sup>

For the 2013-14 reporting year, the Commission requested that retailers gross-up customer sales by the appropriate DLF for the site supplied (although the Guideline didn't include this). This ensured that designated energy purchases were reported on a consistent basis with gross energy purchases (as reported by AEMO). The DLFs that should be applied are published each year by AEMO.<sup>3</sup>

The Draft Decision proposed to amend the Guideline to reflect the above position.

No submissions were received to the Draft Decision relating to this change. This change formalises procedures that the Commission developed in conjunction with retailers during the 2015 target setting process.

**Final Decision:**

Clause 2.2.4 will be amended to allow retailers to gross up customer electricity sales by the appropriate DLFs (as published by AEMO) applying to the sites supplied.

### 2.3 *Statistical Information Annual Return*

Annexure A of the Guideline contains the proforma that retailers must complete and submit to the Commission to enable it to determine retailers' annual REES obligations. Pursuant to Annexure A, retailers must provide the following information (for electricity and gas separately):

- ▲ total number of residential customers as at 30 June of the financial year
- ▲ total customer sales above the large customer thresholds for the financial year, and
- ▲ sales to each customer that consumed above the large customer thresholds.

The Draft Decision proposed to increase the amount of information requested in Annexure A. The following additional data, relating to designated energy purchases, was proposed to be collected:

- ▲ consumption for each site where multiple sites had been aggregated under a single customer contract
- ▲ the DLF applied to each NMI, and
- ▲ total consumption in the year for each NMI grossed up by the DLF.

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<sup>2</sup> Australian Energy Market Operator, Distribution Loss Factors for the 2014/15 Financial Year, 2014, p. 3, available at <http://www.aemo.com.au/Electricity/Market-Operations/Loss-Factors-and-Regional-Boundaries/Distribution-Loss-Factors-for-the-2014-2015-Financial-Year>.

<sup>3</sup> Australian Energy Market Operator, pp. 18-19.

The Draft Decision also proposed that retailers report their total electricity and gas purchases to the Commission. The Commission receives, from AEMO, data on electricity and gas purchases in the wholesale energy market for the financial year.

These proposed changes were made to allow the Commission to undertake upfront analysis to minimise the need for auditing and reduce errors in data reported by retailers.

Origin commented that the proposed requirement for retailers to report their total electricity and gas purchases to the Commission either required further clarification or should be removed. Origin Energy suggested that clause 2.2.1 (d) be amended to reflect that energy purchases relate to purchases in the wholesale market for the purposes of retailing to South Australian customers. Origin also commented that it was unclear whether retailer or AEMO data would be used by the Commission in the event of a discrepancy.

The Commission agrees with Origin that clause 2.2.1 (d) should be amended to refer to energy purchases in the wholesale market for retailing to South Australian customers. The Commission also acknowledges that there is a defined process for settling electricity and gas purchases made on the wholesale market, and that the settlement process for the period to 30 June is not usually complete by the due date for returns under this Guideline (30 August). Ordinarily, the Commission would not increase regulatory requirements where data is available from an alternative source. However, it is essential for the integrity of REES that correct data is used in setting annual targets. Requiring retailers to report this metric will help to highlight any material discrepancies between retailer and AEMO data and discrepancies between a retailer's total energy purchases and its designated energy purchases. It is therefore considered warranted to request that retailers report wholesale market energy purchases for retailing to South Australian customers.

In the event of unresolvable discrepancies between retailer and AEMO energy purchases data, the Commission will place primary reliance on data sourced from AEMO.

**Final Decision:**

Annexure A of the Guideline will be expanded to require the following additional information to be reported by retailers:

- ▲ energy consumption relating to all sites aggregated under a single customer contract
- ▲ the DLF applied to each NMI
- ▲ total energy consumption in the year for each NMI grossed up by the DLF, and
- ▲ total wholesale electricity and gas purchases for retailing to South Australian customers.

Clauses 2.2.1 (d) and 2.2.4 will be amended to refer to energy purchases in the wholesale market for retailing to South Australian customers. Clause 2.2.4 will also be amended to state that, for energy purchases data, the Commission will place primary reliance on that data sourced from AEMO, for the purposes of apportioning energy efficiency targets.

## 2.4 Verifiable information and documentation of processes

Clause 1.4 of the Guideline states that retailers must maintain records and reporting arrangements which enable information provided to the Commission to be verified.

The Draft Decision proposed to clarify that the records required to evidence designated energy purchases data include:

- ▲ customer invoices verifying consumption amounts claimed as Designated Energy Purchases.
- ▲ individual contracts for sale verifying which customer sites are covered by each contract.

Appropriate evidence that multiple customer sites are covered by one contract would be a schedule from the contract that lists all the NMIs (for electricity) and Meter Installation Reference Numbers (**MIRN**) (for gas) covered by the contract. It is not sufficient evidence that sites are consolidated by the retailer as a single customer in their billing or customer management system.

The Draft Decision also proposed to require retailers to document the processes utilised to collect and verify Designated Energy Purchases data so that it can be collected and verified on a consistent basis each year.

No submissions were received to the Draft Decision relating to this change. The above evidence requirements simply clarify positions already agreed with retailers through the 2015 target apportionment process, and should not require any procedural changes for retailers. It is expected that retailers will already have documented their processes to collate data under this Guideline, and that the new requirement to do so will not be onerous.

### **Final Decision:**

Current Clause 1.4 will be moved to section 2 of the Guideline which will contain examples of the types of records that retailers must be able to provide on request. Clause 2.4.2 will also include a requirement for retailers to have a documented process in place regarding producing Designated Energy Purchases data.

## 2.5 REES administration and confidentiality of information

The Regulations give the Commission the functions and power to administer REES and ensure that retailers comply with the relevant requirements of the Regulations. The ESC Act provides the Commission with the authority to make a guideline to help in the performance of its functions.

The Draft Decision proposed to amend the Guideline to confirm the authorities under which the Commission administers REES and the powers and functions given to the Commission.

The Draft Decision also proposed that retailers must identify any confidential information submitted to the Commission under the Guideline.

ERM, Momentum and Origin submitted that data reported under the Guideline should be assumed to be confidential and that it is not appropriate to place the onus on retailers to identify confidential information in their supplied data.

The Commission recognises that some data supplied by retailers under the Guideline will be commercially sensitive. The Commission does not intend to use information reported under the Guideline for any purpose other than apportioning REES annual targets. If the Commission wished to publically release any information received under this Guideline in future it would seek agreement from retailers.

The Commission acknowledges the concerns expressed by retailers and will amend the Guideline to reflect that information received will be assumed to be confidential, and that it is only intended to be used for the purposes of determining a retailer's obligations under REES.

A clause has been added to section 1 of the Guideline to confirm that the Guideline applies to all retailers obligated under REES. Alternative reporting arrangements would only apply where the Commission has confirmed its agreement in writing.

**Final Decision:**

Clause 1.1 of the Guideline will include a statement confirming the authorities under which the Commission administers REES and the powers and functions given to the Commission.

Clause 1.3 of the Guideline will be amended to reflect that information provided under the Guideline will only be used for the purposes of apportioning REES annual targets and that this information will not be publically released unless agreed by the Commission and the retailer.

## 2.6 *Annualising customer energy purchases*

Clauses 2.2.4 (iii) and 2.2.5 (iii) of the Guideline currently require that, in reporting total sales of electricity or gas to a customer of 1,000 MWh or 3,600 GJ or more during a previous financial year, only actual billed amounts to a customer can be included. Further, where a contract for sale with a new customer is executed during the previous financial year, only actual billed energy sales by that retailer in the financial year are relevant, not expected annualised sales.

In February 2015, the Commission received a submission from ERM, requesting that it review clauses 2.2.4 (iii) and 2.2.5 (iii) of the Guideline to allow a retailer's sales to a customer to be included as Designated Energy Purchases where a customer's annualised energy purchases (not just their actual sales) exceed the large customer threshold (1,000 MWh or 3,600 GJ). ERM explained that only allowing actual sales to be considered meant

that if a customer switches retailer during a financial year, the Commission will only consider the part of the year for which each retailer has contracted with the customer. The effect of this approach is that if sales to a customer over a financial year exceed 1,000 MWh or 3,600 GJ but that customer switches retailers during the financial year, the Commission cannot include any of the sales as Designated Energy Purchases if that customer purchases less than 1,000 MWh or 3,600 GJ of energy from each of the relevant retailers. ERM submitted that this may result in some customers deciding not to switch retailers as the new retailer may allocate a REES cost to such customers, even though they may be unable to benefit from the scheme.

The Draft Decision concluded that the legal framework<sup>4</sup> did not support the determination of Designated Energy Purchases as proposed by ERM, as the framework is not flexible enough to allow the purchases of any retailer, through a number of different contracts for sale, to be combined such that once the 1,000MWh or 3,600 GJ threshold is reached, the relevant retailers can each claim a proportion of the purchases as Designated Energy Purchases.

ERM provided a submission to the Draft Decision on this point. ERM stated that its own legal advice had recently confirmed the draft position reached by the Commission on this matter, in that, “because the Regulations refer to the retailer’s wholesale purchases relating to its customer contracts, rather than referring to the customer more directly, we could not find a means of classifying a customer as exempt by amendment of the Guideline alone.”

ERM has requested that the Commission and the Department take measures to amend the legal framework because in its view, REES interferes with customers’ retail contracting decisions. Momentum also agreed in-principle to a change in the REES legal framework to support annualisation of designated energy purchases. The Minister is responsible for making and amending the Regulations. The Commission will inform the Department of the matters raised by ERM and Momentum.

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<sup>4</sup> Regulation 22(1)(b) of the Electricity (General) Regulations 2012 provides that the REES applies in a calendar year to a regulated entity if, during the preceding year, the regulated entity purchased a quantity of electricity for the purposes of retailing to customers within South Australia, excluding Designated Electricity Purchases, equal to or greater than the threshold set for the purposes of the paragraph. Regulation 22(4) provides that a “designated electricity purchase” means a purchase of electricity of a kind determined by the Minister by notice in the Gazette.

On 11 December 2014, the Minister published a notice which determined that, for the purposes of the Electricity Regulations and the Gas Regulations 2012:

- ▲ designated electricity purchases are purchases of 1,000MWh or more of electricity for on-selling and subsequent use in South Australia through an individual contract for sale, and
- ▲ designated gas purchases are purchases of 3,600 GJ or more of gas for on-selling and subsequent use in South Australia through an individual contract for sale.



**Final Decision:**

No changes to clauses 2.2.4 (iii) and 2.2.5 (iii) of the Guideline in the way originally proposed by ERM will be made. The Commission confirms that energy purchases of less than 1,000 MWh of electricity or 3,600 GJ of gas are precluded from being counted as Designated Energy Purchases, nor can energy purchases made under different contracts for sale be aggregated and shared as Designated Energy Purchases between different retailers.

## 3. NEXT STEPS

The changes made in this Final Decision come into force with immediate effect.

### 3.1 *Reporting deadline*

The Guideline requires that retailers submit their Statistical Information Annual Return by 31 August of each year. As the revised Guideline is being released in early September, the Commission will allow retailers until 2 October 2015 to submit their 2014-15 statistical information return.

The Guideline also states that the Commission will generally give retailers not less than 45 days prior notice of the commencement of any significant revisions of this Guideline. Although the above timeframe does not provide this length of prior notice, the Commission first notified retailers on 9 June 2015 that a process to amend this Guideline had commenced. The Commission has aimed to keep retailers informed on progress of the Guideline amendment.

The updated version of the Energy Industry Guideline No. 6 (EG6/1) can be found at: <http://www.escosa.sa.gov.au/residential-energy-efficiency-scheme-rees/rees-guideline.aspx>.

# ANNEXURE A– MINISTER’S ENERGY EFFICIENCY TARGET APPORTIONMENT METHODOLOGY

## Apportioning the annual energy efficiency target to gas retailers

The annual energy efficiency target (EET) for a calendar year for a relevant gas retailer is to be calculated using the following formula:

$$A \times (B \times N_g) \div ((C \times N_e) + (D \times N_g))$$

Where:

*A* is the annual energy efficiency target for the calendar year set under regulation 18(1) of the *Gas Regulations 2012*. This value is expressed in gigajoules of energy.

*B* is the relevant gas retailer’s gas purchases for retailing to customers within South Australia, for the preceding financial year, excluding designated gas purchases. This value is expressed in gigajoules of energy purchased.

*C* is the sum of the electricity purchases made by each relevant electricity retailer for retailing to customers within South Australia, for the preceding financial year, excluding designated electricity purchases. This value is expressed in gigajoules of energy purchased.

*D* is the sum of the gas purchases made by each relevant gas retailer for retailing to customers within South Australia, for the preceding financial year, excluding designated gas purchases. This value is expressed in gigajoules of energy purchased.

*N<sub>e</sub>* is the REES electricity normalisation factor and has a value of 1.00.

*N<sub>g</sub>* is the REES gas normalisation factor and has a value of 0.369.

*Relevant gas retailer* has the same meaning as in regulation 17 of the *Gas Regulations 2012*.

*Designated gas purchases* has the same meaning as in regulation 16(4) of the *Gas Regulations 2012*.

*Relevant electricity retailer* has the same meaning as in regulation 23 of the *Electricity (General) Regulations 2012*.

*Designated electricity purchases* has the same meaning as in regulation 22(4) of the *Electricity (General) Regulations 2012*.

## Apportioning the annual energy efficiency target to electricity retailers

The annual energy efficiency target (EET) for a calendar year for a relevant electricity retailer is to be calculated using the following formula:

$$A \times (B \times N_e) \div ((C \times N_e) + (D \times N_g))$$

Where:

*A* is the annual energy efficiency target for the calendar year set under regulation 24(1) of the *Electricity (General) Regulations 2012*. This value is expressed in gigajoules of energy.

*B* is the relevant electricity retailer's electricity purchases for retailing to customers within South Australia, for the preceding financial year, excluding designated electricity purchases. This value is expressed in gigajoules of energy purchased.

*C* is the sum of the electricity purchases made by each relevant electricity retailer for retailing to customers within South Australia, for the preceding financial year, excluding designated electricity purchases. This value is expressed in gigajoules of energy purchased.

*D* is the sum of the gas purchases made by each relevant gas retailer for retailing to customers within South Australia, for the preceding financial year, excluding designated gas purchases. This value is expressed in gigajoules of energy purchased.

*N<sub>e</sub>* is the REES electricity normalisation factor and has a value of 1.00.

*N<sub>g</sub>* is the REES gas normalisation factor and has a value of 0.369.

*Relevant gas retailer* has the same meaning as in regulation 17 of the *Gas Regulations 2012*.

*Designated gas purchases* has the same meaning as in regulation 16(4) of the *Gas Regulations 2012*.

*Relevant electricity retailer* has the same meaning as in regulation 23 of the *Electricity (General) Regulations 2012*.

*Designated electricity purchases* has the same meaning as in regulation 22(4) of the *Electricity (General) Regulations 2012*.



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