



# Retailer Energy Productivity Scheme (2026 – 2030)

Issues Paper - EEC response

April 2025



# About the EEC

The EEC is the peak body for Australia's energy management sector.

We are a membership association for businesses, universities, governments and NGOs that have come together to ensure Australia harnesses the power of efficiency, electrification and demand management to deliver a prosperous, equitable, net zero Australia with:

- People living and working in healthy, comfortable buildings;
- Businesses thriving in a decarbonised global economy; and
- An energy system delivering affordable, reliable energy to everyone.

The EEC works on behalf of its members to drive world-leading government policy, support businesses to rapidly decarbonise, and to ensure we have the skilled professionals to drive Australia's energy transformation.

# General comments

Thank you for providing the opportunity to provide feedback on the Department of Energy and Mining (DEM)'s Issues Paper for the Retailer Energy Productivity Scheme 2026-2030 review.

The EEC's overarching views on REPS are set out below, followed by specific responses to the consultation questions on the subsequent pages.

## **REPS should play a central role in South Australia's transition to Net Zero by 2027**

The EEC commends the success of REPS1 in working to support South Australian businesses and households improve their energy productivity. DEM can build on this foundation to ensure that REPS2 can play in key role in South Australia's transition to net zero emissions by incentivising the 'optimisation' of energy use. This encompasses:

- Traditional energy efficiency measures that reduce energy waste, for example by improving the poor thermal performance of existing buildings.
- Replacing the consumption of fossil fuels with electricity (electrification) and renewable fuels. Efficient electric devices tend to reduce energy waste by converting electrical energy into useful energy with fewer losses compared with devices that combust fossil fuels. As the electricity grid decarbonises, they will also produce less GHG emissions than devices that combust fossil fuels.
- Shifting electricity consumption to times of the day when there is a surplus of emissions-free renewable electricity and reducing or avoiding demand when variable renewable energy generation is low (flexible demand).

With the right design, the REPS could play pivotal role in South Australia's energy transition. As a globally recognised leader in the deployment of renewable electricity, South Australia is extremely well placed to use the REPS to drive emissions reductions from fossil fuels including gas and diesel (through electrification). Similarly, leveraging the power of flexible demand and energy efficiency will help the state achieve its goal of 100% renewable electricity use faster.

### *Incorporate the REPS into energy system planning*

The REPS can be better designed to achieve system-level goals if it is treated as a central tool to the energy transition, as part of a 'co-optimised' approach to energy system planning, in which the demand side is treated equally with the supply side.

As a step towards a more holistic approach to energy system planning in South Australia, the EEC recommends that the impacts of REPS activities are considered in the demand forecasts to be published by the newly created Forecasting and Planning function within DEM. This alignment can ensure that REPS delivers benefits not only to participants of the program but also more broadly across the energy system.

*Increase incentives for flexible demand*

While the activities promoted under REPS play an important role in improving energy efficiency (which should continue), flexible demand measures should be further incentivised, given the changing nature of the energy system. Flexible demand plays a crucial role in a successful transition to a net zero grid by facilitating the integration of more variable renewable generation, and activities can be amended or added to increase the availability of this valuable resource.

*Ensure that REPS is set up for success*

To deliver on the objectives of REPS, DEM and ESCOSA need to be sufficiently resourced to manage the program, consult and collaborate with other governmental departments and communicate the benefit of REPS to consumers.

The EEC has heard from its members that the current lack of clear, accessible information from a trusted source could limit the success of REPS in achieving its objective. The Commission has suggested in its draft decision that retailers are not responsible for promoting REPS to their customers. In this context, the EEC recommends that another organisation must fulfil this role, either within the SA Government. or as part of an independent statutory body. Victoria's new State Electricity Commission provides one example, which is trialling a 'one stop shop' model to provide consumers information on efficient electrification.

**Review activities to ensure increased targets and net zero goals can be met.**

The EEC recommends that new activities are introduced, and existing activities are amended. This includes:

- Incentivising heat pumps for medium-to-large commercial facilities as per the current NSW IHEAB program.
- Improve PIAM&V activity (CD1) by removing the GJ cap normalised GJ, recognising diesel as a baseline fuel source, and providing options for 3-month measurement windows.
- Introduce battery installation as an activity, including commercial batteries.

- To support household electrification, remove the gas connection status distinction under WH1. The disparity in incentive caused by this distinction disadvantages consumers who live in homes that have secondary appliances that use reticulated gas.

### **Ensure accessibility**

- REPS2 should work to address the higher energy burden on vulnerable households. The EEC suggests the following steps are taken:
  - Ensure Priority Group targets are indexed as a percentage of total targets.
  - Maintain (and in some cases) increase transition factors for priority group households throughout REPS2.
  - Provide extra financial support, potentially funded through the State Budget, to fund co-payment gaps for priority households.
- Incentivise hard-to-abate sectors such as manufacturing and agriculture through the modification or implementation of multipliers which recognise the higher costs associated with the upgrades when compared to the built environment.
- Address barriers for renters. This should include the removal of the rental cap and considering financing options for renters.
- Assess the potential costs and benefits of moving a unified abatement value for air conditioning, which may be penalising energy consumers in cooler regions.
- Introduce a regional multiplier for customers in remote and regional areas to encourage more upgrades in regions where higher delivery costs are acting as a barrier.

Thank you for your consideration of this submission. The EEC would welcome the opportunity to discuss these matters with you in detail.

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Yours faithfully,



Jeremy Sung  
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## Obligation thresholds

### Are the current obligations thresholds appropriate for REPS2 (2026-2030)?

The EEC notes that current customer number thresholds were applied to avoid a disproportionate cost burden on small retailers and new market entrants. The EEC suggests that this concern could now be outdated as retailers in South Australia which were considered ‘new entrants’ during REPS1 may have had sufficient time to build a customer base and gain an understanding of the scheme.

### Should the electricity purchase quantity threshold increase?

No. The EEC recommends that the electricity purchase quantity does not increase. REPS2 should retain a low threshold to obligate a wider pool of retailers to participate in REPS2.

### Should the gas purchase quantity threshold decrease?

Yes. The EEC recommends that the gas purchase quantity threshold should be decreased, to align with observed reductions in gas consumption.

## Designated energy purchases

### Are there electricity or gas purchases that should be excluded for determining the REPS2 obligation threshold? Why?

No. The EEC recommends that no electricity or gas purchases are excluded and that other fuels – for example diesel – are included for REPS2. To address concerns about the ability of large users to benefit from the scheme, the EEC suggests that changes are made to existing activities and new activities are added to target upgrades for large users. Please see the Summary section for suggested changes to activities.

### Should any customer segments be removed from REPS2?

No. The EEC does not recommend that any customer segments be removed. The EEC understands there are untapped energy productivity gains to be made across all customer segments that can be supported through REPS2.

# Energy Productivity Targets

## How should REPS2 annual energy productivity targets be set?

The EEC recommends that the REPS2 targets are set to encourage the objective of the scheme, and that modelling should be provided to consumers to detail that this is the case.

The targets should be linked to South Australia's decarbonisation goals and should be robust enough to inform the Electricity Development Plan to be created by the Forecasting and Planning function within DEM.

The EEC supports a progressive increase in targets over the REPS2 period which maximises the benefits for all energy consumers as equitably as possible. The targets must be calibrated to scheme objectives and the capacity of the market to deliver cost-effective, high-quality activities.

Policy best practice would be for the Department to commission detailed modelling to inform an appropriate target level and publish this modelling for maximum transparency and several of the EEC's members are equipped to conduct this work. While the paper shows what a continuation of the REPS1 average annual target increase would look like if applied in REPS2, continuing the trend from REPS1 into REPS2 does not appear to be a robust basis for target setting.

## Should REPS2 continue to cover all electricity customers?

Yes. As noted above, the EEC believes there are potential energy savings to be made across all customer segments.

## If the customer coverage should continue, should the REPS2 annual energy productivity targets be higher or lower than under REPS1?

REPS2 targets should be calibrated to maximise South Australia's energy productivity, decarbonisation and energy system benefits at a reasonable cost for consumers.

Given the untapped potential in several consumer segments (particularly C&I) and the higher costs of achieving savings in these segments, it is reasonable to assume the targets may need to be higher than under REPS1 to drive activity in these segments.

However, the EEC acknowledges that achieving higher targets will require changes to the scheme including:

- the introduction of new activities to ensure that targets can be met, taking learnings from programs in NSW and Victoria;
- the review of current activities which are reaching saturation or have shortcomings to be addressed; and
- the adjustment of existing factors within current activities.

### Should the REPS2 annual energy productivity targets increase each year over the period?

Yes. A gradual increase allows for sustainable planning by retailers and activity providers which enables consumers to access consistent support across the compliance year.

However, the actual capacity of the market to deliver activities should be considered in the rate of the increase. Supply chain constraints, trade availability, and workforce pressures can vary year on year and can take some time to reach maturity for new activities and technologies.

In this respect, as noted above, policy best practice would be for the Department to commission detailed modelling to inform an appropriate target level and publish this modelling for maximum transparency.

## Subtargets

### Should the priority group primary subtargets increase for REPS2?

The EEC acknowledges that there are challenges for retailers when meeting priority group subtargets including low engagement rates and the financial burden of co-contributions.

Nonetheless, as many households are struggling to manage the cost of living and reports that customers experiencing disadvantage face hurdles in accessing the benefits of the scheme, the EEC supports maintaining the priority group subtarget at a percentage of the overall REPS target.

The EEC suggests the following measures could assist this cohort to benefit from REPS2:

- Provide financial support, in the form of grants to fund co-payment gaps for priority households, particularly for those activities that have higher impact (ie. home insulation);
- Increase and/or retain transition factors (or multipliers) for priority group households; and
- Increase engagement avenues by partnering with community organisations that support priority households.

Should the priority group targets represent a fixed share of the annual energy productivity targets for REPS2? What is a reasonable proportion?

Yes, the EEC recommends that the priority group represents a fixed share of the annual energy productivity to ensure that this cohort consistently benefits throughout REPS2.

Should the household subtargets continue for REPS2?

The EEC recommends the household subtarget is continued to ensure that this cohort benefits from REPS2. Without a household subtarget households may be deprioritised in favour of more profitable commercial activities.

Should any other types of primary subtargets be considered?

No, The EEC considers that the current sub targets are sufficient and that adding further subtargets would increase administrative complexity and therefore costs to REPS2.

Should there be any secondary subtargets?

The EEC does not think any secondary sub targets are required as the current framework allows for adjustments to increase activity. This includes changes to multipliers which can encourage uptake of activities as required to increase market penetration.

## Apportioning targets to retailers

Are the current normalisation factors appropriate for REPS2?

The normalisation factors should be revised for REPS2 to reflect that the value of energy productivity is not just energy volume but is closely linked to flexibility and the ability to reduce peak demand.

Are there other factors that should be considered?

The relationship between normalisation factors and transition factors should be considered if the normalisation factors are updated.

## Carryover of energy credits

What is a reasonable maximum energy credit for carryover during REPS2?

The EEC supports energy credit carryover to enable activities to be planned and deployed in a sustainable manner. The current cap has led to issues with delivery of REPS activities – notably shortening the delivery window to February to November and leading to customer frustration.

The EEC's members have recommended that 20 per cent of the retailer's annual target would be reasonable.

Should maximum energy credits be limited to a particular energy productivity target?

No. This would add additional complexity to the scheme and limit flexibility of delivery.

Should the maximum energy credits decline as the scheme reaches its expiry date?

No. A consistent volume would enable activities to be deployed in a more sustainable manner.

## Other matters

### Energy productivity activities

Please see the Summary section of this submission.

### Transition factors

Should transition factors (or multipliers) be retained for priority group households?

Yes. Transition factors should be retained and for some activities, increased, for Priority Group (PG) households in REPS2.

These multipliers have been shown to drive higher uptake in this group and should be maintained or increased, particularly as cost becomes an increasing barrier to participation.

Should transition factors (or multipliers) reduce over the period of REPS2?

No, not automatically.

The effectiveness of these multipliers depends entirely on their correct calibration. They should be reviewed annually on an activity-specific basis, based on actual uptake and cost to deliver.

Are there activities to which transition factors should no longer apply, even for priority group households?

The EEC has no comment.

### Are there activities for which new multipliers should be considered?

Yes, the EEC encourages the increase or introduction of multipliers in relation to activities which increase the uptake of appliances which are flexible demand enabled and the participation in programs to support grid stability.

This includes the following:

- VPP1 – Connecting a new or existing battery to an approved virtual power plant. The EEC would also recommend that this activity is extended to larger users to increase uptake of commercial batteries.
- EV1 - Connecting a new or existing Electric Vehicle charger to an approved DR aggregator
- WH4 – Connecting a new or existing electric heat pump water heater to an approved DR Aggregator
- WH3 - Switching electric (Heat Pump or Resistance) water heater to tariff with solar sponge and off-peak blocks
- HC2C - Connecting a new or existing HVAC to an approved DR Aggregator (ducted and non-ducted)
- APP4 - Connecting a new or existing pool pump to an approved DR aggregator
- HC2B – Introduce the following transition factors:
  - x5 for Priority Group customers, to support equitable access to high-value upgrades.
  - x4 for General Residential customers, to align with HC3.

The EEC also recommends that multipliers are increased for some activities, particularly for priority customers, for example L1 – L3 (residential lighting) multipliers should be increased to ensure these activities remain within reach for this cohort.



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