

Guide for amending audit and certificate creation limit conditions

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1 Background

Your accreditation notice sets out your conditions of accreditation. We impose these conditions to help ensure Accredited Certificate Providers (**ACPs**) create certificates that reflect eligible energy savings and peak demand reduction capacity. This is consistent with the objects of the Energy Savings Scheme (**ESS**) and Peak Demand Reduction Scheme (**PDRS**).

Your accreditation notice sets out when an audit of an accreditation is required, the things that must be audited and any limits on certificate creation. While your accreditation conditions set out mandatory requirements, you can conduct additional audits to manage your business risks. This guide sets out:

- the types of audit conditions
- certificate creation limit conditions
- how you apply to have those conditions changed, including the information you must provide to support your application
- our approach to setting audit and certificate creation limit conditions.

2 Audit conditions

There are 2 types of audit conditions that affect the timing of audits. These conditions determine the types of certificates you can create:

- **Pre-registration** audit conditions require you to conduct an audit before registering certificates. You can only register audited certificates. We do not limit the number of audited certificates you can register.
- **Periodic** audit conditions set out the maximum amount of time that can pass between audits of an accreditation – usually every 12 months. You can register both unaudited and audited certificates. We usually limit the number of unaudited certificates you can register.

3 Certificate creation limits

Certificate creation limits set the number of unaudited certificates you may register. These limits may influence when an audit is required. The certificate creation limit is a risk management measure that balances the increase in risk due to higher certificate volumes against your experience and compliance history. Certificate creation limits typically start low and increase over time (section 5).

4 Applying for changes to conditions

You may apply to change your audit conditions or certificate creation limits at any time by applying through TESSA. Not all applications will be approved. You may want to contact us to discuss your situation before you apply.

When considering your application and making a decision, we consider:

1. the information you provide with your application
2. compliance risks
3. how you work with us.

4.1 Information you provide

You understand your business best. To help us assess your application we need to understand why you want to change your conditions and how you will operate your business to manage any risks that come with the change. You must provide the following information to help us assess your application:

- a description of your proposed change
- detailed reasons for your request including changes to your business model or way of working as your business grows
- a description of the types of activities you will be undertaking
- your understanding of the risks (e.g. compliance, operational and financial risks) associated with your current conditions and how those risks could change with your proposed change
- how you will manage these risks, for example what resources you will add to manage additional workloads or changes you will make to your processes and business systems
- how your compliance record and experience support your request (we know your audit history so do not provide this with your application)
- any other information that you wish the Scheme Administrator to consider.

No matter what you apply for you must demonstrate ongoing compliance supported by strong systems and processes that manage risk.

You must complete the [application for amendment form](#) when making an application.

4.2 Compliance risks

We consider the compliance risks associated with your business, your related ACPs and the activities you implement. This includes your compliance across all of your accreditations and those of your related ACPs. Key things we expect from you include:

- sustained good compliance across all accreditations
- audit findings that show good compliance, with any recommendations limited to matters that are insignificant, less serious or isolated
- prompt and effective responses to audit findings and recommendations
- low audit error rates and errors that are not serious, persistent or systemic
- responsiveness to compliance issues that may arise
- low number of complaints, the nature of which are minor and that you have appropriately resolved with the consumer
- appropriate compliance controls are in place that are tailored to manage the risks of the activities you are undertaking and your business model
- good compliance history in similar schemes in other jurisdictions (e.g. the Victorian Energy Upgrades program and Renewable Energy Target) where there is no, or a limited, history of breaches, penalty notices, warnings, or other administrative regulatory action.

Our annual compliance priorities also inform our approach to the assessment of risk. For some methods or activities, we may refuse your request in order to protect the integrity and good reputation of the schemes (e.g. to respond to growing consumer or stakeholder concerns).

4.3 How you work with us

How you work with us and your attitude to compliance is very important. It is important that we work co-operatively to resolve issues. We will consider how responsive you have been in your dealings with us. This includes:

- having productive interactions with us, including a willingness to act on our feedback and respond to complaints and queries from your customers
- a constructive response to auditor recommendations that demonstrates that you have appropriately considered risks and addressed the recommendations.

4.4 We make all decisions on a case-by-case basis

We will approve your application if we are satisfied that the information you provided supports the request, the compliance risks are low and properly managed, and you have a positive and productive approach to compliance (as described above).

We make all decisions on a case-by-case basis to ensure we appropriately manage the risk of improper certificate creation. This may mean that we do not grant your application or that we give you a lower certificate creation limit than requested. We have broad discretion to apply the appropriate measure, or suite of measures, in any given case. No matter the outcome of your application, we will provide the reasons for our decision.

5 How we set conditions and certificate limits

There is no single approach to how we set audit conditions and certificate limits. We recognise that there may be circumstances that require something different. This is why we make decisions on a case-by-case basis so that we can apply the appropriate measures or suite of measures in any given case. The guidance below is intended to help ACPs understand the different approaches that we may take.

5.1 Certificate creation limits may change over time

New ACPs normally start with pre-registration audit conditions and change to periodic audit conditions with a certificate creation limit after completing an audit. The unaudited certificate creation limit may be amended over time. Figure 1 demonstrates this change.

Figure 1 How conditions may change over time



5.2 Changing from pre-registration to periodic audit conditions

If your accreditation starts with pre-registration audit conditions, we will generally amend the audit conditions to periodic if your first audit is satisfactory, there are no compliance issues, and you agree to the amendment. That is, you do not need to apply for this change – it is something that we will do as part of completing your first audit. In these cases, we will generally set the unaudited certificate limit to between 10,000 and 20,000 ESCs for an ESS accreditation or between 100,000 to 200,000 PRCs for a PDRS accreditation.

This is not automatic. You can choose to stay on pre-registration audit conditions or we may decide not to change your audit conditions.

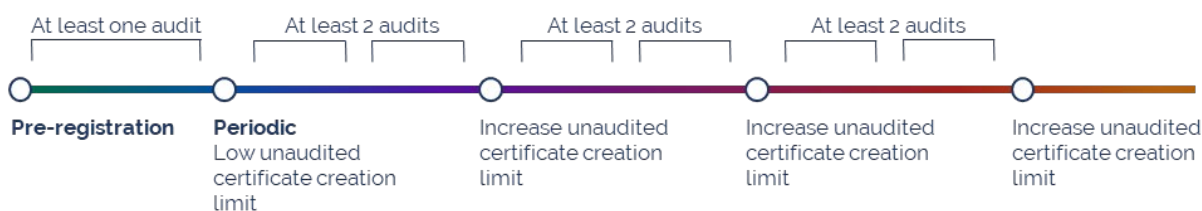
5.3 Increasing unaudited creation limits

If your audit conditions change from pre-registration to periodic, it is typical to start with a low unaudited certificate creation limit and increase it in stages as you gain experience and establish your compliance history. We usually expect you to complete at least 2 audits at different times before increasing your unaudited certificate creation limit. The volume of certificates covered in your audits should be relative to the increase you are seeking. The audits must be completed successively, which allows an auditor to test recommendations from previous audits. This is so you can demonstrate your ability to maintain compliance and resolve issues at the specified limit before progressing to a higher limit.

ACPs typically have around 4 increases in the unaudited certificate creation limit before reaching higher certificate creation limits (i.e. 200,000 ESCs or 2,000,000 PRCs). ACPs also have the option of voluntary pre-registration audits as a way of managing certificate creation outside the pre-defined limits of the audit threshold.

Figure 2 shows how accreditation conditions typically change over time. Examples 1 and 2 demonstrate how conditions may change over time for an ESS accreditation.

Figure 2 How accreditation conditions typically change over time



Example 1 – ACP with sustained good compliance

Stage 1: A new ACP was accredited with pre-registration audit conditions. They completed an audit covering 17,500 ESCs with a very low error rate and 2 recommendations. Compliance risk was low and we amended the conditions as part of completing the first audit - to periodic audit conditions with an unaudited certificate creation limit of 20,000 ESCs.

Stage 2: The ACP completed a further 2 audits – one in January and another in June of the same year, covering different time periods. Together, the audits covered 45,000 ESCs and addressed previous recommendations. Error rates were low with 2 recommendations. The ACP applied to increase the unaudited certificate creation limit to 50,000 ESCs. The application was comprehensive, compliance risk was low, and we approved the request.

Stage 3: The ACP completed a further 2 audits – one in November of the same year and another in March of the next year, covering different time periods. Together, the audits covered 90,000 ESCs and addressed previous recommendations. Error rates were low with 2 recommendations. The ACP applied to increase the unaudited certificate creation limit to 100,000 ESCs. The application was comprehensive, compliance risk was low, and we approved the request.

Example 2 – ACP with mixed compliance history

Stage 1: A new ACP was accredited with pre-registration audit conditions. They completed an audit covering 16,000 ESCs with a reasonably low error rate and 3 recommendations. We amended the conditions as part of completing the first audit - to periodic audit conditions with an unaudited certificate creation limit of 20,000 ESCs.

Stage 2: The ACP completed a further 2 audits – one in January and another in March of the same year, covering different time periods. Together, the audits covered 35,000 ESCs. Error rates were higher and there were 6 findings in the March audit indicating increased compliance risks. The ACP applied to increase the unaudited certificate limit to 50,000 ESCs. The application was comprehensive, but compliance risk was high, and we refused the request.

Stage 3: The ACP completed another audit in August of the same year covering 50,000 ESCs. The error rate was 0% and the auditor closed all recommendations from previous audits as they had been addressed by the ACP. The ACP again applied to increase the unaudited certificate limit to 50,000 ESCs. The application was comprehensive, compliance risk was now low, and we approved the request.

PDRS accreditations usually have a corresponding ESS accreditation. For PDRS accreditations, we typically set the unaudited certificate creation limit to 10 times the limit of your corresponding ESS accreditation.

5.4 What if I need a higher certificate limit?

If you are seeking higher unaudited certificate creation limits (e.g. greater 200,000 ESCs or 2,000,000 PRCs), we expect you to have demonstrated ongoing compliance over high volumes of certificates and over a sustained period. In these cases, we will set the periodic audit requirements to at least every 6 months and may impose other conditions. In exceptional cases we may remove the unaudited certificate limit entirely.

Given the different risk profile associated with this approach, we are more likely to require an audit be conducted at any time. The scope of these audits may differ from the standard audit in that additional sampling may be required and greater scrutiny may be applied to implementations.

5.5 Your rights to seek review of our decisions

If you disagree with our decision on your application, you may have a right to have that decision reviewed. You can seek administrative review of Scheme Administrator decisions to impose or vary a condition of accreditation. Our fact sheet, [How to have a Safeguard schemes decision reviewed](#), provides information about reviews of Scheme Administrator decisions.

5.6 How we manage non-compliance

The Scheme Administrator has the discretion to amend conditions of accreditation at any time. We may decide to amend an ACP's audit and certificate creation limit conditions in response to non-compliance. The [ACP Compliance Guide](#) explains how we respond to non-compliance.