

# Energy Security Safeguard schemes – Undertakings

5 September 2022

This factsheet is relevant to all applicants for accreditation and Accredited Certificate Providers (**ACPs**) under the Energy Savings Scheme and Peak Demand Reduction Scheme.

## 1 What are Undertakings and who are they for?

Undertakings require ACPs to withhold a percentage of registered Energy Saving Certificates (**ESCs**) and/or Peak Reduction Certificates (**PRCs**) from sale or trade pending the outcome of an audit.

Undertakings:

- are a legislative instrument and legally enforceable
- take effect when an applicant is granted accreditation, and
- only apply to certificates created in the Registry of Certificates in TESSA (i.e., post-registration audits).

Undertakings allow us to manage the risk of invalid certificate creation by ensuring that an ACP has certificates to surrender if they are found at audit to be invalid. This approach allows ACPs to register and trade the balance of the certificates while waiting for an audit to be completed.

## 2 How does an Undertaking work?

When an ACP registers ESCs or PRCs that haven't been audited, a certain proportion of each of the certificates will be withheld from transfer in the Registry of Certificates in TESSA.

If an audit finds that all ESCs and/or PRCs are valid, the withheld certificates are released, and the ACP is free to trade them. If an audit finds that some certificates were improperly created, the ACP may be requested to surrender the improperly created certificates.

The number of certificates to be surrendered will be based on the number of certificates improperly created not the number that has been withheld. An ACP may face further action, such as being ordered to surrender the improperly created certificates.

The percentage of certificates withheld starts at 10% and is adjusted in response to audit outcomes, as follows:

- Decreases to 5% after the second audit and then 0% after the third audit if there are no material<sup>a</sup> error rates in the first three audits (Figure 1)
- Increases to 20% if there is a material error rate in the first or second audit (Figures 2 and 3), and
- Increases to 10% if the first two audits had no material error rate but the third (or subsequent) audit has a material error rate (Figure 4).

After the withheld percentage has been reduced to 0%, it will typically increase to 10% in response to a material error rate and then decrease to 5% and then 0% in response to audits with no material error rate.

Undertakings only affect registered certificates. The results of a pre-registration audit (i.e., an audit of certificates that haven't yet been registered) do not impact on the withheld percentage of certificates.

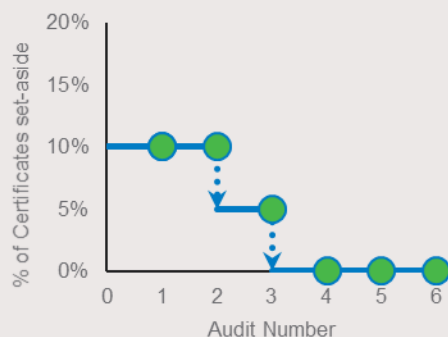
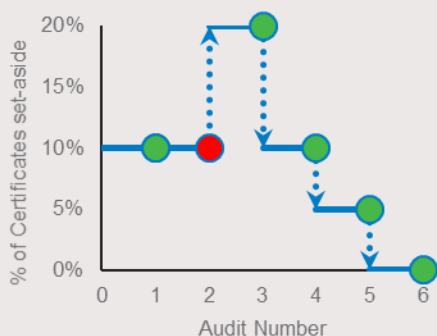


For example, an ACP has an Undertaking to withhold 10% of certificates. The ACP completes a pre-registration audit. The withheld amount does not change because the certificates that were audited hadn't been registered and the Undertaking only affects registered certificates.

Applicants and ACPs should refer to their individual Undertaking to confirm their arrangements.

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<sup>a</sup> A material error is when the absolute error rate of improperly created certificates (as determined by the auditor) is 5% or greater.

**Figure 1: No material error rates in the first six audits****Figure 2: Material error rate in the first audit****Figure 3: Material error rate in the second audit****Figure 4: Material error rate in the third audit**

### 3 Consenting to the Undertaking

With the introduction of The Energy Security Safeguard Application (**TESSA**), applicants can agree to the Undertaking as part of the online application process in TESSA. The version of the Undertaking agreed to is recorded in TESSA and can be accessed in the Knowledge Base in TESSA.

Where an applicant does not agree to enter into the Undertaking, the Scheme Administrator may:

- Refuse to accredit the applicant, or
- Accredite the applicant but impose conditions on the accreditation, such as requiring pre-registration audits (so the ACP can only apply to register certificates after their validity has been confirmed by an audit).

Once you are accredited, failure to comply with your Undertaking is a contravention of a condition of accreditation with a maximum penalty of \$220,000.