



# VICTORIAN ENERGY EFFICIENCY TARGET SCHEME

Performance Report 2014

August 2015



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# GLOSSARY

<b>accredited person</b>	Person accredited under the VEET Act. Once accredited, a person is eligible to create certificates in the VEET scheme in respect of prescribed activities.
<b>AP</b>	accredited person
<b>certificate</b>	Victorian energy efficiency certificate (VEEC) created under the VEET Act in respect of a prescribed activity.
<b>Commission</b>	Essential Services Commission, established under the <i>Essential Services Commission Act 2001</i> .
<b>compliance year</b>	Period over which each annual target must be achieved, which is a full calendar year.
<b>DPI</b>	Victorian Department of Primary Industries
<b>DSDBI</b>	Victorian Department of State Development, Business and Innovation (formerly DPI)
<b>DEDJTR</b>	Department of Economic Development, Jobs, Transport and Resources (formerly DSDBI)
<b>energy acquisition statement</b>	Annual statement by a relevant entity about the amounts of electricity and gas acquired under scheme acquisitions during the year.
<b>energy efficiency certificate shortfall</b>	Number of certificates for which a relevant entity has failed to acquit its share of the scheme target.
<b>energy efficiency shortfall penalty</b>	Civil pecuniary penalty for which a relevant entity is liable in the event of an energy efficiency certificate shortfall.
<b>ESI</b>	<i>Energy Saver Incentive</i> – the VEET scheme as promoted to the public.

<b>GJ</b>	gigajoule
<b>GHG</b>	Carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, perfluorocarbons and any other gas prescribed to be a greenhouse gas.
<b>greenhouse gas reduction rates</b>	Rates, fixed annually by ministerial order, in respect of electricity and gas for a particular compliance year.
<b>Guidelines</b>	The scheme Guidelines made by the Commission under the VEET Act.
<b>liability</b>	The liability of relevant entities to surrender VEECs under the VEET Act.
<b>MWh</b>	megawatt hour
<b>prescribed activity</b>	An activity, prescribed under the VEET Act, which results in a reduction in greenhouse gas emissions that would not otherwise have occurred if the activity was not undertaken.
<b>prescribed greenhouse gas scheme</b>	Voluntary offset scheme or mandatory greenhouse gas scheme or any other arrangement which promotes the reduction of greenhouse emissions and is prescribed under the VEET Act.
<b>RE</b>	relevant entity
<b>register of accredited persons</b>	Public register, maintained by the Commission, which contains the names and certain other particulars of accredited persons.
<b>register of energy efficiency certificates</b>	Public register, maintained by the Commission, which contains information about energy efficiency certificates as required by the VEET Act and the Commission Guidelines.
<b>register of products</b>	Public registers, maintained by the Commission, containing particulars of certain allowable products that may be used for the purposes of prescribed activities.
<b>Regulations</b>	The scheme Regulations made under the VEET Act.
<b>relevant entity</b>	Entity which sells electricity or gas, or both, to at least 5000 Victorian customers, or makes a scheme acquisition of 30 000 MWh or more of electricity, or 350 000 GJ or more of gas in one compliance year.

<b>scheme acquisition</b>	Purchase by a relevant entity, for on-sale to Victorian customers, of electricity or gas, or both, within the provisions of the VEET Act.
<b>VEEC</b>	Victorian energy efficiency certificate created under the VEET Act in respect of a prescribed activity.
<b>VEET Act (the Act)</b>	<i>Victorian Energy Efficiency Target Act 2007</i>
<b>VEET scheme</b>	Scheme established by the VEET Act.
<b>VEET scheme target</b>	Scheme target set by regulation for each of the three years comprising the second triennium (2012-2014) of the scheme.



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# 1 REPORT OVERVIEW

The Victorian Energy Efficiency Target (VEET) scheme performance report details the operation and administration of the *Victorian Energy Efficiency Target Act 2007* (the Act) in 2014. The report also provides information about the level of compliance by scheme participants and summarises the assessment by the Essential Services Commission (the Commission) of accredited persons' certificate creation activities, relevant entities' annual acquisition statements, and other compliance matters for the 2014 reporting year. This report is published in accordance with section 7(3) of the Act requiring the Commission to report on the performance of the scheme to the Minister:

- after the end of each year, and
- at the end of any other period as requested by the Minister.

The VEET scheme is a Victorian Government initiative promoted to the community as the *Energy Saver Incentive* (ESI). It was established under the Act to commence on 1 January 2009. The purpose of the scheme is to promote reduction of greenhouse gas (GHG) emissions by encouraging efficient use of electricity and gas in the residential and commercial sectors. The scheme is also designed to foster investment, employment and technological progress in energy reduction industries.

The 2014 reporting year marked a continuation of sustained activity in the scheme. In 2012, the annual target had been increased to 5.4 million tonnes of GHG abatement for each year of the second three-year phase of the scheme. Reflecting this increased target, important legislative amendments were implemented over the three-year period to expand the scope of the scheme to include non-residential premises and to add new prescribed energy saving activities. These activities included commercial lighting upgrades, the installation of in-home displays (IHDs), high efficiency motor replacement, refrigerator display cabinet replacement, refrigerator fan motor replacement and two water-based prescribed activities, low flow trigger nozzles and water efficient pre-rinse spray valves. All these changes have continued to result in an increase in scheme participation, in the number of prescribed activities undertaken and in Victorian energy efficiency certificates (VEECs) registered.

On 18 December 2014, the Minister for Energy and Resources announced that the 2015 target would be retained at 5.4 million tonnes of GHG and that a review of the scheme would be conducted by the newly constituted Department of Economic Development, Jobs, Transport and Resources (DEDJTR, formerly DSDBI) in 2015 ‘with a view to strengthening it even further’.<sup>1</sup>

In 2014, the Commission continued to improve and consolidate its administrative processes and compliance oversight. As in the previous year, the Commission devoted significant investment to its information technology systems to enhance user functionality and administrative efficiency, as well as to strengthen the Commission’s risk assessment and data validation capability – thus providing greater quality assurance and augmenting the Commission’s compliance regime.

The data contained in this report is based on the 2014 calendar year, with the exception of certificates ‘created’, which covers the 12-month period from 31 January 2014 to 30 January 2015.<sup>2</sup> The Commission adopted this time framework from the commencement of the second three-year phase of the scheme to allow for more accurate and transparent year-on-year comparisons.<sup>3</sup>

Key scheme performance indicators for 2014 include:

- all of the 23 relevant entities (REs) with liabilities under the Act met their certificate obligations
- 3,637,605 certificates were created in the 2014 calendar year (from 293,489 prescribed activities), of which 176,880 were subsequently withdrawn by accredited persons (APs)
- 3,472,258 certificates were registered from 313,329 prescribed activities<sup>4</sup>
- lighting (schedules 21 and 34) accounted for 71 per cent of certificates registered (compared with 6.9 per cent in 2013), followed by weather sealing 8.0 per cent (10.2 per cent in 2013), water heating (schedules 1 to 4) 6.2 per cent (9.1 per cent in 2013), standby power controllers 5.2 per cent (55.1 per cent in 2013) and low-flow shower roses 4.4 per cent (6.5 per cent in 2013).

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<sup>1</sup> Victorian Government, ‘Energy efficiency scheme to reduce bills, support jobs’ [media release], 18 December 2014.

<sup>2</sup> Section 34(b) of the Act requires that a certificate cannot be surrendered unless ‘the certificate was created before 31 January in the year following the year to which the energy acquisition statement relates.’

<sup>3</sup> In the first three-year phase of the scheme, the Commission reported on a 13-month reporting year.

<sup>4</sup> Created certificates refer to all certificates that have been submitted for registration by an accredited person to the Commission. This includes certificates which have not been registered by the Commission, certificates which have been withdrawn and certificates which have been refused by the Commission.

- 200 new VEET accounts were created enabling the account holder to own and transfer certificates (scheme total: 1,292)
- 22 new businesses received accreditation to participate in the scheme (scheme total: 174), and
- 1,669 new energy saving products were approved (scheme total: 5,833).

The Commission undertook numerous initiatives during 2014 to improve and streamline its administrative processes, including:

- a review of the commercial lighting activity was completed to identify potential administrative improvements
- an analysis of the Commission's requirements for LED lighting lifetimes was expanded to take account of emerging international standards, especially in North America
- the process for approving and auditing solar water heater products, formerly performed for the Commission by Sustainability Victoria (SV), was outsourced to private sector contractors
- independent performance and safety testing of approved products, in particular 'emerging technology' products such as LED lighting, was further expanded
- a project to identify the compatibility of certain LED downlights and transformers was undertaken
- an audit of safety certificates for approved 240 volt lamps was completed
- a joint project by the Commission and SV updated the mandatory safety training (MST) course required to be completed by VEET installers, and the course was reaccredited until the end of 2015
- the Commission assisted SV in the assessment of small business energy efficiency capital grants
- the halogen downlight replacement activity (Schedule 21C) was restricted to fully licensed electricians, and registered builders were exempted from MST requirements, and
- a more robust and transparent VEEC validation process was adopted in respect of assessing VEEC creation claims for registration
- the commencement of registry investigations in cases where the Commission had grounds to suspect potential non-compliance in VEECs submitted for creation by an AP, and
- risk flags in the online certificate creation system were strengthened to help identify possible anomalies in order to strengthen the VEEC pre-registration process.

During the compliance year, the Commission continued to enhance and strengthen technical and regulatory requirements for the commercial lighting activity introduced the previous year,

and further expanded its program of independent testing of the safety and performance characteristics of selected 'emerging technology' lighting products – in particular, light emitting diode (LED) lamps.

The Commission also continued to expand its compliance monitoring and enforcement efforts in response to the major increase in uptake of prescribed activities by scheme participants. Following is a summary of specific actions undertaken by the Commission during the period:

- Eleven formal audit investigations into AP activities were completed. During these investigations, staff assessed specific areas of non-compliance that resulted in each AP being required to voluntarily surrender or withdraw VEECs equivalent to the level of non-compliance identified by the Commission. In addition six registry investigations were completed that resulted in VEECs being withdrawn.
- One investigation resulted in the Commission deciding to refuse registration of an AP's certificates (pursuant to section 22 of the Act) and requiring the AP to also surrender certificates (pursuant to section 40 of the Act).
- Fourteen detailed audits were completed. During these audits, staff conduct testing of registered claims and carry out phone audits and site visits. The audits occur at the business premises of the AP, where staff review business systems and interview key personnel. VEET staff review documentation and internal processes to substantiate certificate creation claims. The purpose of these audits is to assess the adequacy of APs' quality control processes and to identify potential non-compliance.
- More than 5,000 phone and field audits were conducted to test the validity of certificate creation claims resulting from prescribed activity installations.
- A total of 35 pre-accreditation or additional activity approval audits were conducted with applicants seeking either to begin participating in the scheme or, in the case of existing APs, to expand their activities.

The contents of each chapter of the report are as follows:

## **Chapter 2 – VEET scheme**

This chapter provides an overview of the VEET scheme, including its legislative framework, the purpose of the scheme and role and functions of the Commission as the administrator of the scheme.

### **Chapter 3 – Scheme operations**

This chapter provides a summary of the operations of the scheme for 2014. Operational matters covered include the creation of accounts, accreditation of persons, and data related to the creation and registration of Victorian energy efficiency certificates.

### **Chapter 4 – Compliance**

This chapter details the work undertaken by the Commission to ensure accredited person and relevant entity compliance with the requirements for participation in the scheme.

### **Chapter 5 – Other matters**

This chapter provides a summary of the other activities undertaken by the Commission with regard to the effective administration of the VEET scheme. These activities include further investment in IT systems to improve functionality and efficiency for scheme participants, additional administrative measures introduced in response to the expansion of the scheme, stakeholder consultation and the publication of guidance documentation.

Further information supporting this report can be found on the VEET website at [www.veet.vic.gov.au](http://www.veet.vic.gov.au).



# 2 VEET SCHEME

## 2.1 BACKGROUND

The Victorian Energy Efficiency Target (VEET) scheme is a Victorian Government initiative promoted to the public as the *Energy Saver Incentive* (ESI). It was established under the *Victorian Energy Efficiency Target Act 2007* (the VEET Act) and commenced on 1 January 2009.

The purpose of the legislation is to promote the reduction of greenhouse gas (GHG) emissions by encouraging efficient use of electricity and gas in the residential and commercial sectors. The scheme is also designed to foster investment, employment and technological progress in energy reduction industries.

The VEET is a 'white certificate' scheme. It leads to the creation of tradeable certificates, issued by an authorised body, which specify that a level of energy saving has been achieved. For VEET, this process is driven by placing a liability on large energy retailers in Victoria to surrender a specified number of Victorian energy efficiency certificates (VEECs) each year. Energy retailers with a liability under the scheme are known as *relevant entities* (REs). REs are able to create certificates directly, or purchase them in a competitive market. VEECs are created by businesses accredited by the Commission (known as *accredited persons* or APs) undertaking a range of prescribed energy saving activities. The revenue generated through the sale of VEECs enables APs to offer energy consumers benefits that may reduce the cost of undertaking these energy efficiency improvements.

Each certificate represents one deemed tonne of greenhouse gas abated. For the first three-year phase of the scheme (2009-2011), a target of 2.7 million certificates per annum was set. This increased to 5.4 million certificates per annum during the second three-year phase (2012-2014) as a result of the scheme's expansion from the residential sector into the business and other non-residential sector.

## 2.2 LEGISLATIVE FRAMEWORK

The VEET scheme is governed by the VEET Act, Regulations and Guidelines.

### ***The VEET Act***

The VEET Act came into operation on 1 January 2009 and is the primary legislation establishing the VEET scheme.

Section 4 of the Act sets out the VEET scheme's three main objectives:

- to reduce greenhouse gas emissions
- to encourage the efficient use of electricity and gas, and
- to encourage investment, employment and technology development in industries that supply goods and services which reduce the use of electricity and gas by consumers.

The Act confers administrative powers and responsibilities upon the Commission and sets the limits of the authority for the Regulations and Guidelines. It also provides for an energy efficiency shortfall penalty, which is the penalty that an RE must pay if it fails to surrender sufficient certificates to acquit its liability under the scheme in any given compliance year.

The Act also requires certain matters relating to the VEET scheme to be specified through an Order in Council published in the Government Gazette. For instance, in 2009 an order declaring a discount factor of zero for ceiling insulation activities was published.<sup>5</sup>

In 2013, the Act was amended to expand the definition of 'relevant entity' beyond those energy retailers with at least 5,000 electricity and/or gas customers to also include energy retailers with a scheme acquisition of at least 30,000 MWh of electricity or at least 350,000 GJ of gas in one compliance year. Other, minor amendments also tightened the Commission's enforcement powers under the Act.

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<sup>5</sup> *Victorian Government Gazette* – S106 (20 April 2009) p1325; this order, made in response to the Australian Government's Home Insulation Program, effectively removed ceiling insulation activities from the VEET scheme and was due to expire on 31 December 2011 but subsequently was extended several times and was scheduled to expire on 31 December 2015.



### ***The Regulations***

The VEET Act is supported by the *Victorian Energy Efficiency Target Regulations 2008* (the Regulations) and the *Victorian Energy Target Guidelines* (the Guidelines). The Regulations provide detailed information about criteria for the range of prescribed activities which are eligible to be undertaken under the VEET scheme, and the publication of product registers.

### ***The Guidelines***

The Guidelines, issued by the Commission under section 74 of the VEET Act, provide a framework for the administration of the scheme, including requirements relating to:

- the accreditation of scheme participants
- the manner in which prescribed activities may be undertaken
- occupational health and safety training requirements for installers
- the creation, form and transfer of energy efficiency certificates
- information to be contained in the registers of accredited persons and certificates that are maintained by the Commission
- records to be kept by accredited persons and relevant entities
- the Commission's auditing of certificate creation by accredited persons
- the form of, and information to be provided in, energy acquisition statements
- the auditing of energy acquisition statements by third parties engaged by relevant entities, and
- any other matters relevant to the administration of the VEET scheme.

## **2.3 ROLE AND FUNCTIONS OF THE COMMISSION**

As mentioned above, the Commission is responsible for implementing and administering the VEET scheme. The remainder of this section outlines the Commission's responsibilities for both operational activities and compliance monitoring and enforcement, including to:

- accredit persons who may create energy efficiency certificates
- approve energy efficient products for which certificates may be created

- administer the creation, registration, transfer and surrender of certificates
- maintain electronic registers<sup>6</sup>
- enforce energy efficiency shortfall penalties, and
- assess compliance with the VEET Act, Regulations and Guidelines.

### **Accreditation of persons**

Individuals and companies must be accredited under the VEET scheme before they can create VEECs. Each accredited entity is allocated a unique registration number that is publicly available on the 'Register of accredited persons' on the VEET website. A notional once-only \$500 fee is levied to cover some of the administrative costs of assessing and accrediting an applicant.

The Commission also processes applications for account holders in the scheme. An account holder may trade (that is, buy and sell) VEECs but may not create certificates. All accredited persons must hold accounts. No fee is levied to become an account holder.

### **Approval of energy efficient products**

Accredited persons are required to apply to the Commission for approval of certain product categories before installing the products, including those for various kinds of lighting replacements in both residential and commercial settings, as well as solar water heaters, low flow shower roses, insulation, window retrofit, chimney balloons and other weather sealing products, refrigerated display cabinets, refrigeration fans, low flow trigger nozzles, high efficiency spray valves, standby power controllers and in-home displays. This approval process is intended to provide APs with assurance that the products they intend to install meet scheme requirements. It also streamlines the process for registration of VEECs following installation of the products.

Accredited persons undertaking the installation of such products must submit an application using the online product application feature available on the VEET website. Applications must be accompanied by documentary evidence that a product meets the criteria set out in the Regulations. The Commission assesses applications and provides applicants with a written

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<sup>6</sup> The registers are maintained at [www.veet.vic.gov.au](http://www.veet.vic.gov.au)

outcome. Once a product is approved, it is added to the relevant product register and APs may undertake the relevant prescribed activities. In practice, the majority of approvals are for lighting products.

For certain other categories of prescribed activities, products eligible to create VEECs are listed in other registers of products available on the VEET website. These supplementary registers are maintained for space heating and cooling products, high efficiency refrigerators and freezers, thermally efficient windows, pool pumps, high efficiency motors, high efficiency televisions and high efficiency clothes dryers. The Commission regularly updates the registers to capture new eligible products and maintains archives of previous instances of the registers.

### **Creation, registration, transfer and surrender of VEECs**

As mentioned above, each VEEC represents one tonne of deemed GHG abated. Accredited persons are entitled to create VEECs for energy efficiency activities as specified in the Regulations and according to calculated abatement values.

VEECs are created in electronic form and become valid when the Commission registers them. The Commission assesses the validity of a VEEC creation before allowing the certificate to be registered. A \$1 fee is levied against each VEEC registered to cover the administrative costs of assessing, registering, transferring, surrendering and auditing certificates. This \$1 registration levy has not been increased since the scheme commenced in 2009. The Commission maintains a publicly accessible register on the VEET website that records the creation, transfer of ownership and surrender of VEECs.

Relevant entities are required to surrender VEECs to acquit their required energy efficiency liabilities for a compliance year. As previously stated, for each of the first three years of the scheme (2009-11), the Act set an annual GHG abatement target of 2.7 million tonnes of carbon dioxide equivalent. In subsequent three-year phases of the scheme – that is, from 1 January 2012 as mentioned above – the target is set by Regulation. For each year of the 2012-14 phase, the annual target was set at 5.4 million tonnes of GHG abated.

### **Maintenance of electronic registers**

As required by the VEET Act and Regulations, the Commission maintains the following electronic registers associated with operating the VEET scheme:

- register of accredited persons
- register of Victorian energy efficiency certificates (VEECs), and
- register of certain energy efficient products.

These registers are publicly accessible on the VEET website.

### **Issuing shortfall statements**

Relevant entities determine their annual GHG emissions liability – and therefore the number of VEECs they are required to surrender each year – by multiplying their electricity acquisition for the compliance year by the GHG reduction rate for electricity (RE) and by multiplying their gas acquisition for the compliance year by the GHG reduction rate for gas (RG). For 2014, the RE and RG factors were fixed at 0.14509 and 0.00863 respectively.<sup>7</sup>

If a relevant entity fails to surrender sufficient VEECs to acquit its liability in a given year, the Commission may issue a shortfall statement imposing an energy efficiency shortfall penalty on the relevant entity. This civil penalty is determined by multiplying the relevant entity's energy efficiency certificate shortfall (in tonnes of GHG) for that year by the prescribed shortfall penalty. In accordance with section 28 of the Act, for 2014 the shortfall penalty rate was fixed by regulation at \$44.54 per tonne of GHG.<sup>8</sup>

### **Monitoring compliance**

The Commission is responsible for ensuring compliance with the scheme and maintaining scheme integrity. Main compliance activities involve ensuring that accredited persons create VEECs lawfully and that relevant entities surrender an appropriate number of VEECs to acquit their required energy efficiency liabilities. This involves overseeing and reviewing the submission of:

- VEEC creations, transfers and surrenders throughout the year by scheme participants, and
- energy acquisition statements submitted annually by relevant entities.

Annual energy acquisition statements are required to be audited in accordance with section 33 of the VEET Act and the Guidelines before lodgement with the Commission. A third party auditor must be nominated by the relevant entity and approved by the Commission before conducting the audit. Approved auditors are required to enter a tripartite arrangement which specifies a duty of care to the Commission.

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<sup>7</sup> VEET Act, s32; *Victorian Government Gazette* – G22 (29 May 2014) p1070.

<sup>8</sup> *Victorian Government Gazette* – G26 (26 June 2014) p1412.

In addition to the functions detailed above, the Commission may also:

- undertake audits of scheme participants
- provide ongoing information to participants about their responsibilities and obligations under the scheme, and
- impose penalties for non-compliance with the provisions of the legislation.



# 3 SCHEME OPERATIONS

## 3.1 SUMMARY OF 2014 VEET REGISTRY OPERATIONS

This section outlines operational activities in the VEET registry for 2014. The section also reports on VEECs created up to 30 January 2015. VEECs created in January 2015 are included as part of this 2014 performance report because VEECs created in this month are eligible under section 34 of the VEET Act for surrender against 2014 obligations. Registry activities include all certificate transactions by account holders and accredited persons participating in the scheme.

Table 1 below presents a summary of the operational activities undertaken by scheme participants during 2014 and the cumulative totals over the first five years of the scheme from 1 January 2009 to 31 December 2014.

Table 1: **2014 VEET operations activity summary**

Activity	2014	Scheme totals (2009–2014)
Accounts created	200	1,292
Accredited person (AP) approvals	22	174
VEECs created by APs (2014 calendar year)	3,637,605	27,177,544
VEECs registered by the Commission	3,472,258	24,572,456
VEEC registrations refused by the Commission <sup>9</sup>	0	108,213

Source: Essential Services Commission

Under section 34 of the VEET Act, relevant entities (REs) are able to surrender, against their annual liability, certificates that have been created before 31 January in the year following the relevant compliance year. In accordance with this requirement, the Commission has recorded

<sup>9</sup> In November 2014, the Commission decided to refuse the registration of 9,142 VEECs submitted by an AP. The AP appealed this decision and in February 2015 the Commission upheld the original decision to refuse to register the VEECs; this refusal will be reported in the VEET performance report for 2015.

the following certificate creation levels for the 12 months from 31 January 2014 to 30 January 2015. Table 2 provides this information.

**Table 2: 2014 VEET operations activity summary (as at 3 August 2015)**

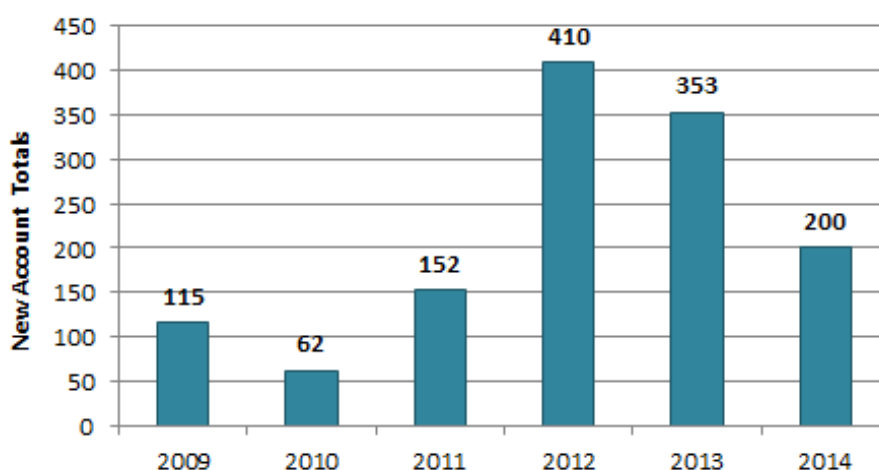
Activity	2014
VEECs created by APs (31 January 2014 to 30 January 2015)	3,802,206
Number of VEECs subsequently withdrawn by APs	205,177

Source: Essential Services Commission

### 3.2 CREATION OF ACCOUNTS

A total of 200 new accounts were opened in the VEET scheme during the period from 1 January 2014 to 31 December 2014. As noted in the previous chapter, an account is a prerequisite for businesses wishing to participate in the VEET scheme. Account holders are entitled to own, trade and surrender VEECs; however, they must become an accredited person in order to create VEECs. Opening an account in the VEET scheme does not incur an administration fee and there are no restrictions on eligibility. Figure 1 below shows the number of accounts opened each year over the six years of the scheme.

**Figure 1: VEET accounts created – 1 January 2009 to 31 December 2014**



Source: Essential Services Commission

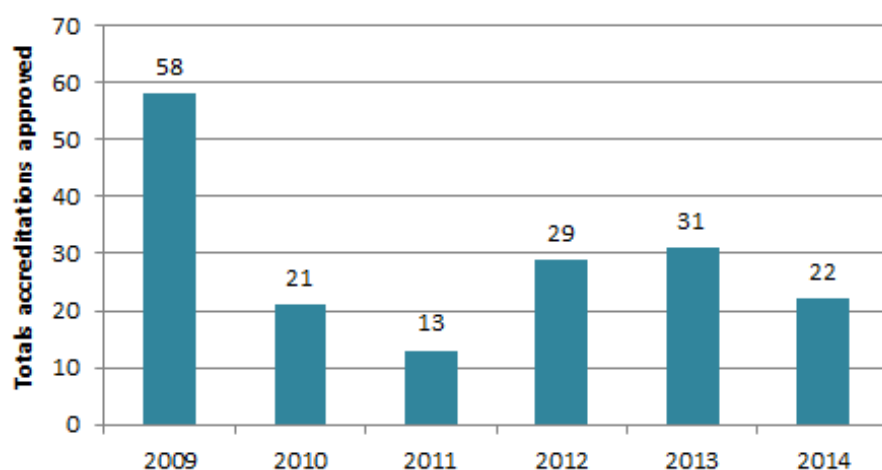


### 3.3 ACCREDITATION OF PERSONS

During the 2014 year, the Commission approved 22 applications to become an accredited person (AP) in the VEET scheme. To become an AP, an applicant must complete an application form and provide the Commission with supporting documentation about business processes and policies, record keeping and quality assurance systems, training and development processes and details of intended prescribed activities, among other information. After the Commission has undertaken a detailed assessment of the application and the applicant pays a \$500 administration fee, the Commission may approve or refuse the application. In any case, the Commission must make a decision within 20 business days of receiving a complete application.

Figure 2 below presents a summary of the yearly levels of accreditations by the Commission over the first five years of the scheme. The total number of approved APs as at 31 December 2014 was 174 persons, of which 169 still held valid accreditations (2 accreditations having been revoked, and 3 cancelled).

Figure 2: **Accredited person approvals – 1 January 2009 to 31 December 2014**



Source: Essential Services Commission

### 3.4 PRESCRIBED ACTIVITIES

APs must undertake prescribed activities in accordance with the VEET Act, Regulations and Guidelines. The Commission is responsible for monitoring that APs meet the statutory requirements and that VEECs are eligible for creation for a prescribed activity.

During the 2014 year, the Regulations specified a total of 33 different energy efficiency activities for which VEECs may be created. Prescribed activities were undertaken in more than 186,000<sup>10</sup> households, resulting in the creation of more than 3,189,000 VEECs between 1 January 2014 and 31 December 2014. A number of these households had multiple activities undertaken by APs on behalf of the consumer. The most common activity undertaken by APs over the 2014 compliance year was lighting activities (under Schedules 21 and 34 of the Regulations).

During the 2014 year, 12.3 per cent of all certificates – around 448,000 VEECs - were created in respect of prescribed activities undertaken in more than 5,000 business and other non-residential premises.

In 2014, the Commission introduced new administrative requirements for prescribed activities carried out under Schedule 21C of the Regulations. The changes were introduced following an extensive review of installation safety and product performance issues. The new requirements required a fully licensed electrician to conduct all elements of a Schedule 21C installation, including:

- a pre-installation safety and compatibility inspection, and
- the 'installation' of the lamps.

Table 3 details the creation and registration information for each prescribed activity for 2014 and since the start of the scheme

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<sup>10</sup> Based on certificates created from 1 January 2014 to 31 December 2014.

Table 3: **Prescribed activities – Installations and VEECs created and registered data**

Activity type	Installations <sup>#</sup>	VEECs created	VEECs registered	Installations*	VEECs created	VEECs registered
<b>Water heating activities</b>			<b>2014 reporting year 1 Jan 2014 – 31 Dec 2014</b>		<b>2009 - 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>	
1A - Decommissioning electric and installing gas/LPG storage	541	21,682	21,775	4,061	161,065	159,270
1B - Decommissioning electric and installing gas/LPG instantaneous	2,720	116,587	122,424	14,252	604,656	599,413
1C - Decommissioning electric and installing electric boosted solar	11	468	468	19,171	812,166	811,226
1D - Decommissioning electric and installing gas/LPG boosted solar	3	186	186	6,505	393,007	387,623
1E - Water Heating - Electric Boosted Solar Replacing Electric	1,224	52,059	53,119	1,906	80,398	77,747
1F - Water Heating - Gas/LPG Boosted Replacing Electric	249	14,583	14,957	395	23,312	22,754
2 - Installing solar retrofit on electric	0	0	0	7	155	155
3 - Decommissioning gas/LPG and installing gas/LPG boosted solar	237	2,489	2,410	9,200	96,286	95,708
4 - Installing solar pre-heater on gas/LPG	0	0	0	3	21	21
<b>Space heating &amp; cooling activities</b>			<b>2014 reporting year 1 Jan 2013 – 31 Dec 2014</b>		<b>2009 - 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>	
5 - Decommissioning ducted gas and installing high efficiency ducted gas	708	8,935	9,270	2,289	30,181	30,064
6 - Decommissioning central electric resistance and installing high efficiency ducted gas	223	60,722	62,516	1,949	556,224	538,696
7 - Decommissioning ducted air to air heat pump and installing high efficiency ducted air heat pump	0	0	0	1	6	6
8 - Decommissioning central electric resistance installing high efficiency ducted air heat pump	1	172	448	20	3,053	3,053
9 - Installing flued gas/LPG space heater	372	3,160	3,496	2,023	15,291	15,253
10 - Installing space air to air heat pump	0	0	0	2	7	7
20 – Installing a high efficiency ducted gas heater	121	735	749	363	2,188	2,178

# Based on certificates created from 1 January 2014 to 31 December 2014

\* Based on certificates created between 1 January 2009 to 31 December 2014

Activity type	Installations <sup>#</sup>	VEECs created	VEECs registered	Installations*	VEECs created	VEECs registered
23 – Decommissioning refrigerative air conditioner and installing evaporative cooler	0	0	0	0	0	0
28 – Replacement of gas heating ducts	2	34	34	5	73	73
<b>Space conditioning activities</b>	<b>2014 reporting year 1 Jan 2014– 31 Dec 2014</b>			<b>2009 – 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>		
11 - Installing insulation in ceiling area not previously insulated	0	0	0	1,168	56,918	56,918
12 - Installing insulation in floor area not previously insulated	0	0	0	1	17	17
13 - Replacement of external window	0	0	0	1	81	81
14 - Retrofit of external window	0	0	0	0	0	0
15 - Weather sealing	71,948	257,964	276,506	301,738	1,106,054	1,012,278
<b>Lighting activities</b>	<b>2014 reporting year 1 Jan 2014 – 31 Dec 2014</b>			<b>2009 – 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>		
16 – Installing low energy lamps	0	0	0	555,181	5,270,073	5,107,907
21A – Lighting – GLS lamps	68,051	747,710	778,001	310,895	2,857,443	2,472,275
21B – Installing low energy reflector lamp in place of an incandescent reflector lamp	0	0	0	0	0	0
21C – Installing a low energy lamp in place of an existing 12 volt halogen lamp	47,607	1,416,195	1,111,411	49,200	1,442,738	1,133,193
21D – Installing a low energy downlight fitting in place of an existing 12 volt halogen downlight fitting a	14,339	299,450	319,451	19,376	420,406	403,315
34 – Undertaking a lighting upgrade	975	301,081	256,369	1,656	453,733	346,934
<b>Shower rose activities</b>	<b>2014 reporting year 1 Jan 2014 – 31 Dec 2014</b>			<b>2009 - 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>		
17 - Shower rose	40,504	157,135	152,425	337,960	1,022,479	949,082
<b>Refrigerator/freezer activities</b>	<b>2014 reporting year 1 Jan 2013 – 31 Dec 2014</b>			<b>2009 - 2014 reporting years 1 Jan 2009 – 31 Dec 2014</b>		
18 / 22 - Purchase of refrigerator/freezer	80	132	128	111	176	172

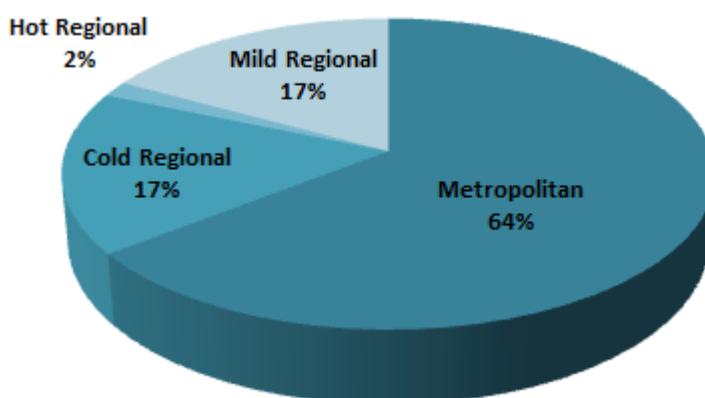
Activity type	Installations <sup>#</sup>	VEECs created	VEECs registered	Installations*	VEECs created	VEECs registered
19 - Destruction of refrigerator or freezer	11,850	52,683	47,760	68,496	310,297	297,034
<b>Standby power controller activities</b>			<i>2014 reporting year 1 Jan 2013 – 31 Dec 2014</i>		<i>2009 – 2014 reporting years 1 Jan 2009 – 31 Dec 2014</i>	
29 – Installing a stand-by power controller	12,193	60,007	178,866	1,403,240	11,364,151	10,144,180
<b>Other activities</b>			<i>2014 reporting year 1 Jan 2014 – 31 Dec 2014</i>		<i>2009 - 2014 reporting years 1 Jan 2009 – 31 Dec 2014</i>	
24 – Purchase of high efficiency televisions	6,588	32,631	26,347	8,299	36,434	29,826
25 – Purchase of high efficiency clothes dryers	15	53	57	17	61	61
26 – Installing high efficiency pool pumps	140	1,154	1,265	707	5,701	5,677
30 – Installing an in-home display	12,780	29,539	30,871	21,833	49,717	48,718
31 – Installing a high efficiency motor	0	0	0	0	0	0
32 – Installing a high efficiency refrigerated display cabinet	0	0	0	1	35	0
33 – Replacing a refrigerator fan	0	0	949	36	2,882	1,541
35 – Low flow trigger nozzle	0	0	0	0	0	0
36 – Water efficient pre-rinse spray valve	7	59	0	7	59	0
<b>Total</b>	<b>293,489</b>	<b>3,637,605</b>	<b>3,472,258</b>	<b>3,142,075</b>	<b>27,177,544</b>	<b>24,752,456</b>

NOTE: Created VEECs are assessed against criteria in the legislation before being validated and registered, which accounts for apparent discrepancies in the table between created and registered certificates. The status of all VEECs, including those pending registration validation, pending registration payment and withdrawn, are listed daily on the VEET website at [www.veet.vic.gov.au](http://www.veet.vic.gov.au).

Source: Essential Services Commission

During 2014, the majority (64 per cent) of prescribed activities were undertaken in the Melbourne metropolitan region (compared with 66 per cent in the previous reporting year). Figure 3 below indicates the relative number of prescribed activities undertaken in the four Victorian climatic regions<sup>11</sup>.

**Figure 3: Installations of prescribed activities by region (1 January 2014 to 31 December 2014)<sup>#</sup>**



# Based on certificates created from 1 January 2014 to 31 December 2014

Source: Essential Services Commission

### 3.5 CREATION AND REGISTRATION OF VEECS

An AP creates VEECs, after conducting a prescribed activity installation, by submitting the VEEC creations to the Commission for assessment. The certificates will be registered only after the Commission is satisfied, following a risk based assessment, that the VEECs have been created in accordance with the VEET Act, Regulations and Guidelines.

In 2014, the registry team implemented a more robust validation process which involved the systematic issuing of requests for further information (RFIs) to APs in respect of VEECs submitted for creation based on the risk rating of the AP and the activity, and the strengthened use of 'risk flags' to direct the team's assessment on claimed VEECs. The compliance checks

<sup>11</sup> The VEET Regulations define and establish the four climatic regions in Victoria.

conducted by the registry team on VEEC claims submitted by APs include, but are not limited to:

- RFIs seeking APs provide supporting documentation for VEECs claimed including, but not limited to, assignment forms, certificates of compliance, stock reconciliation documents, and/or decommissioning evidence
- random consumer phone audits, and
- requests for internal field and phone audit results.

Where APs are unable to satisfy the Commission that VEECs have been properly created during the validation process, the APs are given the option of withdrawing the VEECs. The majority of VEECs withdrawn by APs during the 2014 year were withdrawn as part of the validation process.

The Commission also introduced new IT functionality which provided APs with the ability to track the progress of their batches towards invoicing and registration, as well as providing APs with detail about the assessment standards applied by the Commission when validating created certificates.

In mid-2014, the registry team started conducting registry investigations. The Commission instigated registry investigations where the validation process, consumer or AP feedback, or an AP's prior compliance history, highlighted potential non-compliance in VEECs submitted for creation by an AP. The registry team commenced six registry investigations in 2014. During the conduct of these investigations, the registry team contacted more than 800 consumers by phone. As a result of these investigations, more than 12,000 VEECs were withdrawn by the APs as a result of non-compliance issues identified.

Where the Commission has established that VEECs have been improperly created, the Commission may decide to refuse registration. No VEECs were refused for registration by the Commission in the 2014 year. In instances where the Commission or an AP can demonstrate that previously registered VEECs have been improperly created, a like number of registered VEECs may be voluntarily surrendered to the Commission for the purpose of 'making good' against the improper creations<sup>12</sup>.

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<sup>12</sup> Amendments to the VEET Act effective from 1 January 2012 enable the Commission to order APs to surrender VEECs.

Table 4 below includes the unique status, as at 3 August 2015, of all VEECs created during the period from 31 January 2014 to 30 January 2015. VEECs that have been created and have a status of 'pending registration'<sup>13</sup> may be withdrawn by the AP or refused registration by the Commission. Only VEECs which are 'registered' can be transferred to other parties, or later be voided (or 'retired') as a result of obligatory, voluntary or mandatory surrender.<sup>14</sup> Once a VEEC has been 'retired', it is no longer eligible to be traded.

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<sup>13</sup> The 'pending registration' status applies to all created VEECs that are either undergoing risk based assessment ('pending registration validation') or where the AP has not yet paid the VEEC registration fee ('pending registration payment').

<sup>14</sup> Obligatory surrenders involve certificates surrendered by REs acquitting their liabilities under the scheme, whereas mandatory surrenders (usually by APs) occur as a result of Commission enforcement action. Certificates may also be voluntarily surrendered under s.25 of the Act provided the owner advises the Commission in writing; voluntarily surrendered certificates cannot be included in an RE's energy acquisition statement.



Table 4: **VEEC creations (as at 3 August 2015)**

<b>VEECs created</b>	<b>VEEC creations</b> 1 Jan 2014 – 31 Dec 2014	<b>VEEC creations</b> 31 Jan 2014 – 30 Jan 2015	<b>2009 – 2014</b> 1 Jan 2009 – 30 Jan 2015
Total VEECs created	3,637,605	3,802,206	27,486,399

*Current VEEC status (as at 3 August 2015) of created VEECs*

Pending registration	24,727	25,139	67,599
VEECs withdrawn by APs	176,880	205,177	1,779,142
VEECs withdrawn by Commission <sup>a</sup>	0	0	44,291
Registration refused	0	0	108,213
Registered	479,025	693,015	900,036
Retired due to obligatory surrender <sup>b</sup>	2,948,664	2,870,713	24,446,144
Retired due to voluntary surrender <sup>c</sup>	8,309	8,162	140,974

<sup>a</sup> VEECs withdrawn by the Commission were the result of a processing error.

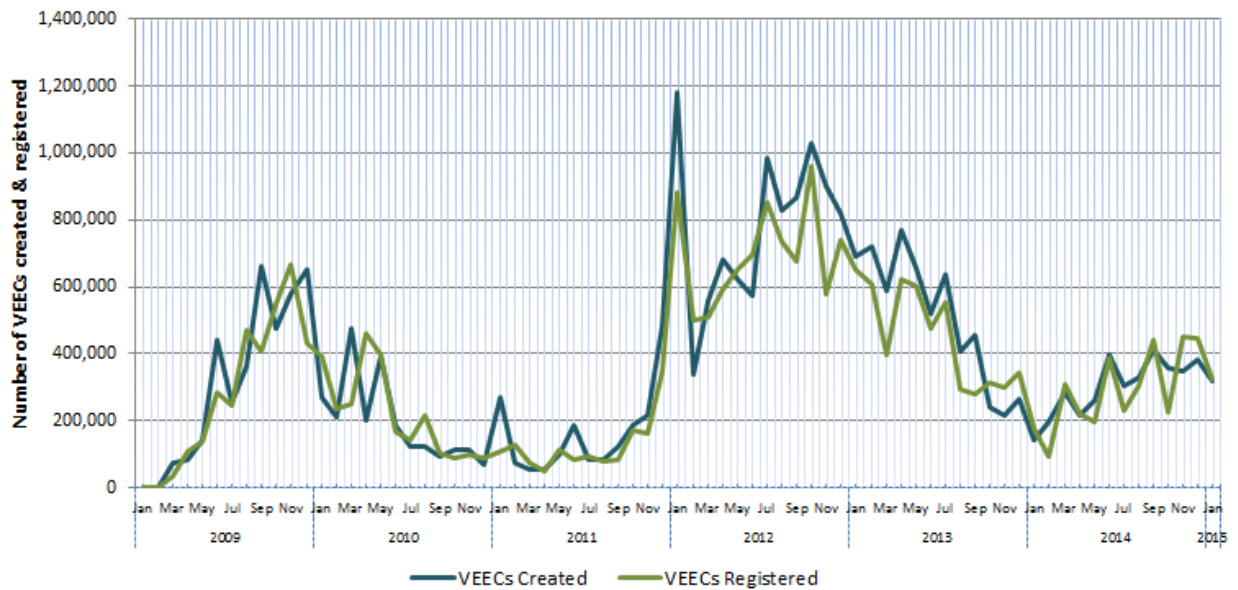
<sup>b</sup> Pursuant to VEET Act, ss 33, 38, 39 or 40

<sup>c</sup> Pursuant to VEET Act, s 25.

Source: Essential Services Commission

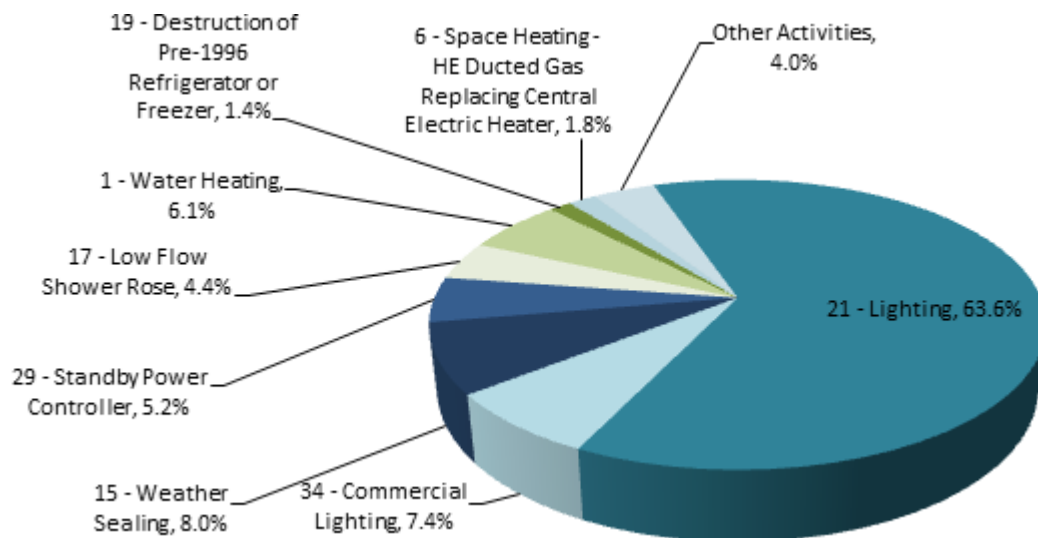
Figure 4 below shows monthly VEEC creations and registrations since the start of the scheme on 1 January 2009 until 30 January 2014. As seen in Figure 5, VEECs registered from lighting activities (Schedules 21 and 34) accounted for 71 per cent of all registrations for the period from 1 January 2014 to 31 December 2014.

Figure 4: VEEC creations by month — January 2009 to January 2015



Source: Essential Services Commission

Figure 5: VEEC registrations by activity — 1 January 2014 to 31 December 2014 #



# Based on certificates registered from 1 January 2014 to 31 December 2014

Source: Essential Services Commission

# 4 SCHEME COMPLIANCE

## 4.1 COMPLIANCE OVERVIEW

In administering the VEET scheme, a primary responsibility of the Commission is to ensure that scheme participants – accredited persons (APs) and relevant entities (REs) – comply with the requirements of the VEET Act, Regulations and Guidelines.

The VEET Act provides the Commission with auditing and enforcement powers to ensure that APs properly create certificates and that REs surrender a sufficient quantity of certificates to acquit their liability for the reporting year. In particular:

- section 7(2)(d) of the VEET Act empowers the Commission to undertake audits of the creation of certificates by APs, and
- section 33 of the VEET Act requires REs to submit audited energy acquisition statements to the Commission. The Commission uses these statements, to determine whether REs have correctly calculated their VEET liabilities and surrendered the required number of VEECs for the reporting year.

Over the 2014 reporting period, the Commission continued its monitoring and enforcement efforts that are necessary to ensure scheme participants create VEECs compliantly. Accredited persons moved away from installations of standby power controllers (SPCs) and looked to other activities. Improvements in LED technology meant that some lighting products could now be offered to consumers at little or no cost. In 2014, an uptake of Schedule 21C emerged in which existing halogen downlights could be replaced with LED downlights. The increase in these installations presented new challenges for audit staff and resulted in increased testing and the need to make recommendations for administrative changes for this activity to continue to be undertaken safely and compliantly across Victorian homes and businesses. The uptake of Schedule 34 – a more complex activity than most activities in the scheme to date, such as Schedules 15, 17, 21A and 29 – required the development of a more robust review framework. The following sections detail the Commission’s auditing, compliance risk management and enforcement regime, and discuss the audit and investigations program completed over the 2014 reporting period.

## 4.2 CERTIFICATE CREATION BY ACCREDITED PERSONS

Since the scheme commenced, the Commission has established an auditing and risk management framework to ensure that certificates created by participants in the scheme comply with the requirements of the Act, Regulations and Guidelines. This framework (and the risk analytics and key indicators that inform it) continued to be strengthened in 2014 as new activities were installed and in response to emerging trends in scheme participants, market behaviour and consumer feedback. The compliance framework consists of both pre-certificate registration risk analysis and data validation measures, post-registration auditing and formal investigations.

A particular focus of the audit team in 2014 was to increase testing of pending certificate claims to ensure properly claimed certificates were registered.

### **Risk assessments**

Before obtaining accreditation to participate in the scheme, every applicant is subjected to a preliminary assessment by the audit team to determine the risk of improper certificate creation. This risk assessment is based on a number of factors, including the applicant's business model, quality of accreditation application information, prescribed activities nominated, forecast certificate creation levels, record keeping and VEEC creation processes and procedures. In addition, a pre-accreditation audit is conducted with the applicant. A risk rating of low, medium or high is applied to all APs. This risk rating is applied to an AP's account and provides guidance to registry staff completing validation checks about the level of assessment that should be applied to certificate claims. This rating is regularly updated to reflect the compliance record of the AP and assists the Commission in informing its overall audit and investigation program.

### **'High risk' APs**

The Commission maintains an internal register of APs assigned a 'high risk' rating. APs with a high risk rating are regularly monitored to identify potential instances of improper VEEC creation and ensure ongoing compliance with the legislative requirements of the scheme.

Monitoring activities include:

- review of increased certificate withdrawals by APs
- review of internal audits conducted by APs
- assessment of creation information submitted by APs and other creation information provided by installers and consumers, and
- investigation of consumer complaints

- review of installations identified as duplicates<sup>15</sup>.

### **'High risk' activities**

A particular focus of the Commission's compliance monitoring and audit regime involves prescribed activities identified as being at a high risk of AP non-compliance. Activities deemed to be 'high risk' are subject to a greater level of monitoring and auditing by the Commission. APs are also required to meet minimum levels of internal auditing in order to create certificates for these activities. Factors that determine whether an activity is identified as having a high risk of non-compliance include: whether the product can be provided for minimal or no cost to the consumer; the number of VEECs generated as a result of the activity; and, the skills or qualifications required of an installer to carry out a particular prescribed activity.

### **Pre-accreditation and additional activity approval audits**

The Commission conducts pre-accreditation audits of all businesses applying to participate in the VEET scheme. The Commission uses these audits to assess how an AP plans to participate in the scheme, to review and understand the AP's business model and to establish a working relationship with the AP. This initial audit is an opportunity for the Commission to emphasise its compliance expectations and to reinforce its audit obligations under the scheme. The audit is also an opportunity for the Commission to reiterate the legislative requirement to maintain adequate installation and decommissioning records. A total of 23 pre-accreditation audits were completed in 2014.

The Commission also conducts meetings with existing APs that seek approval to undertake additional prescribed activities beyond those originally approved. This includes activities recently included in the scheme. During the 2014 reporting period, the Commission conducted 12 meetings in response to additional activity approvals.

### **New accredited person's first creation audit**

Businesses seeking accreditation are informed at the pre-accreditation or additional activity stages that their initial certificate submission will be subjected to an audit. The audit team reviews these certificate creations to ensure that APs have implemented the required processes

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<sup>15</sup> Regulations 8 and 8A of the VEET Regulations stipulate that certificates cannot be created more than once for the same product (other than lamps or shower roses) installed in residential or business premises.

to ensure compliance. Phone audits and site inspections may be completed by staff to gain assurance that claims are compliant.

### **Desktop audits**

The 2014 reporting period experienced an increase of Schedule 34 lighting upgrades in commercial sites. Determination of abatement for these lighting upgrades is more complex than those for Schedule 21 lighting upgrades, so APs are required to submit appropriate documentation to substantiate these claims. The information submitted must satisfy the audit team that an inefficient lighting configuration was present at that site, that the AP has installed a product on the ESC register of approved products, and that they have undertaken calibrated lux readings to satisfy AS/NZS 1680 compliance. They also need to submit invoices supporting the purchase of efficient lighting products, evidence that inefficient lighting has been decommissioned, 'as built' floor plans, a Certificate of Electrical Safety from the installing electrician and data summary documentation outlining the lighting upgrade. These assessments are usually performed at a desktop level. However, audit staff also conduct site inspections of lighting upgrades with the assistance of a qualified electrician. In addition to assessing whether the claimed abatement has been achieved, desktop audits identify gaps in the AP's processes or controls and provide guidance to APs to reduce risk of improper VEEC creations.

### **Detailed audits**

The Commission has an established program of both random and targeted AP auditing activities. The objective of audits is to assess APs' compliance with the Act, Regulations and Guidelines when creating VEECs by:

- reviewing prescribed activities for which APs have created certificates
- identifying processes used to undertake prescribed energy efficiency installations and assessing the effectiveness of controls in those processes
- assessing the process by which APs decommission and dispose of inefficient products as required, and
- identifying and assessing the effectiveness of APs' processes and controls when creating VEECs for various prescribed activities.

When completing an audit, the Commission conducts: (1) phone and site audits of prescribed activities, (2) desktop audits of the AP's certificate creation history, and (3) a review of an AP's substantiating documentation.

The Commission completed 14 detailed audits of APs in 2014. The Commission also contacted 799 consumers directly regarding their installations and undertook 305 'authorised officer' site inspections of installation claims under Part 7 of the VEET Act.

### **Pre-registration audit and verification**

As noted in section 3.5, the registry team conducts the first level of compliance checks that APs must satisfy in order for their VEEC claims to be registered. The VEET system incorporates the use of 'risk flags' to direct the registry team's assessment of VEECs claimed by the AP. The registry team then conducts a number of desktop audit checks to claims submitted by APs.

The enhanced assessment of claims at the creation upload stage has enabled the Commission to identify anomalies that have resulted in further investigation by the audit team before certificates are registered.

### **Investigations**

When the Commission becomes aware, through its audit program or via its broader compliance framework, of potentially significant non-compliance, more extensive investigations are conducted.

The Commission undertook 11 formal audit investigations in 2014. While these investigations were in progress, the Commission ceased assessment of the relevant APs' certificate claims. More than 1,900 consumers were contacted by phone or visited at their residences during these investigations. As a result of these audit investigations, 10,143 VEECs were offered for voluntary surrender and in excess of 14,000 VEECs were withdrawn by the APs because of improper creation.

During the year, the VEET audit team completed an investigation into information that indicated the failure of MR16 LED lights installed under Schedule 21C. The two objectives of the investigation were to:

- identify the rate of early failure of Schedule 21C products in the field, specifically whether failure occurred due to incompatibility between newly installed lamps and existing transformers<sup>16</sup>; and

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<sup>16</sup> Transformers (or drivers) step down the voltage from 240 Volts to the LED light operating voltage of 12 Volts.

- understand and reduce the potential risk to unqualified installers when checking for transformer compatibility.

This investigation resulted in a requirement for all Schedule 21C installations to be supervised by a fully licensed electrician. In addition, further administrative changes required that a pre-installation inspection – also to be carried out by a licensed electrician – be completed to identify any potential safety hazards and ensure compatibility with LED replacement lamps and existing transformers.

Audit staff completed a follow-up investigation to ensure APs were meeting the new requirements. This investigation identified that one AP, Mocomo, was not adhering to the new requirements and their accreditation to complete Schedule 21C installations was withdrawn by the Commission pending the AP re-applying and assuring the Commission their processes had been updated. To date these assurances have not been provided.

During 2014, the Commission determined that an AP, Energy Efficient Technologies Pty Ltd (EET), had improperly created VEECs. The Commission therefore refused to register 9,142 certificates created by this AP pursuant to sections 22(5) and 22(6) of the Act. The Commission also ordered EET to surrender a further 16,454 certificates to the Commission under section 40 of the Act. EET requested the Commission to review the decision to refuse to register 9,142 VEECs (pursuant to section 56 of the Act). In February 2015, the Commission upheld its original decision to refuse to register these certificates.

### **Consumer complaints resolution**

During 2014, the Commission investigated 165 compliance-related complaints, a significant decrease on the previous year (324 compliance-related complaints). The complaints primarily related to call centre marketing issues and installer misconduct. The audit team also investigated a number of complaints relating to an AP misrepresenting the scheme (specifically, an AP claiming it was representing the government) and consumer dissatisfaction with AP door-knocking. In most instances, the audit team was able to facilitate a resolution between the consumer and the AP. In addition, the audit team continued to emphasise to APs their consumer law obligations and referred issues to Consumer Affairs Victoria as appropriate.

Table 5 summarises the type and number of audit activities completed during the year.



Table 5: **Summary of audit activities in 2014**

<b>VEET compliance framework</b>	<b>Quantity</b>	<b>Activities</b>
VEET audit	14	15,17,21A,21C,21D,30,29,34
Phone audit	1503	15,17,21A,21C,21D,29,30,34
Field audit	417	15,17,21A,21C,29 & 34
Investigation	11	15,17,21A,21C,29
Pre-accreditation audit/meeting	23	Multiple
Additional activity approval audit/meeting	12	Multiple
Consumer complaints received	165	Multiple

Source: Essential Services Commission

### **4.3 ANNUAL ENERGY ACQUISITION STATEMENTS BY RELEVANT ENTITIES**

Victorian energy retailers with at least 5,000 residential customers, or with scheme acquisitions of at least 30,000 MWh of electricity or at least 350,000 GJ of gas in one compliance year, are considered relevant entities (REs) with a liability under the VEET Act. REs are required to submit audited annual acquisition statements detailing the amount of electricity and gas acquired during the reporting year. This statement is used by the Commission to verify whether an RE has accurately calculated its annual liability under the scheme. REs are required to submit the energy acquisition statement and surrender the required number of VEECs to the Commission by 30 April of each year.

For the 2014 reporting year:

- 23 Victorian energy retailers were identified as REs and had VEEC liabilities
- a total of 5,745,515, VEECs were surrendered for 2014.

## Information the Commission must publish

Section 67 of the Act requires that the Commission publish certain information as follows:

Table 6: **Information required to be published for 2014 compliance year**

ITEM TO BE PUBLISHED	MEASURE
REs that had an energy efficiency shortfall	0
Amount of REs' energy efficiency certificate shortfalls	n/a
Total of energy efficiency certificate shortfalls	n/a
Number of certificates registered in 2014	3,472,258
Number of certificates surrendered for 2014 <sup>17</sup>	5,745,515

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<sup>17</sup> To acquit relevant entities' 2014 compliance year certificate liabilities; more certificates were surrendered in 2014 than registered because liable parties were holding surplus certificates from previous years' activities.

# 5 OTHER MATTERS

## 5.1 DEVELOPMENT OF VEET SCHEME

Following a significant expansion of the VEET scheme into the commercial sector in 2012-13, the Commission oversaw ongoing strong demand for scheme activities during 2014. Reflecting the expanded scope of available prescribed activities in the scheme, the annual GHG abatement target was maintained at 5.4 million tonnes per annum for each year of the 2012-14 triennium. Table 7 below provides an indication of the scale of the scheme across a number of key indicators. All areas of the scheme were affected by the shift during the 2014 compliance year from the dominant standby power controller activity in 2013 to various residential and commercial lighting activities in the more recent compliance period.

Considerable work continued to be undertaken by the Commission to ensure that its administrative and compliance processes sufficiently accommodated the expanded scope of the scheme, the inclusion of the new prescribed activities and the increased volume of certificate creation.

Table 7: 2014 scheme data

Key scheme indicators	2013	2014	Percentage change
Accounts created	353	200	- 43%
Accredited persons approved	31	22	- 9%
Average products approved per month	347	139	- 60%
Prescribed activities completed <sup>#</sup>	802,707	313,329	- 61%
VEECs registered	5,518,185	3,472,258	- 37%

<sup>#</sup> Based on certificate registration date of 1 January to 31 December 2014.

Source: Essential Services Commission

## 5.2 IT ENHANCEMENTS

The Commission continued to make significant investments to enhance the VEET website and online registry system. Specifically, the Commission improved the internet-based creation and assessment functionality to include enhanced risk flags; a process to systematically issue requests for information; and providing APs with greater visibility of the status of their certificate claims. In addition to existing registry and account functions, the Commission's internet-based accreditation application system continued to reduce processing times for accreditation applications. At the same time, efforts continued to align the administrative processes of the New South Wales, South Australian, Australian Capital Territory and Victorian energy efficiency schemes. For instance, the NSW, SA and ACT energy efficiency schemes make extensive use of the VEET product registers.

The IT changes have continued to result in significantly improved processing times for product approvals, ease of use and transparency, providing the Commission and account holders with excellent record keeping and reporting functionality. The continuing high number of product approvals is an indication of the efficiency gains provided by the Commission's investment and its commitment to reducing 'red tape' in administering the scheme.

## 5.3 SUPPORTING DOCUMENTATION

Over the course of 2014, the Commission published and updated a wide range of documents advising stakeholders of the requirements and processes for participating in the scheme. All documents are publicly available on the VEET website.

Published documents include:

- revised explanatory notes about accreditation to participate in the scheme and creating VEECs from prescribed activities
- revised explanatory notes to guide stakeholders through the online product approval process and documentation requirements
- new explanatory notes to provide applicants with clear guidance on the accreditation process and the Commission's documentation requirements
- revised mandatory information that must be included in certificate assignment forms
- revised explanatory notes about creating VEECs using the online registry tool
- further information about the expansion of the scheme and the introduction of business sector activities and relevant amendments to the Regulations

- revised explanatory notes about audit processes for APs and REs
- revised explanatory notes on undertaking commercial lighting upgrades
- revised explanatory notes on the requirements to complete schedule 21C installations
- revised explanatory notes about the product approval requirements for in-home displays, and
- revised explanatory notes about the installation requirements for in-home displays.

## 5.4 WORKING WITH SCHEME PARTICIPANTS

The Commission dedicates considerable effort to working with scheme participants to support their understanding of the legislation, scheme requirements and administrative processes. Apart from ongoing improvements to the VEET website and increasingly automated functionality, this is accomplished by prompt response to phone/email inquiries, numerous visits by stakeholders to the Commission and by Commission officers to stakeholders' premises, public information forums, and other consultations. Presentations to public forums and various consultation documents are available on the VEET website.

In 2014, the Commission continued to educate new and existing participants about scheme opportunities and responsibilities, with a particular focus on potential opportunities presented by the expansion of the scheme into the business sector and the introduction of a number of new prescribed activities. The Commission also continued to educate APs and REs about their compliance responsibilities and obligations, particularly with respect to proper creation of VEECs, door-to-door sales and marketing.