31 March 2025

Response to Retailer Energy Productivity Scheme 2026-2030 Issues paper

About SAFCA

The South Australian Financial Counsellors Association (SAFCA) is the peak body for Financial Counsellors in South Australia and the Northern Territory. We support financial counsellors to achieve the best possible outcomes for people experiencing financial difficulty and support the financial wellbeing sector to adopt and maintain best practice through professional development, advocacy and law reform within a social justice framework.

About Financial Counselling

In South Australia, financial counselling services are mostly offered in not-for-profit community organisations and legal services. Financial counsellors provide free, confidential, non-judgmental and independent advice and services to help people experiencing, or at risk of, financial difficulty. Financial counsellors are uniquely qualified professionals who are specially trained to deal with complex financial issues such as mortgage arrears and foreclosures, financial abuse, bankruptcy, debts and fines. They also assist with bill payment arrears, budgets and much more.

In a cost-of-living crisis that has no end in sight, the work of financial counsellors and others working in the financial wellbeing sector are vital to support people experiencing financial difficulties.

SAFCA And The Retailer Energy Productive Scheme (REPS)

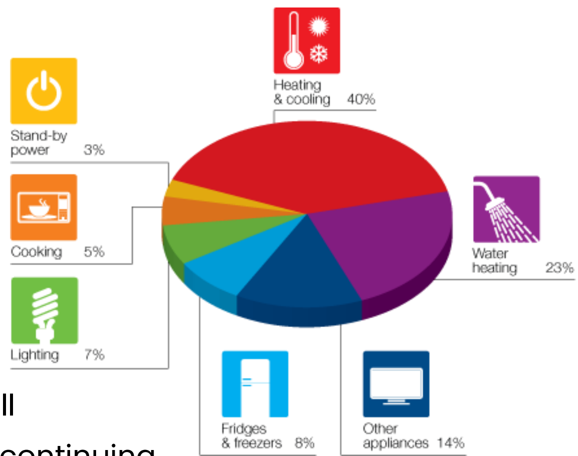
Financial counsellors and SAFCA have a special interest in the client outcomes presented by the REPS program. An eligibility pathway for Priority Household Groups (PHG) is a referral from a financial counsellor, and the sector has an interest in ensuring people experiencing financially difficulty, on low and fixed incomes get equitable access and outcomes to a scheme they pay for, via their energy bills, alongside all other South Australian energy customers both large and small. A financial counsellor is also the only method for eligible customers to access the Emergency Electricity Payment Scheme (EEPS) in SA, demonstrating that our sector is well placed to understand energy issues and advocate for those in energy hardship.

South Australian Context

Information recently released by the Australian Energy Regulators' Retail Performance Data shows that:

- SA has the highest average energy debt in the National Electricity Market (non-hardship) and it is increasing - now $1,719, up from $1,336 12 months ago ($324 above the National average of $1,395).
- The number of customers repaying energy debt in SA has increased to 30,150 from 28,137 last quarter (the highest number in recorded data over the past 5 years).
- There has been a 116% increase in the number of disconnections for non-payment compared to Q2 2023/24, up from 398 to 862 in Q2 2024/25 [1].

These figures show us that South Australian energy customers are increasingly struggling to keep up with their energy costs. Significant and impactful support is needed to prevent and curb high bills, energy debt, energy poverty and disconnections from non-payment. The most effective way of doing this is to ensure all homes are equally equipped with the most efficient essential appliances and have a good thermal envelope.



In the figure to the right, a breakdown of the average energy use in a South Australian household, you can see heating and cooling and hot water heating consume more than 60% overall. Other appliances (i.e. dryers, washing machine) and fridges combined are close to 20%.

The REPS program offers rebate opportunities in all these appliances, and SAFCA is supportive of this continuing

[1] Australian Energy Regulator, Retail energy market performance update for Quarter 2, 2024–25, https://www.aer.gov.au/publications/reports/performance/retail-energy-market-performance-update-quarter-2-2024-25

so that we can be assured the highest energy using appliances in a South Australian home, have an opportunity to be as low a running cost as possible.[2]

Targets

In addition to supporting the annual productivity targets increasing each year, like they did in REPS1, SAFCA would like to see the Priority Household Group target of 20% (at a minimum) be reinstated and maintained in REPS2. We would also like to see the Residential Customer target be reinstated and maintained at a minimum of 20% year on year (in addition to the PHG target).

Target type	2026	2027	2028	2029	2030
Annual target	4, 000, 000	4, 500, 000	5, 000, 000	5, 500, 000	6, 000, 000
PHG target (20% ongoing)*	800, 000	900, 000	1,000, 000	1, 100, 000	1, 200, 000
Residential customers (20% ongoing)*	800, 000	900, 000	1,000, 000	1, 100, 000	1, 200, 000

*The table and figures are for demonstration and sourced from the table in the issues paper. SAFCA would ideally like to see the target increase year on year with a fixed percentage, not a fixed number target as it did in REPS1. We intend for the PHG and PC figures to be cumulative, so that a minimum of 40% of targets go to households.

SAFCA believes that this would be a fair and equitable method for the following reasons:

- The hallmark of the REPS program was its focus on priority households, those in vulnerable financial situations who can't otherwise justify the additional investment in high energy rating appliances, or appliances altogether, that would save them money on their energy bills. In REPS1 the PGH target fell from 20% to 13% of overall targets. We want a larger and maintained focus on affordable activities for those who need it.
- With the PHG and Residential Customers accounting for at least 40% of targets, there is an assurity that residential customers are seeing a benefits from REPS2. There is otherwise potential for commercial and industrial

[2] Campbelltown City Council, Reduce energy use at home, https://www.campbelltown.sa.gov.au/community/environment/be-part-of-the-climate-solution/reduce-energy-use-at-home

customers to take an inequitable portion of the targets across fewer projects.

Increasing a focus on priority groups and residential customers is a targeted opportunity to support households to save money now but also moving forward without direct government interventions and payments (i.e. the $350 federal government energy bill relief payments).

Sub-targets

SAFCA would like to see a rural and remote sub target. 20% of South Australia's population lives outside the capital city area of Adelaide[3]. This population struggle

Case study

In 2022/23 financial counselling service provider UnitingCare Wesley Bowden delivered a grant of up to $1, 200 per household to achieve energy security to those on low and fixed incomes with an energy affordability issue, and referred by a financial counsellor. In Adelaide city, eligible clients were able to access a new reverse cycle air-conditioners (RCAC), fridges and washing machines for their homes under this target amount.

There were at least two clients who lived regionally, in Mount Gambier and near Murray Bridge, whom the program tried to seek a RCAC for under REPS. Upon calling three Activity Providers in Adelaide, the grant manager was told that these homes would be unlikely to be serviced, due to:

- Distance: they were too far away from the normal operating locations that to providers worked in. The activity providers could only service the clients if they had enough jobs in that region to make to trip cost effective.
- The cost per job would likely still be higher than urban locations because the tradesperson would need to travel, kilometre expenses would be included and there would be overnight and living away from home costs incurred by the business. This would drive job costs above the $1200 threshold.
- The jobs did not get booked or go ahead.

There were similar issues faced when seeking to purchase fridges and freezers above the 3.5-star rating threshold. Local stores simply didn't stock higher efficiency appliances, transport to get a fridge from Port Augusta to Roxby Downs (for example) was a 3+ week wait, and transport costs pushed the costs above the $1200 threshold.

[3] https://www.sa.gov.au/topics/about-sa/living-in-sa

to receive the same level of access too and price for goods and services for essentials as urban counterparts.

In light of these case studies, without being prescriptive, SAFCA would like to see increased multipliers or incentives for activity providers to undertake activities for households and small businesses outside the capital city. We suggest a postcode or Local Government Area qualifier could be used to determine eligibility.

Activities

SAFCA understands the rationale behind targeting energy savings at peak times and incentivising demand management and demand response activities. Financial counsellors, however, are seeing clients with a very low level of both energy literacy and capacity to change within their current financial and household circumstances.

SAFCA would like to see a relative mix of activities that benefit households directly while also providing peak load reduction activities. This means we would like to see Virtual Power Plants and electric vehicle chargers not outpace equally important activities like reverse cycle air-conditioning, hot water heat pumps, appliance rebates and ceiling insulation.

SAFCA wishes to communicate the importance of direct energy savings activities for households that need it the most. We consider the most essential appliances for homes to be that which impacts energy equity, quality of living and baseline energy consumption:

- Water heating
- Food storage (fridge/freezers)
- Lighting, and
- Heating and cooling.

Additionally, and in order for the above to work most effectively, we feel the following is as important:

- Ceiling insulation, and
- Building sealing.

SAFCA wants to ensure that these activities remain in REPS2 (2026-30). We want to emphasise the importance of these activities because they are mostly passive and create a baseline energy profile. They can consume a lot of energy (if appliances are inefficient or thermal building sealing and insulation are not present), but they can reduce the households overall demand significantly if they are a high star rating and efficiency, when installed correctly, and in the right context.

SAFCA would ask for the requirement of the removal of a gas connection to be removed from the activity requirement for REPS2 hot water. When gas hot water is coupled with gas cooking, it can be cost prohibitive to replace both water heating and cooking with an electric or induction cooktop. The additional requirements for wiring upgrades for induction can increase the cost of this into the thousands of dollars. As a result, households are putting off upgrading both of these appliances and missing out on cost savings on hot water heating in the short term.

In addition to this, SAFCA would like to see an additional activity relating to moving from gas to electric or induction cooking added to the REPS2 activities.

Multipliers

Multipliers are an effective method of ensuring a valuable REPS activity becomes commercially viable and has an impact for its target customers.

SAFCA understands the impact that 'passive' activities have on the energy efficiency of a house. It prevents energy use in the first place by enabling a sealed thermal envelope, allowing less heat loss and gain. SAFCA would like to see increased multipliers or changes to:

- Ceiling insulation top-up. Allow this to be claimed where the ceiling insulation is R2.5 or less. R1.5 is too low of a threshold and holding back the opportunity to bring exiting homes up to a similar standard of insulation as new builds now mandated to a 7-star minimum.
- Building sealing activities (BS2) were an eligible activity in REPS1 but were rarely undertaken because it wasn't valuable enough to scale for activity providers. SAFCA would like to see the productivity factors and multipliers increased for these activities. We know that an efficient reverse cycle air-conditioner is not effective unless the doors and windows are sealed and without draughts.
- SAFCA would like to see an effective multiplier available to PGH households who seek multiple REPS activities, accompanied by an

assessment or professional advice and a tailored plan. Many households want a whole of home approach but lack the access to independent and trusted advice or direction on where to start and how to prioritise works to improve energy efficiency, lower cost and potentially get off gas. Accessing free support under REPS2 to utilise all the activities available would be a benefit to many households.

Other considerations

Green loans have taken off in popularity in recent years and provide homeowners access to funds for:

- Improving a home's energy efficiency through new appliance purchases, solar and batteries.
- Renovations and extensions to existing homes that meet minimum energy efficiency criteria, or
- Discounted mortgage repayments or cashback incentives on energy efficient home that meets 'green' criteria.

Those with a mortgage can often use equity or access a loan with their banks green loan scheme at much more affordable rates.

Unfortunately, standalone green loans are not very affordable or accessible to those on low and fixed incomes. Brighte is a leader in independent green loans, and their rate for borrowing up to $55, 000 is still 8.99% plus.

The only financing option available to those on low incomes currently is the No Interest Loan Scheme (NILS) by Good Shepherd Microfinance. Eligible people can borrow up to $2, 000 over 2 years, interest and fee free. It is designed to support people to avoid potentially risky buy now, pay later or payday lending options, especially for unexpected expenses. In terms of REPS eligible activities, NILS can already be used to buy a fridge, freezer, heat pump dryer, heat pump hot water and reverse cycle air-conditioner. With the $2, 000 cap, it limits how much a household can do at one time to improve their homes. The income cap to access NILS is also $70, 000 for single people and $100, 000 for partnered applicants and those with children. With the current cost of living crisis, rental unaffordability and high lending interest rates, this income cap is still too low for some who work but still struggle to meet essential expenses. This is known as waged poverty[4].

SAFCA would ask for consideration for a small loan or finance package, or additional financial support for those who might qualify as needing the support to improve their energy affordability situation. The ACT has a program called Access to Electric, which aims to help homeowners who most need support to switch their appliances from gas to electric[5]. This could be scaled in other jurisdictions, and we believe the REPS2 scheme would be an ideal platform. Financial counsellors are already accustomed to using grants and other financial supports to leverage positive outcomes for their clients and this type of program could become an additional tool in their toolbox.

Further Contact Welcomed

The South Australian Financial Counsellors Association (SAFCA) thanks you for the time in reading and considering our recommendations. Please feel free to contact us at safca@safca.org.au or by calling 0423 085 432 if you would like to discuss this further.

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[4] SA Council of Social Services, Health and Waged Poverty, 2025, https://sacoss.org.au/health-and-waged-poverty/

[5] Getting a household off gas, regardless of efficiency or frequency of usage of gas appliances, will save a household a second daily supply charge.