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Department of Energy & Mining
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Via email: dem.consultation@sa.gov.au

Submission to the Retailer Energy Productivity Scheme (REPS) 2026-2030 Issues Paper

The South Australian Chamber of Mines and Energy (SACOME) is the leading industry association representing the South Australian resource and energy sector, a powerhouse of the State's economy.

SACOME welcomes the opportunity to make this submission in response to the Department of Energy & Mining's Retailer Energy Productivity Scheme (REPS) 2026-2030 Issues Paper.

SACOME notes that the DEM, in its capacity as advisor to the Minister for Energy & Mining on policy matters relating to the REPS, is seeking stakeholder feedback on 'matters to be determined by the Minister for the second five-year period of South Australia's Retailer Energy Productivity Scheme'.

SACOME recognises that, via this consultation process, DEM seeks to determine thresholds and targets for the second five-year period (REPS 2), which will commence on 1 January 2026.

SACOME welcomes this consultation process, recognising that large commercial and industrial (C&I) customers were not adequately consulted on design of the REPS (noting that the Retailer Energy Efficiency Scheme (REES) concluded on 31 December 2020, and the REPS commenced on 1 January 2021).

This lack of adequate consultation resulted in large C&I customers being subject to additional operating costs and regulatory obligations under a scheme that has had marginal application to and limited benefit for the C&I sector over the last five years.

1. SACOME Position on REPS

SACOME restates its general opposition to application of the REPS in its current form on large C&I operators, consistent with its extensive advocacy on this issue over the last four years.

While the majority of SACOME's member companies remain opposed to the REPS, a small minority have indicated limited support for a substantially altered scheme that addresses and resolves REPS' structural deficiencies for the C&I cohort.

The issues that have been raised by SACOME via correspondence to the Minister for Energy & Mining across both the Marshall and Malinauskas Governments remain relevant for the purposes of this consultation process.

Central to this opposition is the limited applicability of the REPS – which is largely a scheme to drive energy efficiencies at a household and commercial level – to the operations of large C&I customers.

SACOME acknowledges that the Minister/DEM attempted to address the limited applicability of the REPS via the Flexible Framework for Large Users.

SACOME views this exercise as attempting to retrofit the REPS to incorporate large C&I customers without properly considering the adequacy, efficacy and necessary supports required to drive useful energy efficiency outcomes.

Further, the Flexible Framework is cumbersome in that each application for approval must be individually assessed by DEM before being referred to the Minister for approval.

Rather than a standardised and efficient approach, large C&I operators are required to develop and submit complex energy efficiency proposals under the REPS without standardised guidelines and with no assurance that they will be approved.

Even when they are approved, SACOME notes that there is limited capacity in the South Australian 'energy efficiency' market to meet the demands created by large C&I programs, with the resulting effect being that large C&I efficiency programs have a market distorting effect.

2. Limitations/Relevance of REPS for Large Industrial Customers

SACOME reiterates its concerns with the structure of the REPS and the lack of exemption for large C&I operators.

Consistent with prior submissions, SACOME reiterates that the REPS is an outlier when compared with analogous schemes in other jurisdictions.

SACOME member companies have raised the Renewable Energy Target (RET), New South Wales Energy Savings Scheme (ESS) and the Victorian Energy Upgrades Program (VEU) as examples of mandatory schemes that provide exemptions for emissions-intensive trade exposed industries (EITE).

Importantly, the Common Capital report contemplated the issue of impact on large C&I operators and suggested exemptions for emissions-intensive trade exposed industries, with clear reference to the comparative experience with the NSW ESS (as referenced above).

By contrast, the REPS provides no exemption for EITE industries, no price transparency and no mechanism for participation. Given the number of similar schemes operating in other jurisdictions, SACOME submits that mechanisms used in equivalent interstate schemes to accommodate the operational reality of large C&I customers should be incorporated into the REPS.

Given that there is a finite limit to projects for inclusion in energy efficiency schemes, operators suggest that greater consideration should have been given before introducing any additional mandatory obligations for large C&I operators in South Australia.

Operators have similarly flagged that energy efficiency projects are likely to reach saturation points across project sites at some point in the future. SACOME notes that the issue of energy efficiency saturation was identified by Commercial Capital in their report as it related to household energy efficiency measures.

The proliferation of energy efficiency schemes across multiple jurisdictions creates issues specific for large C&I operators distinct from domestic participants. Given operators are already participating in national or other state-based schemes, they may be limited in both available activities to undertake under REPS, or these activities may be ineligible as they are already being undertaken through other schemes.

In a scenario where saturation has been reached, under the REPS operators will continue to incur charges regardless of whether additional energy efficiency measures are

feasible, effectively amounting to a State-based levy on large C&I operators which is used to fund energy efficiency measures elsewhere in the economy.

A central rationale of the REPS is that large C&I operators are expected to benefit through lower energy costs across the South Australian economy due to increased efficiency. REPS charges nonetheless represent a significant and disproportionate impost to C&I customers for minimal benefit.

SACOME notes the following comment per the Issues Paper (p.8):

Some stakeholders have queried whether REPS should cover large customers, with concerns including the costs being imposed on large customers, lack of suitable activities, lack of recognition of earlier projects, commerciality of projects and financial constraints of companies.

While the numbers to date are low, some large customers have participated in REPS1 activities, indicating there is potential benefit to large customers continuing to be part of REPS in the second five-year period.

As the scheme has applied to large customers only for a short period, it may be that the delivery of REPS activities to this cohort of customers is less mature and more complex. Over time, participation by activity providers and large customers may continue to increase, deepening the potential direct and system-wide benefits.

SACOME notes the low participation rates of large C&I customers under the REPS and submits that this is a reflection of the unsuitability of REPS as an energy efficiency measure for the C&I sector.

SACOME submits that greater consideration needs to be given as to whether REPS represents useful policy for this cohort, or whether more relevant measures should be developed.

3. Feedback to inform design of REPS 2

SACOME notes the South Australian Government's preference to retain the REPS' application to large C&I operators despite the extensive calls from industry for exemption.

In the interest of providing constructive feedback to inform the design of REPS 2 and improve its utility for large C&I operators, SACOME makes the following recommendations:

3.1 Annual Energy Productivity Targets

SACOME members have commented that greater consideration of the manner in which Annual Energy Productivity Targets are set is needed.

SACOME notes that the rationale for setting targets is as follows:

The targets were set based on the premise that all electricity customers would be covered by REPS and there continued to be significant opportunities for customers to implement energy productivity activities (Issues Paper p.9)

And:

... setting targets needs to balance ambition and practical considerations about delivering activities to achieve those targets. Further, as compliance costs incurred by retailers ultimately are passed through to customers, including those not directly receiving REPS activities, setting targets also needs to consider the potential impact on customer bills (Issues Paper p.10).

SACOME notes the following REPS 1 targets for the period 2021-2025:

Table 1: REPS targets (2021-2025), normalised gigajoules (GJ) of energy

Target type	2021	2022	2023	2024	2025
Annual energy productivity target	2,500,000	2,620,945	3,029,222	3,437,500	3,750,000
Primary subtarget: Priority group households	500,000	500,000	500,000	500,000	500,000
Primary subtarget: Residential customers	500,000	500,000	500,000	500,000	500,000

SACOME notes the following REPS 2 targets proposed by the Issues Paper:

Table 2: Projected REPS2 targets (2026-2030), normalised gigajoules (GJ) of energy

Target type	2026	2027	2028	2029	2030
Annual energy productivity target	4,000,000	4,500,000	5,000,000	5,500,000	6,000,000

SACOME makes the following comment regarding target-setting:

3.1.1 Proposed Targets are Retrospective & Arbitrary

SACOME notes that DEM have adopted a retrospective method that uses previous financial year loads to set future financial year loads on the basis of a 10% increase year-on-year. No rationale has been provided to explain what the 10% increase in annual target is based on, suggesting that the approach target setting is arbitrary in nature.

Member companies have commented that electricity load is unlikely to increase by 50% over the next 5 years; and that the South Australian electricity load increased by only 0.5% between FY22 to FY23, noting that prior to FY22-23, electricity consumption had been on a declining trend.

SACOME notes the following analysis of South Australia’s implied 2024 REPS target applied to the State’s electricity load; and comparative analysis of South Australia, New South Wales & Victorian energy efficiency targets:

FY23 SA electricity MWh	11,506,000 ¹
2024 Retailer total REPS Obligation on electricity	2,592,078 ²
Implied 2024 REPS target on electricity load	23%
NSW ESC target 2024 (electricity & gas load based on kWh)	10% ³
VIC VEU target 2024 (separate electricity and gas targets)	Electricity: 15.244% ⁴ Gas: 1.545%

The key takeaway from this analysis is that South Australia imposes a significantly higher REPS obligation than other jurisdictions, noting the current implied target of 23% for CY24.

¹ South Australia Electricity Report November 2023, AEMO, p.3

² Total of individual retailer electricity REPS target for CY24, Source:

<https://www.escosa.sa.gov.au/industry/reps/targets/targets-2024>

³ <https://www.energysustainabilityschemes.nsw.gov.au/Scheme-Participants/About-Targets-and-Penalties/Individual-Energy-Savings-Targets>

⁴ <https://www.energy.vic.gov.au/victorian-energy-upgrades/installers/veu-industry-latest-news/veu-news/news-story>

Members have also commented that targets proposed by the Issues Paper might create a disproportionately higher burden on retailers that lose large customer contracts and that their customers will then bear much higher REPS burden compared to other retailers' customers.

3.1.2 Suggested approach to setting the REPS 2 Target

Rather than fixing an arbitrary target, SACOME members have suggested setting a percentage-based target using the New South Wales Energy Savings Scheme (ESS) as a benchmark. SACOME notes that the ESS has been largely successful in implementing an energy efficiency target that has translated to energy efficiency outcomes.

The ESS target increases gradually at a rate of 0.5% per annum, commencing in 2021 at 8.5%, with it ultimately increasing to 13% by 2031. The target will remain at 13% until the end of the scheme in 2040.

NSW introduced a separate Peak Demand Reduction Scheme (PDRS) in 2020, setting a target to reduce peak electricity demand from 0.5% in FY23, increasing to a cap of 10% by 2030 and remaining at 10% until 2050. The cap of 10% is equivalent to under 2% of total NSW electricity load.

Using NSW as a benchmark, SACOME members suggest setting a REPS target that covers both energy efficiency and demand response at 11% in 2026 and increasing gradually to 15% of total electricity load by 2030.

Additionally, DEM could consider using Victoria's target for gas which is 1.5% of total GJ consumption.

Under this approach, retailer obligations become proportional to their load, so they won't be disproportionately burdened with REPS obligation in the next calendar year if they lose large customers from previous financial year.

Further, it simplifies administration as it doesn't require an exercise to calculate REPS obligation allocation based on a retrospective load that may not reflect the new calendar year load.

Priority group households could continue to be prioritised with a fixed proportion REPS obligation, with SACOME members suggesting an allocation range between 10% to 20%.

SACOME members also suggest that the actual percentage should be determined by the volume of REPS activities that can be realistically delivered to these households,

considering a range of factors including: activities that have saturated, new activities that are on the horizon and the size of group.

SACOME further submits that setting a sub-group for C&I operators will incentivise energy productivity in areas with substantial untapped opportunities.

Member companies have suggested setting a modest target so that it doesn't overburden a system/market that is not yet ready for it, but is sufficient to incentivise activity providers and retailers to seek project opportunities with C&I customers.

3.2 Carryover Credits

SACOME members have commented on the carryover credit mechanism, noting that the decreasing rate applied to carryover credits across a five-year period, with credits unable to be carried over after year five.

Currently REPS activities need to be conducted and completed in the same calendar year to count towards a retailer's obligation for the calendar year.

Under REPS 1, carryover of REPS credit is limited, with 0-20% of previous year excess available for use in meeting a subsequent year REPS obligation only.

While this may have been appropriate for the REES which focused on smaller residential and business projects which could be completed within a very short time, SACOME submits that it is unsuitable for unlocking opportunities in the C&I sector where projects can run over a much longer timeframe and create a much larger 'REPS volume'.

Operators have commented that it is difficult for large projects necessitated by the REPS to be fully accounted for in one year. This is largely due to the comparative lack of qualifying activities available to large C&I customers under the REPS, and the administrative processes (including Ministerial determinations/approval) that apply to the Flexible Framework for Large Users.

SACOME notes that the NSW and Victorian schemes allow carryover credit trading and that the REPS is an outlier in this regard. By way of general comment on this issue, members have commented that the REPS is illiquid, capped and constrained.

SACOME members have suggested that REPS 2 should have no limit to carryover credits for the remainder period of the scheme (up to 2030). This is consistent with the federal RET program, the ESS in NSW and VEU in Victoria.

SACOME members further submit that this will incentivise early action and drive more energy productivity projects as it provides more value and flexibility. More supply will also keep REPS costs more competitive and affordable for all consumers.

3.3 Exemptions

The current REPS scheme has no exemptions for large C&I operators, making REPS an outlier when compared to all other analogous State and Federal schemes.

Other jurisdictions have applied exemptions for Emissions Intensive Trade Exposed (EITE) business to preserve their global competitiveness, and, to avoid eroding the competitiveness of South Australian business, SACOME submits that REPS 2 applies these exemptions to the C&I sector.

Large Facilities projects are of significant scale and require REPS credits to be carried over multiple years due to retailers being unable to absorb all of the REPS-related activity they generate in a single year. Large C&I projects also result in significantly higher energy productivity outcomes, meaning the State is likely to overachieve its REPS target for a calendar year.

To better manage this issue, SACOME members propose REPS exemptions for energy users that generate a significant number of REPS, for example, we suggest that any project that generates over 500k REPS credits should be provided with exemptions for their load.

This allows the other REPS activities to progress energy efficiency outcomes, while continuing to incentivise participation from large C&I users, and enables the South Australia to both meet and exceed its REPS targets

SACOME submits that overperformance should be encouraged, not disincentivised, as higher energy productivity reduces overall REPS costs and creates benefits for all consumers.

SACOME notes that energy efficiency projects for C&I operators projects are large and uneven in nature, meaning they occur over longer timeframes and are unlikely to be completed on a year-by-year basis.

Exempting large C&I operators from REPS obligations once they meet a prescribed level of energy efficiency also reduces the market distorting effects of meeting C&I REPS obligations, and ensures that retailers and activity providers are not overburdened with the task of meeting REPS obligations.

3.3.1 Example of how Proposed Changes Work

Scenario 1: >500k REPS generated in a project

- A large C&I user's REPS project generates 150k GJ energy savings p.a. at the end of CY26, which is 1.5M GJ savings over 10 years.
- Applying the normalisation factor of 0.4, this equates to 600k REPS.
- As this is above the 500k REPS cap, the large user will not generate the REPS but instead will get REPS exemption.
- Case 1A: The large user's retail electricity load is equivalent to 500 GWh p.a.
 - 10% REPS obligation is 50k REPS. This is equivalent to 200k REPS obligation for the remaining 4 years of REPS program (CY27-CY30).
 - As the equivalent REPS generated is significantly higher than the large user's obligation, the user's load is exempted from REPS for the remainder of the REPS program to 2030.
- Case 1B: The large user's retail electricity load is a higher equivalent to 2000 GWh p.a.
 - 10% REPS obligation will be 200k REPS p.a. or 800k REPS over remaining 4 years.
 - As the equivalent REPS generated (600k REPS) is less than the large user's obligation (800k REPS), the large user's load is exempted from REPS for the next 3 years (CY27-CY29).

Scenario 2: <500k REPS generated in a project

- A large C&I user's REPS project generate 80k GJ energy savings p.a. at the end of CY26, which is 800k GJ savings over 10 years.
- Applying the normalisation factor of 0.4, this equates to 320k REPS.
- As this is under REPS cap of 500k REPS, this activity will generate REPS for an obliged retailer.

- The obliged retailer already has its obligation covered in CY26 and has most REPS to be generated from other contracted REPS activities in CY27, so needing only 100k REPS for CY27.
- The obliged retailer can use 100k REPS for CY27. The retailer can use the remaining 220k REPS generated for future obligations in CY28-CY30 as they wish, or sell the REPS to other retailers/activity providers who can provide the REPS to other obliged retailers.

3.4 Administration & Approvals

SACOME provides the following feedback regarding improvements to administration and approvals arrangements for REPS 2.

Establish a clear and efficient process for reviewing and approving large projects.

- Clarity regarding timing is key as C&I operators must develop business cases for energy efficiency projects and meet cut-off times for internal budget approvals.
- Implement a threshold for REPS projects that require ministerial approval versus DEM approval, and ensure a seamless transition from REPS projects approval to ESCOSA administration.
- Remove single point of dependency in approvals processes so that they can be actioned by delegates.
- Have a time limit for assessment of eligibility of REPS projects so that large C&I operators are afforded certainty regarding timeframes. SACOME members have suggested an approval timeframe of 30 days from a REPS project submission date as a guide.

Criteria should be transparent and consistent to create confidence in the Scheme, provide clarity to C&I operators, allowing them to plan projects, and enable more energy productivity projects to be delivered.

- SACOME members seek clarity on criteria for eligibility and approval, stating that projects should be approved if they meet the established criteria and not rejected because of outperformance (i.e. there should be no cap to the number of projects that can be approved for a C&I energy user). If a project meets the required criteria, C&I operators should expect a project to be approved for REPS generation.

- Energy productivity outperformance should be incentivised, as it supports the State's decarbonisation objectives and reduces the costs of energy productivity. The potential issue of oversupply of REPS can be dealt with through the proposed load exemptions as outlined in the previous point.

Administration of REPS must be properly resourced.

- Ensure DEM and ESCOSA are properly resourced to approve and administer REPS projects in an efficient way.
- Prolonged processes hinder project submission and result in cost increases across the REPS. Further, they undermine the ability to meet energy efficiency targets set by the REPs due to time lost as a result through administrative inefficiency.

4. Conclusion

SACOME reiterates that the majority of SACOME members oppose the application of the REPS to the C&I sector. We also reiterate that the lack of detailed consultation with industry prior to the commencement of the REPS resulted in a poorly designed mechanism with limited utility for the C&I sector.

If the South Australian Government intends to continue to include large C&I operators, then SACOME submits that DEM should consider and implement the changes proposed in this submission.

Additionally, SACOME submits that, once a structure for REPS 2 has been developed, further consultation with the C&I sector should be undertaken to obtain industry feedback about the utility REPS 2 prior to submitting it for Ministerial approval.

SACOME remains committed to working with DEM as part of the REPS 2 consultation process and would be happy to facilitate meetings between DEM and SACOME members in this regard.

Yours sincerely



Rebecca Knol

Chief Executive Officer

South Australian Chamber of Mines & Energy