



VICTORIAN ENERGY EFFICIENCY TARGET SCHEME

Performance Report 2015

August 2016



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GLOSSARY

accredited person	Person accredited under the VEET Act. Once accredited, a person is eligible to create certificates in the VEET scheme in respect of prescribed activities.
certificate	Victorian energy efficiency certificate (VEEC) created under the VEET Act in respect of a prescribed activity.
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2001</i> .
compliance year	Period over which each annual target must be achieved, which is a full calendar year.
DPI	Victorian Department of Primary Industries
DSDBI	Victorian Department of State Development, Business and Innovation (formerly DPI)
DEDJTR	Victorian Department of Economic Development, Jobs, Transport and Resources (formerly DSDBI)
DELWP	Victorian Department of Environment, Land, Water and Planning
energy acquisition statement	Annual statement by a relevant entity about the amounts of electricity and gas acquired under scheme acquisitions during the year.

energy efficiency certificate shortfall	Number of certificates for which a relevant entity has failed to acquit its share of the scheme target.
energy efficiency shortfall penalty	Civil pecuniary penalty for which a relevant entity is liable in the event of an energy efficiency certificate shortfall.
Energy Saver Incentive	The VEET scheme as promoted to the public.
escalation	Detailed investigation of batches of created VEECs to measure compliance across each batch and ensure properly created VEECs are registered.
GJ	gigajoule
greenhouse gas	Carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, perfluorocarbons and any other gas prescribed to be a greenhouse gas.
Greenhouse gas reduction rates	Rates, fixed annually by ministerial order, in respect of electricity and gas for a particular compliance year.
Guidelines	The scheme Guidelines made by the Commission under the VEET Act.
Liability	The liability of relevant entities to surrender VEECs under the VEET Act.
MWh	megawatt hour
prescribed activity	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.

Prescribed greenhouse gas scheme	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.
Project Based Activities	Prescribed activities to commence from 2017 where VEECs can be claimed from directly measured energy consumption for a specific project, rather than use the currently available deemed methodologies. They are designed to credit a wide range of technologies.
register of accredited persons	Public register, maintained by the Commission, which contains the names and certain other particulars of accredited persons.
register of energy efficiency certificates	Public register, maintained by the Commission, which contains information about energy efficiency certificates as required by the VEET Act and the Commission Guidelines.
register of products	Public registers, maintained by the Commission, containing particulars of certain allowable products that may be used for the purposes of prescribed activities.
Regulations	The scheme Regulations made under the VEET Act.
relevant entity	Entity which sells electricity or gas, or both, to at least 5,000 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.

scheme acquisition	Purchase by a relevant entity, for on-sale to Victorian customers, of electricity or gas, or both, within the provisions of the VEET Act.
VEEC	Victorian energy efficiency certificate created under the VEET Act, representing one tonne of carbon dioxide equivalent of greenhouse gases to be reduced by the prescribed activity.
VEET Act	<i>Victorian Energy Efficiency Target Act 2007</i>
VEET scheme	Scheme established by the VEET Act.
VEET scheme target	Scheme target set by legislation.

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EXECUTIVE SUMMARY

The Victorian Energy Efficiency Target (VEET) scheme is a Victorian Government initiative that aims to promote the reduction of greenhouse gas emissions by encouraging the efficient use of electricity and gas in the residential and commercial sectors. The Essential Services Commission (the Commission) is responsible for implementing and administering the VEET scheme.

Energy efficiency upgrades under the VEET scheme are driven by placing a liability on large energy retailers (relevant entities), where they are required to surrender a specified number of Victorian energy efficiency certificates (VEECs) each year. VEECs are created by businesses accredited by the Commission (accredited persons) to undertake a range of prescribed energy saving activities, where each VEEC represents one deemed tonne of greenhouse gas abated. These businesses are able to offer energy consumers benefits that may reduce the cost of undertaking these energy efficiency improvements by generating revenue through the sale of VEECs.

OVERALL TARGET

All 22 relevant entities surrendered sufficient VEECs to meet their individual liabilities (Table 1), representing an abatement of over 5.5 million tonnes of greenhouse gases.

Table 1. 2015 VEEC creations, registrations and surrenders

Activity	2015
VEET scheme target (VEECs to be surrendered)	5,400,000
VEECs created by accredited persons	5,794,188
VEECs registered by the Commission	5,126,758
VEECs surrendered by relevant entities ^a	5,573,897

^a Section 23 of the VEET Act states registered VEECs expire six years after the prescribed activity that generated them was undertaken. This allows relevant entities to surrender VEECs that had been created in previous years.

Source: Essential Services Commission

KEY COMMISSION ACTIVITIES

During 2015, energy efficiency upgrades under the VEET scheme occurred in over 251,700 households (creating more than 4,993,000 VEECs), and over 11,000 business and other non-residential premises (creating approximately 801,000 VEECs). The most common activities undertaken by accredited persons were lighting activities, which accounted for more than 90 per cent of VEECs registered. Technological developments allowed downlight replacements under the VEET scheme to occur at little cost to consumers, and created over 4.1 million VEECs. The Commission implemented additional requirements for installers of downlight replacement lamps to ensure the quality and safety of the energy efficiency upgrades.

Other compliance monitoring and enforcement efforts by the Commission also expanded in 2015. The Commission completed formal audit investigations at prescribed activity installation sites, detailed audits at business premises of accredited persons, and over 4,500 telephone and field audits to test the validity of VEEC creation claims.

The Commission also undertook numerous initiatives during 2015 to improve and streamline its administrative processes, reviewing its Guidelines, mandatory safety training requirements and energy efficient product approvals. Over 1,500 new energy saving products were approved for installation under the VEET scheme, where the majority (53 per cent) were lighting products.

The Commission dedicates considerable effort to working with scheme participants to support their understanding of the VEET legislative framework and administrative processes. Multiple consultations on proposed amendments to the administration of the VEET scheme were run over 2015, along with two public information forums.

EXPANSION OF THE VEET SCHEME

The VEET scheme targets will increase to 6.5 million VEECs in 2020, supplemented with wide-ranging changes to existing scheme activities, including the introduction of Project Based Activities, throughout 2016 and 2017. As a result of the expansion of the VEET scheme, the Commission established a new Planning and Development group to manage the development and implementation of the anticipated amendments to the VEET scheme.

1 INTRODUCTION

The Victorian Energy Efficiency Target (VEET) scheme is a Victorian Government initiative promoted to the community as the *Energy Saver Incentive*. It was established under the *Victorian Energy Efficiency Target Act 2007* (the VEET Act), to commence on 1 January 2009. The purpose of the scheme is to promote the reduction of greenhouse gas 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 industries that supply goods and services which reduce energy consumption.

The VEET scheme performance report details the operation and administration of the VEET Act for the 2015 reporting year. It provides information about the level of compliance by scheme participants and summarises the assessment by the Essential Services Commission (the Commission) of accredited persons' Victorian energy efficiency certificate (VEEC) creation activities, relevant entities' annual acquisition statements, and other compliance matters. This report is published in accordance with section 7(3) of the VEET 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 in writing.

1.1 OVERVIEW

The data contained in this report is based on the 2015 calendar year, with the exception of VEECs created, which covers the 12-month period from 31 January 2015 to 30 January 2016.¹ The Commission adopted this time framework from the commencement of the second three-year phase (2012-2014) of the scheme to allow for more accurate and transparent year-on-year comparisons.²

Key scheme performance indicators for 2015 include:

- all 22 relevant entities with liabilities under the VEET Act met their obligations
- 5,794,188 VEECs were created³ in the 2015 calendar year, of which 253,443 (4.4 per cent) were subsequently withdrawn by accredited persons
- 5,126,758 VEECs were registered from 329,485 prescribed activities
- lighting (Schedules 21 and 34) accounted for 90 per cent of VEECs registered (compared with 71 per cent in 2014), followed by water heating (Schedules 1 to 4) with 3.6 per cent (6.2 per cent in 2014) and low-flow shower roses with 1.5 per cent (4.4 per cent in 2014)
- 281 new VEET accounts were created, enabling the account holder to own and transfer VEECs (scheme total: 1,573)
- 13 new businesses received accreditation to participate in the scheme (scheme total: 187), and
- 1,599 new energy saving products were approved (scheme total: 7,432).

¹ Section 34(b) of the VEET Act requires that a VEEC cannot be surrendered unless the VEEC was created before 31 January in the year following the year to which the energy acquisition statement relates.

² In the first three-year phase (2009-2011) of the scheme, the Commission reported on a 13-month reporting year.

³ Created VEECs refer to all VEECs that have been submitted for registration by an accredited person to the Commission. This includes VEECs which have not been registered by the Commission, VEECs which have been withdrawn and VEECs which have been refused by the Commission.

The Commission undertook numerous initiatives during 2015 to improve and streamline its administrative processes, and continued to expand its compliance monitoring and enforcement efforts in response to the major increase in uptake of prescribed activities by scheme participants.

Compliance and validation work undertaken by the Commission during 2015 included:

- ten formal audit investigations into accredited person activities were completed. The Commission assessed specific areas of non-compliance that resulted in each accredited person being required to voluntarily surrender or withdraw VEECs equivalent to the level of non-compliance. In addition, 19 registry investigations were completed that resulted in VEECs being withdrawn
- 14 detailed audits were completed where the Commission tested registered claims and carried out phone audits and site visits. The audits occurred at the business premises of the accredited person, allowing the Commission to review business systems and interview key personnel
- more than 4,500 phone and field audits were conducted by the Commission to test the validity of VEEC creation claims resulting from prescribed activity installations, and
- a total of 19 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 accredited persons, to expand their activities.

To complement its administrative and compliance monitoring and enforcement capabilities, the Commission established a new Planning and Development group to specifically manage the ongoing changes to scheme administration resulting from a review of the VEET scheme conducted throughout 2015 by the Department of Economic Development, Jobs, Transport and Resources (the Department of Environment, Land, Water and Planning since 1 July 2016).

1.2 REPORT STRUCTURE

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 2015, and covers the creation of accounts, accreditation of persons, and data related to the creation and registration of VEECs.

CHAPTER 4 – COMPLIANCE

This chapter details the work undertaken by the Commission to ensure accredited persons and relevant entities comply with the requirements for participation in the VEET scheme.

CHAPTER 5 – PLANNING AND DEVELOPMENT

This chapter provides a summary of the other activities undertaken by the Commission to manage the ongoing changes to scheme administration resulting from the review of the VEET scheme. These activities included further investment in IT systems to improve functionality and efficiency for scheme participants, and the publication of scheme documentation.

CHAPTER 6 – 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 included the review of existing administrative measures, stakeholder consultation and the approval of energy efficient products.

Further information supporting this report can be found on the VEET website (www.veet.vic.gov.au).

2 VEET SCHEME

2.1 BACKGROUND

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

The purpose of the legislation is to promote the reduction of greenhouse gas emissions by encouraging the 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 industries that supply goods and services which reduce energy consumption.

The VEET scheme is a 'white certificate' scheme. Tradeable certificates, issued by an authorised body, that specify a level of achieved energy savings are created when energy efficiency measures are implemented. The certificates are traded to parties obligated to meet an energy savings target by surrendering certificates to a regulatory body. For the VEET scheme, this process is driven by placing a liability on large energy retailers in Victoria where they are required 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*. Relevant entities are able to create VEECs directly, or purchase them in a competitive market. VEECs are created by businesses accredited by the Essential Services Commission (the Commission) to undertake a range of prescribed energy saving activities. These businesses are known as *accredited persons*. The revenue generated through the sale of VEECs enables accredited persons to offer energy consumers benefits that may reduce the cost to them of undertaking these energy efficiency improvements.

Each VEEC represents one deemed tonne of carbon dioxide equivalent of greenhouse gas abated. For the first three-year phase of the scheme (2009-2011), a target of 2.7 million VEECs per annum was set. This doubled to 5.4 million VEECs 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. The target of 5.4 million VEECs per annum was maintained for 2015.

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 VEET Act sets out the three main objectives of the VEET scheme:

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

The VEET 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 a relevant entity must pay if it fails to surrender sufficient VEECs to acquit its liability under the scheme in any given compliance year.

The VEET 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.⁴

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

THE REGULATIONS

The VEET Act is supported by the *Victorian Energy Efficiency Target Regulations 2008* (the Regulations) and the *Victorian Energy Efficiency Target Guidelines* (the Guidelines). The Regulations specify the prescribed activities eligible to be undertaken under the VEET scheme, including details regarding the products that can be installed under the VEET scheme, installation requirements and the greenhouse gas abatement attributable to each activity. The publication of the register of products is also specified in the Regulations.

The Regulations have undergone multiple amendments throughout the duration of the VEET scheme. In 2011, the annual target was doubled to 5.4 million VEECs per annum for the second three-year phase of the scheme (2012-2014). Subsequent amendments to the Regulations included the expansion of the scope of the scheme to include non-residential premises and the addition of new prescribed activities. In 2015, the VEET scheme targets for 2016-2020 were increased, with a target of 6.5 million VEECs in 2020.

THE GUIDELINES

The Guidelines, issued by the Commission under section 74 of the VEET Act, provide a framework for the administration of the scheme. This includes, but is not limited to:

- the accreditation of scheme participants

⁴ *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 in 2016-2017.

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

2.3 ROLE AND FUNCTIONS OF THE COMMISSION

Under the VEET Act, the Commission is responsible for implementing and administering the VEET scheme. The Commission's operational responsibilities and compliance monitoring and enforcement responsibilities include to:

- accredit persons who may create VEECs
- administer the creation, registration, transfer and surrender of VEECs
- enforce energy efficiency shortfall penalties
- assess compliance with the VEET Act, Regulations and Guidelines
- maintain electronic registers⁵, and
- approve energy efficient products for which VEECs may be created.

⁵ The registers are maintained at www.veet.vic.gov.au

ACCREDITATION OF PERSONS

Individuals and companies must be accredited under the VEET scheme before they can create VEECs. Each accredited person is allocated a unique registration number that is publicly available on the 'Register of accredited persons' on the VEET website. A 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 them. All accredited persons must hold accounts. No fee is levied to become an account holder.

CREATION, REGISTRATION, TRANSFER AND SURRENDER OF VEECS

Each VEEC represents one deemed tonne of greenhouse gas 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 electronically and the Commission assesses the validity of the VEECs before registering them. A \$1 fee is levied against each registered VEEC to cover the administrative costs of assessing, registering, transferring, surrendering and auditing VEECs. 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. For each of the first three years of the scheme (2009-2011), the VEET Act set an annual abatement target of 2.7 million tonnes of carbon dioxide equivalent of a greenhouse gases (i.e. 2.7 million VEECs). In the subsequent three-year phase of the scheme the target was set by Regulation; for each year of the 2012-2014 phase, the annual target was 5.4 million VEECs. This 5.4 million tonne target was maintained for the 2015 compliance year and will increase over 2016-2020, with 6.5 million VEECs in 2020.

ISSUING SHORTFALL STATEMENTS

Relevant entities determine the number of VEECs they are required to surrender each year by calculating their annual greenhouse gas emissions liability. This liability is calculated by multiplying each of that year's electricity and gas acquisitions with the

relevant greenhouse gas reduction rate. For 2015, the greenhouse gas reduction rate for electricity was fixed at 0.13637 and the greenhouse gas reduction rate for gas was fixed at 0.00811.⁶

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 VEEC shortfall (in tonnes of carbon dioxide equivalent of greenhouse gases) for that year by the prescribed shortfall penalty. In accordance with section 28 of the VEET Act, for 2015 the shortfall penalty rate was fixed at \$45.44 per tonne of carbon dioxide equivalent of greenhouse gases⁷.

MONITORING COMPLIANCE

The Commission is responsible for ensuring compliance with the scheme and maintaining scheme integrity. Compliance activities predominantly 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.

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

- undertake audits of scheme participants

⁶ VEET Act, s32; *Victorian Government Gazette* – G21 (28 May 2015) p1216.

⁷ *Victorian Government Gazette* – G29 (23 July 2015) p1610.

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

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 VEECs, and
- register of energy efficient products.

These registers are publicly accessible on the VEET website.

APPROVAL OF ENERGY EFFICIENT PRODUCTS

Before a product can be installed under the VEET scheme, an application for the product to be approved and added to the relevant register of products must have been received by the Commission. This approval process is intended to provide accredited persons with assurance that the products they intend to install meet scheme requirements. It also streamlines the process for registration of VEECs following the installation of the products.

Applications can be made by VEET scheme account holders, 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 outcome. Once a product is approved, it is added to the relevant register of products and accredited persons may undertake the relevant prescribed activities. Historically, the majority of approvals have been for lighting products.

3 SCHEME OPERATIONS

3.1 SUMMARY OF 2015 VEET REGISTRY OPERATIONS

This section outlines operational activities in the VEET registry for 2015. The section also reports on Victorian energy efficiency certificates (VEECs) created up to 30 January 2016. VEECs created in January 2016 are included as part of this 2015 performance report because VEECs created in this month are eligible under section 34 of the VEET Act for surrender against 2015 obligations. Registry activities include all VEEC transactions by account holders and accredited persons participating in the scheme.

Table 2 below presents a summary of the operational activities undertaken by scheme participants during 2015 and the cumulative totals over the first seven years of the scheme from 1 January 2009 to 31 December 2015.

Table 2. 2015 VEET operations activity summary

Activity	2015	Scheme totals (2009–2015)
Accounts created	281	1,573
Accredited person approvals	13	187
VEECs created by accredited persons (calendar year)	5,794,188	32,971,732
VEECs registered by the Commission	5,126,758	29,879,214
VEEC registrations refused by the Commission	0	117,355

Source: Essential Services Commission

Under section 34 of the VEET Act, relevant entities are able to surrender (against their annual liability) VEECs that have been created before 31 January in the year following the relevant compliance year. In accordance with this requirement, the Commission has recorded the following VEEC creation levels for the 12 months from 31 January 2015 to 30 January 2016 (Table 3).

Table 3. 2015 VEET operations activity summary (as at 8 July 2016)

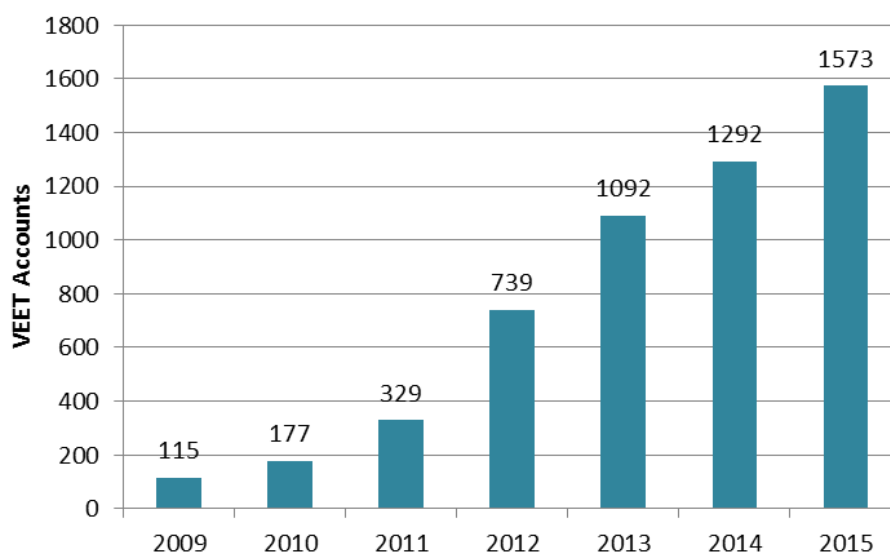
Activity	2015
VEECs created by accredited persons (31 January 2015 to 30 January 2016)	6,088,536
Number of VEECs subsequently withdrawn by accredited persons	251,793

Source: Essential Services Commission

3.2 CREATION OF ACCOUNTS

A total of 281 new accounts were opened in the VEET scheme during the period from 1 January 2015 to 31 December 2015. 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. Growth in the number of accounts over the seven years of the scheme has mostly been steady, except in 2012 when the number of accounts more than doubled (Figure 1). This was a result of the 2012 scheme expansion when prescribed activities previously restricted to residential premises were able to be undertaken in business and non-residential premises, and five new activities were added to the scheme.

Figure 1. Total numbers of VEET accounts from 1 January 2009 to 31 December 2015



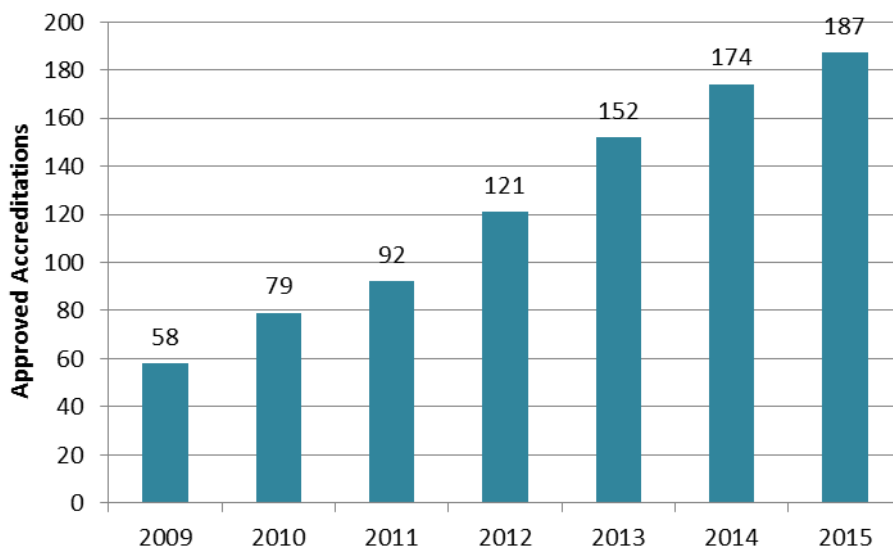
Source: Essential Services Commission

3.3 ACCREDITATION OF PERSONS

During the 2015 year, the Commission approved 13 applications to become an accredited person in the VEET scheme. To become an accredited person, 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, the Commission may refuse the application or approve it (pending payment of a \$500 administration fee). In any case, the Commission must make a decision within 20 business days of receiving a complete application.

Figure 2 below presents the growth in the number of accredited persons over the first seven years of the scheme. Similar to the trends for the number of VEET accounts, growth in the number of accredited persons has generally slowed over the life of the scheme, except in 2012 when the scheme was expanded. As at 31 December 2015, 187 persons had been accredited, of which 180 still held valid accreditations (two accreditations having been revoked and five cancelled).

Figure 2. Total numbers of accredited persons approved from 1 January 2009 to 31 December 2015



Source: Essential Services Commission

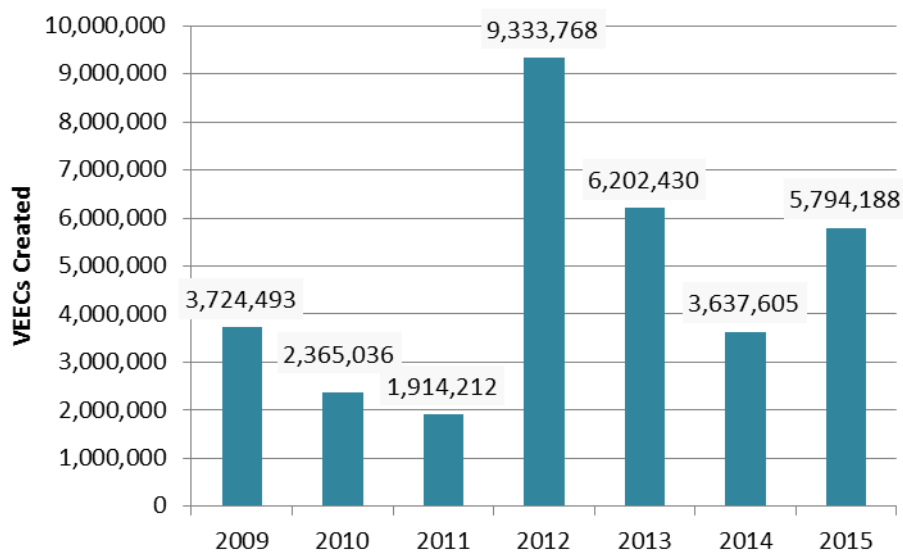
3.4 PRESCRIBED ACTIVITIES

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

During 2015, the Regulations specified 33 different energy efficiency activities for which VEECs may be created. Prescribed activities were undertaken in more than 251,700⁸ households, resulting in the creation of more than 4,993,000 VEECs between 1 January 2015 and 31 December 2015. A number of these households had multiple activities undertaken by accredited persons on behalf of the consumer. 13.8 per cent of all VEECs – around 801,000 – were created in respect of prescribed activities undertaken in more than 11,000 business and other non-residential premises.

Figure 3 shows the number of VEECs created for each year of the VEET scheme. The year on year VEECs should be interpreted in the context of the scheme targets set for each year: 2.7 million VEECs per annum for the first three-year phase of the

Figure 3. Annual VEECs creations for all prescribed activities



Source: Essential Services Commission

⁸ Based on VEECs created from 1 January 2015 to 31 December 2015.

scheme (2009-2011), which doubled to 5.4 million VEECs per annum for the second three-year phase of the scheme (2012-2014) and 5.4 million VEECs for 2015. Setting targets over three-year phases resulted in VEEC creations for the first year of each three-year phase that were well in excess of the number of VEECs required to meet the annual scheme target. Consequently, there were relatively low volumes of VEEC creations in the final year of each three-year phase⁹.

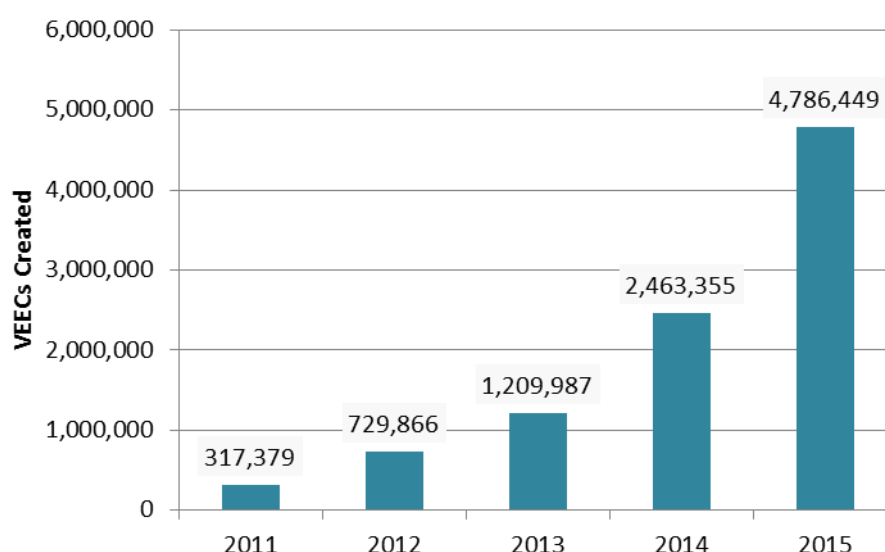
While the number of VEECs created in the 2015 calendar year increased by 59 per cent compared to 2014, VEEC creations in 2015 were comparable to average annual VEEC creations for the 2012-2014 VEET scheme target period (6,391,298). However, there has been a significant change in the types of activities that are being undertaken, and the number of VEECs created by accredited persons per installation.

The most common activity undertaken by accredited persons over the 2015 compliance year was lighting installations (under Schedules 21 and 34 of the Regulations), while activities that had previously had high uptake in earlier years of the scheme (predominantly weather sealing, standby power controller, water heating and low flow shower rose installations) experienced reduced activity as the market became increasingly saturated with installed energy efficient products.

Since the implementation of Schedule 21 lighting replacement in 2011, the number of VEECs created from this activity has almost doubled each year from 317,379 in 2011 to over 4.7 million in 2015 (Figure 4). This growth can be attributed to technological developments in energy-efficient lighting – initially due to improvements to the quality of compact fluorescent lamps and more recently LED lighting. These improvements also reduced the cost of energy-efficient lighting, allowing consumers to receive lighting upgrades under the VEET scheme at little or no cost.

⁹ Section 23 of the VEET Act states registered VEECs expire six years after the prescribed activity that generated them was undertaken. This allows relevant entities to surrender VEECs that had been created in previous years.

Figure 4. VEECs created per year from the Schedule 21 lighting replacement activity

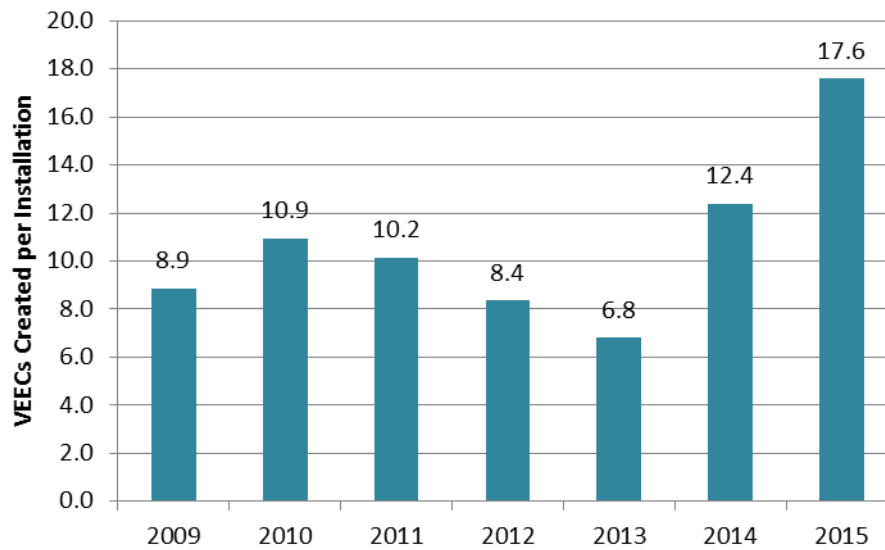


Source: Essential Services Commission

Lighting upgrades under Schedule 34 also experienced significant growth since their inclusion in the VEET scheme in 2012. Although the number of VEECs created is far less than the number generated from Schedule 21 lighting replacements, 8.3 per cent of VEECs created in 2015 were as a result of Schedule 34 lighting upgrades. This figure is expected to grow in future years of the VEET scheme due to amendments to the Regulations that came into effect on 1 January 2016 (discussed further in section 5.2) that are expected to increase the number of VEECs generated by Schedule 34 lighting upgrades.

In addition, accredited persons are now more efficient in their VEEC creations, generating more VEECs per installation than in previous years (Figure 5). This particularly occurs in lighting activities – on average, a Schedule 21 lighting replacement installation created 20 VEECs while a Schedule 34 lighting upgrade installation created 292 VEECs.

Figure 5. Average VEECs created per installation



Source: Essential Services Commission

Table 4 details the creation and registration information for each prescribed activity for the 2015 calendar year and since the start of the scheme (1 January 2009).

Table 4. Prescribed activities – Installations, and VEECs created and registered

Activity type	Installations [#]	VEECs created	VEECs registered	Installations*	VEECs created	VEECs registered
Water heating activities			2015 reporting year 1 Jan 2015 – 31 Dec 2015		2009 - 2015 reporting years 1 Jan 2009 – 31 Dec 2015	
1A - Decommissioning electric and installing gas/LPG storage	373	15,349	16,454	4,434	176,414	175,724
1B - Decommissioning electric and installing gas/LPG instantaneous	2,727	118,280	111,659	16,979	722,936	711,072
1C - Decommissioning electric and installing electric boosted solar	0	0	0	19,171	812,166	811,226
1D - Decommissioning electric and installing gas/LPG boosted solar	0	0	0	6,505	393,007	387,623
1E - Water Heating - Electric Boosted Solar Replacing Electric	1,129	49,415	44,788	3,035	129,813	122,535
1F - Water Heating - Gas/LPG Boosted Replacing Electric	187	11,083	11,059	582	34,395	33,813
2 - Installing solar retrofit on electric	0	0	0	7	155	155
3 - Decommissioning gas/LPG and installing gas/LPG boosted solar	235	2,583	2,684	9,435	98,869	98,392
4 - Installing solar pre-heater on gas/LPG	0	0	0	3	21	21
Space heating & cooling activities			2015 reporting year 1 Jan 2015 – 31 Dec 2015		2009 - 2015 reporting years 1 Jan 2009 – 31 Dec 2015	
5 - Decommissioning ducted gas and installing high efficiency ducted gas	1,275	15,642	15,577	3,564	45,823	45,641
6 - Decommissioning central electric resistance and installing high efficiency ducted gas	187	50,165	47,015	2,136	606,389	585,711
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	3	571	571	23	3,624	3,624
9 - Installing flued gas/LPG space heater	389	3,565	3,295	2,412	18,856	18,548
10 - Installing space air to air heat pump	0	0	0	2	7	7
20 – Installing a high efficiency ducted gas heater	120	695	679	483	2,883	2,857

Based on VEECs created from 1 January 2015 to 31 December 2015

* Based on VEECs created between 1 January 2009 to 31 December 2015

Activity type	Installations [#]	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	824	16,006	221	847	16,079	294
Space conditioning activities	2015 reporting year 1 Jan 2015– 31 Dec 2015			2009 – 2015 reporting years 1 Jan 2009 – 31 Dec 2015		
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	22,336	34,128	32,846	324,074	1,140,182	1,045,124
Lighting activities	2015 reporting year 1 Jan 2015 – 31 Dec 2015			2009 – 2015 reporting years 1 Jan 2009 – 31 Dec 2015		
16 – Installing low energy lamps	0	0	0	555,181	5,270,073	5,107,907
21A – Lighting – GLS lamps	32,668	376,732	334,111	343,563	3,234,175	2,806,386
21B – Installing low energy reflector lamp in place of an incandescent reflector lamp	8,338	36,542	570	8,338	36,542	570
21C – Installing a low energy lamp in place of an existing 12 volt halogen lamp	186,509	4,180,766	3,860,935	235,709	5,623,504	4,994,128
21D – Installing a low energy downlight fitting in place of an existing 12 volt halogen downlight fitting a	11,816	192,409	148,428	31,192	612,815	551,743
34 – Undertaking a lighting upgrade	1,635	478,022	290,768	3,291	931,755	637,702
Shower rose activities	2015 reporting year 1 Jan 2015 – 31 Dec 2015			2009 - 2015 reporting years 1 Jan 2009 – 31 Dec 2015		
17 - Shower rose	21,560	76,792	74,394	359,520	1,099,271	1,023,476
Refrigerator/freezer activities	2015 reporting year 1 Jan 2013 – 31 Dec 2015			2009 - 2015 reporting years 1 Jan 2009 – 31 Dec 2015		
18 / 22 - Purchase of refrigerator/freezer	23	45	47	134	221	219

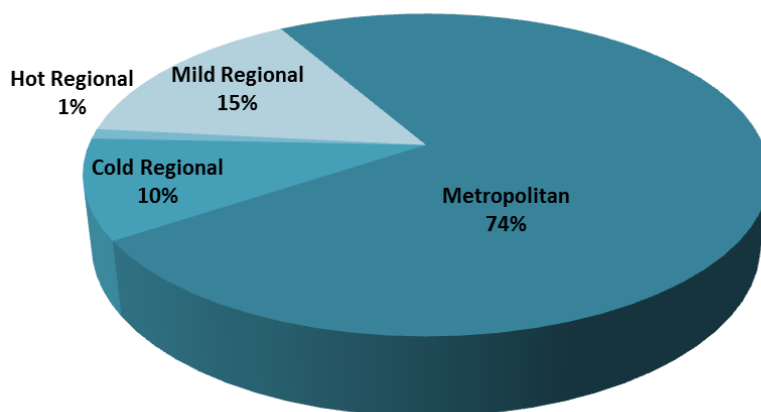
Activity type	Installations [#]	VEECs created	VEECs registered	Installations*	VEECs created	VEECs registered
19 - Destruction of refrigerator or freezer	11,053	51,213	56,943	79,549	361,510	353,977
Standby power controller activities			<i>2015 reporting year 1 Jan 2015 – 31 Dec 2015</i>		<i>2009 – 2015 reporting years 1 Jan 2009 – 31 Dec 2015</i>	
29 – Installing a stand-by power controller	3,230	10,625	8,286	1,406,470	11,374,776	10,152,466
Other activities			<i>2015 reporting year 1 Jan 2015 – 31 Dec 2015</i>		<i>2009 - 2015 reporting years 1 Jan 2009 – 31 Dec 2015</i>	
24 – Purchase of high efficiency televisions	8,032	40,751	41,568	16,331	77,185	71,394
25 – Purchase of high efficiency clothes dryers	7	27	27	24	88	88
26 – Installing high efficiency pool pumps	111	902	878	818	6,603	6,555
30 – Installing an in-home display	14,700	31,880	22,955	36,533	81,597	71,673
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	0	36	2,882	1,541
35 – Low flow trigger nozzle	0	0	0	0	0	0
36 – Water efficient pre-rinse spray valve	0	0	0	7	59	0
Total	329,485	5,794,188	5,126,758	3,471,560	32,971,732	29,879,214

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 VEECs. The status of all VEECs, including those pending registration validation, pending registration payment and withdrawn, are listed on the VEET website at www.veet.vic.gov.au and updated daily.

Source: Essential Services Commission

During 2015, the majority (74 per cent) of prescribed activities were undertaken in the Melbourne metropolitan region (compared with 64 per cent in the previous reporting year). This is broadly in line with the population distribution between metropolitan Melbourne and the rest of Victoria. Figure 6 below indicates the relative number of prescribed activities undertaken in the four Victorian climatic regions¹⁰.

Figure 6. Installations of prescribed activities in 2015 by region[#]



Based on VEECs created from 1 January 2015 to 31 December 2015

Source: Essential Services Commission

3.5 VALIDATION OF CREATED VEECS

An accredited person creates VEECs, after conducting a prescribed activity installation, by submitting the VEEC creations to the Commission for assessment. The VEECs 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.

The VEEC validation process involves the systematic issuing of requests for further information to accredited persons in respect of VEECs submitted for creation based on the risk ratings of the accredited person and the activity, and the use of 'risk flags' that

¹⁰ The VEET Regulations define and establish the four climatic regions in Victoria.

direct the Registry team's assessment on claimed VEECs. The compliance checks conducted by the Registry team on VEEC claims submitted by accredited persons include, but are not limited to:

- requests for further information seeking accredited persons to 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 accredited persons are unable to satisfy the Commission that VEECs have been properly created during the validation process, the accredited persons are given the option of withdrawing the VEECs. The majority of VEECs withdrawn by accredited persons during the 2015 year were as a result of the validation process.

The Commission instigated registry investigations where the validation process, consumer or accredited person feedback, or an accredited person's compliance history, highlighted potential non-compliance in VEECs submitted for creation by an accredited person. The Registry team commenced 19 registry investigations in 2015. During these investigations, the Registry team contacted more than 2,800 consumers by phone. As a result of these investigations, more than 10,700 VEECs were withdrawn by accredited persons 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 2015 year. In instances where the Commission or an accredited person 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 creations¹¹.

Table 5 below includes the unique status, as at 8 July 2016, of all VEECs created from 31 January 2015 to 30 January 2016. Created VEECs that have a status of 'pending

¹¹ Amendments to the VEET Act effective from 1 January 2012 enable the Commission to order accredited persons to surrender VEECs.

registration'¹² may be withdrawn by the accredited person 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.¹³ Once a VEEC has been retired, it is no longer eligible to be traded.

Table 5. Status of created VEECs

VEECs created	VEEC creations	VEEC creations	2009 – 2015
	1 Jan 2015 – 31 Dec 2015	31 Jan 2015 – 30 Jan 2016	1 Jan 2009 – 30 Jan 2016
Total VEECs created	5,794,188	6,088,539	33,574,938
<i>Status of created VEECs (at 8 July 2016)</i>			
Pending registration	21,889	29,291	69,013
VEECs withdrawn by accredited persons	253,443	251,793	2,041,753
VEECs withdrawn by Commission ^a	0	0	44,291
Registration refused	0	0	117,355
Registered	565,415	1,052,068	1,106,496
Retired due to obligatory surrender ^b	4,920,198	4,720,398	30,020,041
Retired due to voluntary surrender ^c	33,243	34,989	175,989

^a VEECs withdrawn by the Commission were the result of a processing error.

^b In accordance with sections 33, 38, 39 or 40 of the VEET Act.

^c In accordance with section 25 of the VEET Act.

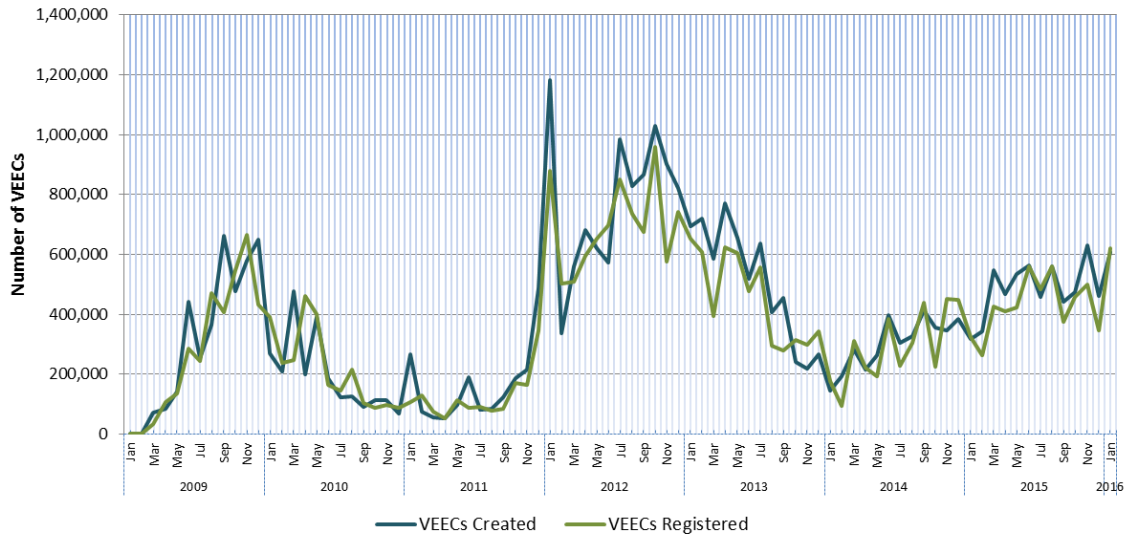
Source: Essential Services Commission

¹² The 'pending registration' status applies to all created VEECs that are either undergoing risk-based assessment ('pending registration validation') or where the accredited person has not yet paid the VEEC registration fee ('pending registration payment').

¹³ Obligatory surrenders involve VEECs surrendered by relevant entities to acquit their liabilities under the scheme, whereas mandatory surrenders (usually by accredited persons) occur as a result of Commission enforcement action. VEECs may also be voluntarily surrendered under section 25 of the VEET Act provided the owner advises the Commission in writing; voluntarily surrendered VEECs cannot be included in a relevant entity's energy acquisition statement.

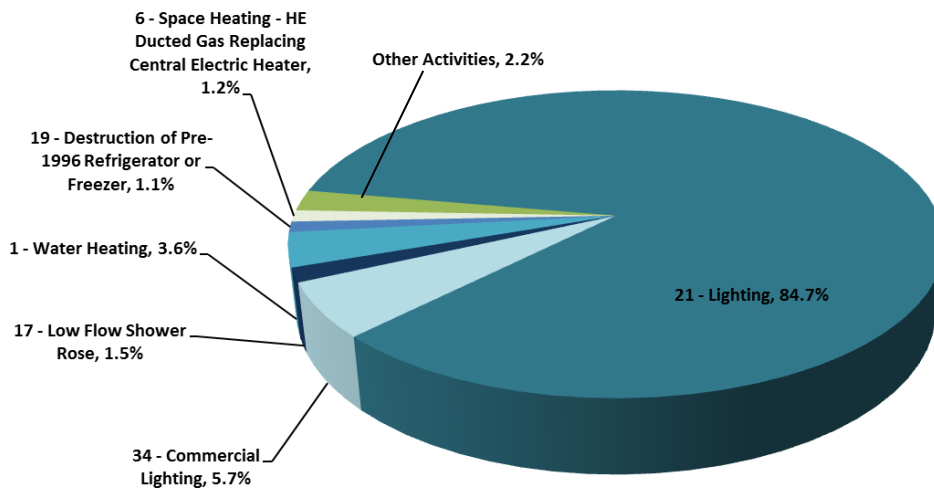
Figure 7 below shows monthly VEEC creations and registrations since the start of the scheme on 1 January 2009 until 30 January 2016. As seen in Figure 8, VEECs registered from lighting activities (Schedules 21 and 34) accounted for 90 per cent of all registrations for the period from 1 January 2015 to 31 December 2015.

Figure 7. VEEC creations by month — January 2009 to January 2016



Source: Essential Services Commission

Figure 8. VEEC registrations by activity — 1 January 2015 to 31 December 2015 #



Based on VEECs registered from 1 January 2015 to 31 December 2015

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 and relevant entities – comply with the requirements of the VEET Act, Regulations and Guidelines.

The VEET Act provides the Commission with auditing and enforcement powers to ensure accredited persons properly create Victorian energy efficiency certificates (VEECs) and relevant entities surrender a sufficient quantity of VEECs 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 VEECs by accredited persons, and
- section 33 of the VEET Act requires relevant entities to submit audited energy acquisition statements to the Commission. The Commission uses these statements to determine whether relevant entities have correctly calculated their VEET liabilities and surrendered the required number of VEECs for the reporting year.

Over the 2015 reporting period, the Commission continued its monitoring and enforcement efforts that are necessary to ensure scheme participants create VEECs compliantly. The dominant activity in 2015 was the replacement of existing halogen downlights with LED downlights (Schedule 21C), accounting for more than 70 per cent of VEECs registered. Improvements in LED technology have meant that most lighting products under Schedule 21C were offered to consumers at little or no cost. The Commission administered this activity by placing the following requirements on accredited persons:

- Schedule 21C installation must be supervised by a fully licensed electrician, and

- a pre-installation inspection must be carried out by a licensed electrician to identify any potential safety hazards, and ensure compatibility with LED replacement lamps and existing transformers.

The following sections detail the Commission's auditing, compliance risk management and enforcement regime, and discuss the audit and investigations program completed over the 2015 reporting period.

4.2 ACCREDITATION OF PERSONS

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 VEEC 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 VEEC 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 accredited persons. This risk rating is applied to an accredited person's account and provides guidance to Registry staff completing validation checks about the level of assessment that should be applied to VEEC claims. This rating is regularly updated to reflect the compliance record of the accredited person and assists the Commission in informing its overall audit and investigation program.

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 accredited person plans to participate in the scheme, to review and understand the accredited person's business model and to establish a working relationship with the accredited person. 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 14 pre-accreditation audits were completed in 2015.

The Commission also conducts meetings with existing accredited persons that seek approval to undertake additional prescribed activities beyond those originally approved. This includes activities recently included in the scheme. During the 2015 reporting period, the Commission conducted five 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 VEEC submission will be subjected to an audit. The Audit team reviews these VEEC creations to ensure accredited persons have implemented the required processes to ensure compliance. Phone audits and site inspections may be completed by staff to gain assurance that claims are compliant.

4.3 CERTIFICATE CREATION BY ACCREDITED PERSONS

Since the scheme commenced, the Commission has established an auditing and risk management framework to ensure VEECs created by participants in the scheme comply with the requirements of the VEET Act, Regulations and Guidelines. This framework (and the risk analytics and key indicators that inform it) continued to be strengthened in 2015 as new activities were undertaken and in response to emerging trends in scheme participants, market behaviour and consumer feedback. The compliance framework consists of both pre-VEEC registration risk analysis and data validation measures, post-registration auditing and formal investigations.

A particular focus of the Audit team in 2015 was to increase the level of escalation investigations, which involved the testing of pending VEEC claims to ensure properly claimed VEECs were registered.

HIGH RISK ACCREDITED PERSONS

The Commission maintains an internal register of accredited persons assigned a 'high risk' rating. Accredited persons 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 VEEC withdrawals by accredited persons
- review of internal audits conducted by accredited persons
- assessment of creation information submitted by accredited persons and other creation information provided by installers and consumers
- investigation of consumer complaints, and
- review of installations identified as duplicates¹⁴.

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 accredited person non-compliance. Activities deemed to be 'high risk' are subject to a greater level of monitoring and auditing by the Commission. Accredited persons are also required to meet minimum levels of internal auditing in order to create VEECs 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.

DESKTOP AUDITS

The 2015 reporting period experienced an increase in Schedule 34 lighting upgrades in commercial sites. Determination of abatement for these lighting upgrades is more complex than those for Schedule 21 lighting replacements, so accredited persons are required to submit appropriate documentation to substantiate these claims. The

¹⁴ Regulations 8 and 8A of the Regulations stipulate that VEECs cannot be created more than once for the same product (other than lamps or shower roses) installed in residential or business premises.

information submitted must satisfy the Commission that an inefficient lighting configuration was present at that site, that the accredited person has installed a product on the register of 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 energy 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, the Audit team 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 accredited person's processes or controls, and provide guidance to accredited persons to reduce risk of improper VEEC creations.

DETAILED AUDITS

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

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

When completing a detailed audit, the Commission conducts:

- phone and site audits of prescribed activities
- desktop audits of the accredited person's VEEC creation history
- a review of an accredited person's substantiating documentation
- walk through of the accredited person's processes and systems, and
- interviews with key personnel and installers.

The Commission completed 14 detailed audits of accredited persons in 2015. 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 accredited persons 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 accredited person. The Registry team then conducts a number of desktop audit checks to claims submitted by accredited persons.

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 VEECs 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 ten formal audit investigations in 2015. While these investigations were in progress, the Commission ceased assessment of the relevant accredited persons' VEEC claims. More than 300 consumers were contacted by phone or visited at their residences during these investigations. As a result of these audit investigations, 44,100 VEECs were offered for voluntary surrender and in excess of 36,000 VEECs were withdrawn by the accredited persons because of improper creation.

CONSUMER COMPLAINTS RESOLUTION

During 2015, the Commission investigated 329 compliance-related complaints, a large increase on the previous year (165 compliance-related complaints). The complaints primarily related to call centre marketing issues and installer misconduct fuelled by the growth of Schedule 21 lighting replacement. The Audit team also investigated a number of complaints relating to accredited persons misrepresenting the scheme

(specifically, an accredited person claiming it was representing the government) and consumer dissatisfaction with accredited person door-knocking. In most instances, the Audit team was able to facilitate a resolution between the consumer and the accredited person. In addition, the Audit team continued to emphasise to accredited persons their consumer law obligations and referred issues to Consumer Affairs Victoria as appropriate.

Table 6 summarises the audits completed during the year and the relevant prescribed activity types.

Table 6. Summary of audits completed in 2015

VEET compliance framework	Quantity	Activity types[#]
VEET audit	14	15,17,21,26,29,30,34
Phone audit	1,672	15,17,21,26,29,30,34
Field audit	234	15,17,21,29,30,34
Investigation	10	19,21,24,28,29,34,36
Desk top audits	8	34
Pre-accreditation audit/meeting	14	Multiple ^a
Additional activity approval audit/meeting	5	21,34
Consumer complaints received	329	15,17,19,21,22,26,29,34

[#] Prescribed activities referred to in this table are Schedules 15 (weather sealing), 17 (low flow shower rose), 19 (destruction of refrigerator or freezer), 21 (incandescent lighting replacement), 22 (high efficiency refrigerator or freezer), 24 (high efficiency television), 25 (energy efficient clothes dryer), 26 (high efficiency pool pump), 28 (gas heating ductwork), 29 (standby power controller), 30 (in-home display unit), 31 (high efficiency motor), 32 (high efficiency refrigerated display cabinet), 33 (refrigeration fan motor), 34 (lighting upgrade), and 36 (prerinse spray valve).

^a Water heaters (Schedules 1E, 1F, 2B, 3B and 4B), space heaters (Schedules 5, 6, 7, 8, 9, and 10), lighting (Schedules 21 and 34), and Schedules 15, 22, 24, 25, 26, 30, 31, 32 and 33.

4.4 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 with a liability under the VEET Act. Relevant entities 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 a relevant entity has accurately calculated its annual liability under the scheme. Relevant entities 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 2015 reporting year:

- 22 Victorian energy retailers were identified as relevant entities and had VEEC liabilities, and
- a total of 5,573,897 VEECs were surrendered.

INFORMATION THE COMMISSION MUST PUBLISH

Section 67 of the VEET Act requires that the Commission publish certain information as presented in Table 7.

Table 7. Information required to be published for 2015 compliance year

ITEM TO BE PUBLISHED	MEASURE
Relevant entities that had an energy efficiency certificate shortfall	0
Amount of relevant entities' energy efficiency certificate shortfalls	n/a
Total of energy efficiency certificate shortfalls	n/a
Number of VEECs registered in 2015	5,126,758
Number of VEECs surrendered for 2015	5,573,897

5 PLANNING & DEVELOPMENT

5.1 OVERVIEW

With continued growth in VEET scheme activity, scheme targets increasing by 20 per cent over the next five years, and a range of anticipated amendments to the Regulations, a new Planning and Development group was established in 2015 to manage the development and implementation of ongoing changes to scheme administration. The VEET website and scheme documentation were also updated to keep pace with changes to administrative requirements and processes.

One of the first projects taken on by the new Planning and Development group was the commencement of a review of compliance requirements for Schedule 34 lighting upgrade activities involving LED tubes and T5 adaptors. The final administrative arrangements were subsequently released in 2016 following a public consultation process.

5.2 VEET SCHEME AMENDMENTS

In April 2015, the Department of Economic Development, Jobs, Transport and Resources (the Department, now the Department of Environment, Land, Water and Planning) invited public submissions to set VEET scheme targets for 2016 and beyond. Following review of the submissions received, on 25 August 2015 the Minister for Energy and Resources (now the Minister for Energy, Environment and Climate Change), Lily D'Ambrosio MP, announced that the scheme targets for 2016-2020 would increase over the next five years as described in Table 8.

Table 8. Scheme targets 2016-2020

Year	Amount of Victorian Energy Efficiency Certificates	Percentage change on 2015 target
2016	5.4 million	0%
2017	5.9 million	+ 9%
2018	6.1 million	+ 13%
2019	6.3 million	+ 17%
2020	6.5 million	+ 20%

In October 2015, the Department also invited stakeholder feedback on proposed wide-ranging changes to existing scheme activities, as well as the introduction of Project Based Activities. With amendments to the Regulations anticipated to be introduced in 2016, a Planning and Development group was established in late 2015 to manage the development and implementation of these and other updates to scheme administration. The initial portion of administrative changes, which applied from 1 January 2016, included updates to space heating, high efficiency motors, refrigerated display cabinets and fan motors. The Regulation amendments also resulted in a number of changes to the Schedule 34 lighting upgrade activity, most notably the introduction of variable annual operating hours based on the type of space and/or Building Council of Australia classification in which the lighting upgrade occurs, and the inclusion of non-building based lighting.

5.3 IT ENHANCEMENTS

With the trend in increasingly complex VEEC creations over the past two years (see Section 3.4) and expanding scheme targets over the coming five years, the Commission continued to make enhancements to the VEET website in 2015 to ensure that the site provides a secure and effective online registry system both now and in the years to come. While many of these changes improved the efficiency of the

Commission's internal administrative processes, they also provided account holders with a number of new and enhanced features, including:

- automated email notification of escalations, escalations findings and agreed escalations outcomes
- a new web page showing account holders where activities have had additional documentation requested, and automated email notification of these requests
- a new installer approval process to provide greater assurance that installers operating in the scheme have a verified identity and can be uniquely identified, and
- additional information requirements for LED lamp product approvals to record compatible drivers for each make and model.

The VEET website was also readied to accommodate a number of changes resulting from the first in a series of amendments to the Regulations that became effective on 1 January 2016.

5.4 SUPPORTING DOCUMENTATION

Over the course of 2015, the Commission published and updated a range of documents providing guidance for stakeholders on the requirements and processes for participating in the scheme.

These documents, all publicly available on the VEET website, include:

- revised explanatory notes to incorporate new proof of purchase, stock reconciliation and product application requirements for lighting upgrades
- updated assignment forms for lighting upgrades to capture more detailed installation information
- an updated assignment form to include decommissioning details for refrigeration fan replacement
- a new explanatory note to guide applicants through the new installer approval process
- a new explanatory note explaining the requirements for telemarketing and door to door practices, and

- revised explanatory notes and information on the changes to scheme administrative requirements resulting from the amendments to the Regulations due to commence on 1 January 2016.

6 OTHER MATTERS

6.1 SCHEME ADMINISTRATION

When the Minister for Energy and Resources (now the Minister for Energy, Environment and Climate Change), Lily D'Ambrosio MP, announced the target of 5.4 million VEECs for 2015, it was also announced that a review of the VEET scheme would be undertaken by the Department of Economic Development, Jobs, Transport and Resources (the Department, now Department of Environment, Land, Water and Planning). Throughout 2015, the Commission undertook an extensive review of its administrative arrangements and training requirements to ensure amendments to the VEET Act and the Regulations would be effectively implemented by the Commission.

GUIDELINES REVIEW

Following the general VEET scheme review by the Department, the Commission commenced a review of the Guidelines in late 2015 to reflect amendments to the VEET Act and the Regulations. The first phase of amendments to the Guidelines came into effect in mid-2016.

MANDATORY SAFETY TRAINING REVIEW

Installers who perform energy efficiency upgrades under the VEET scheme must be suitably trained to perform the activities they are undertaking. In 2015, the Commission undertook a review of safety risks and relevant occupational health and safety laws for VEET activities. This review generated a new risk assessment tool and identified two amendments to the Commission's mandatory safety testing requirements, with accredited persons and other VEET stakeholders consulted on these proposed amendments in early 2016.

In addition to the review, mandatory safety training requirements were also updated following the review and reaccreditation of the energy efficiency installer training units.

These units were previously administered by Sustainability Victoria and are now the responsibility of the Department of Education and Training.

6.2 PRODUCTS ADMINISTRATION

The Commission undertook numerous initiatives during 2015 to improve and streamline its administrative processes related to the approval of energy efficient products for installation under the VEET scheme, and expanded its audit and testing capabilities.

LED LIFETIMES

The Commission's previous work on testing requirements for LED lighting lifetimes was expanded to consider new standards developed in the United States of America. Accredited persons and other VEET stakeholders were consulted on the Commission's proposed methodology in May 2015. Changes to LED lighting product approval were implemented in August, with a five-month transition period provided until compliance with the new testing requirements became mandatory on 1 January 2016.

COMMERCIAL LIGHTING

A review of the administrative and compliance framework for commercial lighting recommenced in 2015, with the aim of improving the quality of activity outcomes, increased uptake, reduced risk of improper VEEC creation and streamlining compliance and verification processes. The Commission published its position paper for consultation in October, with changes to the commercial lighting product approvals process implemented from 1 January 2016.

SOLAR WATER HEATERS

Following the outsourcing of the process for assessing and auditing solar water heater products to private sector contractors in 2014, an audit of solar water heaters on the register of products was conducted by the Commission's external contractor in the first half of 2015. This audit identified products that required amendments to product specifications or suspension of products from the register of products.

PRODUCT APPROVAL APPLICATIONS

A total of 1,599 energy saving products were approved over 2015, bringing the total number of products approved over the life of the scheme to 7,432. The majority of products approved for 2015 were for lighting (Schedules 21 and 34, 53 per cent), followed by water heating (Schedules 1 to 4, 28 per cent) and high efficiency refrigerators and freezers (Schedule 22, 14 per cent).

As a result of ongoing issues with poor quality applications, the Commission applied increased scrutiny to documentation submitted in support of product approval applications. Products were not progressed for approval in cases where invalid test documentation was discovered. The Commission also continued to conduct audits of safety certificates for approved lighting products on the register of products, and identified products with expired or invalid safety certificates that were subsequently suspended from the register.

SAFETY AND PERFORMANCE TESTING

To ensure products listed on the register of products meet the parameters stipulated in the Regulations, the Commission expanded its independent safety and performance testing programs, focussing on 'emerging technology' products such as LED lighting. The selection of products to undergo testing is based on a number of factors, including supporting documentation, reported incidents of failure and the number of installations. Products that failed safety testing or performance testing were suspended from the register of products.

6.3 WORKING WITH SCHEME PARTICIPANTS

The Commission dedicates considerable effort to working with scheme participants to support their understanding of the VEET legislative framework, scheme requirements and administrative processes. The Commission provides prompt responses to telephone and email inquiries, regularly meets with stakeholders and consults with accredited persons and VEET stakeholders on proposed amendments to processes.

In 2015, the Commission held public information forums in February and October and ran consultations on proposed amendments to testing requirements for LED lighting

lifetimes and changes to the commercial lighting product approvals process. Work was also undertaken to notify accredited persons of changes to processes and the VEET website as a result of the Regulation amendments that commenced on 1 January 2016 and during the first half of 2016. Presentations to public forums, consultation documents and explanatory notes for VEET scheme participants are available on the VEET website.

In addition to working with accredited persons, the Commission works closely as required with other government agencies such as Energy Safety Victoria, Consumer Affairs Victoria and the Australian Communications and Media Authority. The Commission also regularly meets with the policy officers and administrators of interstate energy efficiency schemes (Australian Capital Territory Energy Efficiency Improvement Scheme, New South Wales Energy Savings Scheme and the South Australian Retailer Energy Efficiency Scheme) to share information and experiences from the running of the schemes and consider coordination between schemes where appropriate.