

Fact Sheet: Review of the NSW Energy Savings Scheme compliance framework



10 November 2016



About the review

IPART is reviewing the Energy Savings Scheme (ESS) compliance framework, as it applies to accredited certificate providers (ACPs). The compliance approach for scheme participants does not form part of the review.

Our compliance framework is set out in the legislation,¹ the *Compliance and Performance Monitoring Strategy (CPMS)*, the *Record Keeping Guide*, the audit guidance, ACP's accreditation notices and method specific guidance documents. Separately to the review, we are currently making some minor changes to the CPMS, but more changes may occur as part of the compliance framework review.

This review will identify options to improve the administration of the ESS and reduce compliance risks. It is also intended to determine whether ACPs operate on a level playing field and if the integrity of the ESS is being protected.

About the ESS

The ESS reduces electricity consumption in NSW by creating financial incentives for organisations to invest in energy saving projects.

Electricity retailers and other mandatory participants (scheme participants) are obliged to meet energy saving targets. Energy savings can be achieved by installing, improving or replacing energy saving equipment. Persons that become ACPs can create energy savings certificates

(ESCs) from these activities and then sell those ESCs to scheme participants. IPART is both the Scheme Administrator (for ACPs) and Scheme Regulator (for scheme participants) of the ESS.

Because the cost of the ESS is ultimately borne by customers through electricity prices, we aim to ensure that every ESC represents genuine energy savings. We do this by monitoring compliance against the legislative requirements.



We regularly review our approach to compliance to ensure it remains appropriate. In 2014, we reviewed our CPMS and made minor amendments. In 2015, the NSW Government made some changes to the ESS legislation and recommended that we review particular aspects of our compliance framework.² As a result, and in response to some recent compliance issues in the ESS, we have decided to undertake a comprehensive review of our compliance framework.



Our compliance framework review affects ACPs, their contractors, auditors, industry associations, policy makers and other parties.

¹ Refer to: www.ess.nsw.gov.au/How_the_scheme_works/Legal_Framework_and_Rules

² The NSW Government undertook a statutory review of the ESS in 2015. It found that most stakeholders supported our enforcement powers, but some stakeholders felt that aspects of our compliance framework could be improved.



WHEN

We are seeking initial feedback on key issues related to our compliance framework by Friday 2 December 2016. We will consider this feedback when developing proposed changes to the compliance framework and will release an options paper for further feedback in early 2017.



KEY ISSUES

IPART is seeking comment from interested parties on the compliance framework for ACPs. In particular, we are seeking comment on:

- 1 **The application process to be accredited as a certificate provider.** At the application stage, ACPs are required to demonstrate how they will comply with legislative requirements. How can the application process for accreditation be improved?
- 2 **Audit regimes - identifying and investigating compliance.** ACPs are given an audit regime when they become accredited, based on the risk assessment made on their application. The type and frequency of audits, both initially and ongoing, are guided by the CPMS. IPART typically uses independent audits to identify and investigate compliance issues and ensure that ESCs are calculated correctly and in accordance with requirements. Can the audit process be improved (eg, frequency, scope, type and level of assurance)? What issues do ACPs or auditors encounter during audits (eg, auditor, ACP or contractor

performance, complexity, or financial issues)? What other options exist to independently identify, investigate and assess compliance issues and ensure that ESCs are validly created?

- 3 **IPART's approach to recognising good compliance.** ACPs can apply to increase their ESC creation limit. If the request is approved, ACPs can undertake fewer audits thus reducing the costs of participation. Are there other options to recognise ACPs with a good compliance history? What would make this a more efficient and streamlined process (eg automation, refined creation limits)?
- 4 **Communication.** IPART communicates compliance information via the annual report to the Minister (available on the ESS website), annual forums, quarterly newsletters, ESS notices, factsheets, emails and targeted consultation. In addition, we provide guidance material (eg the CPMS, *Audit Guideline*, method guides and workshops) to help ACPs understand and comply with the ESS. Stakeholders can raise issues with IPART via ESS mailboxes and phone. What information would you like to receive from IPART to improve your knowledge and understanding of the scheme? What other tools, training or guidance would help ACPs comply?



WHAT NEXT

You can have your say on the key issues, or any other issues you consider relevant to this review, until Friday 9 December 2016 by emailing your submission to: ess@ipart.nsw.gov.au