

Operational changes to scheme participant compliance processes – What we heard

31 May 2024

This paper summarises the outcomes of our consultation on operational changes to scheme participant compliance processes for the 2023 Energy Savings Scheme (ESS) and 2023-24 Peak Demand Reduction Scheme (PDRS) compliance periods. The [Consultation Paper](#) sought feedback on our proposed approaches to the provision of AEMO market purchase data, ESS and PDRS audit requirements and key reporting dates.

Thank you to stakeholders who provided a submission. We received 6 written submissions. Five submissions are published on our [website](#). One confidential submission has not been published.

We have carefully considered the feedback provided to inform our final approach. Table 1 summarises in general terms the relevant feedback provided and our response. Details of the confidential submission have not been reported in Table 1, but have been considered.

1 Consultation outcomes

The Scheme Regulator has decided to implement the approaches outlined in the consultation paper to:

- provide scheme participants with gross electricity market purchase data for use in calculating their market purchases
- amend ESS and PDRS audit requirements.

The feedback from the consultation was generally supportive of these proposed approaches.

Changes to these compliance processes will apply for the 2023 ESS and 2023-24 PDRS reporting periods.

In response to feedback received on the compliance timeline, the Scheme Regulator has decided to shift the 31 May notification deadline to align with the 15 November reporting deadline. Submission of your ESS Annual Statement and PDRS Individual Liab Demand will be deemed to satisfy this reporting requirement and no other action is required. All other reporting dates remain unchanged from dates published in the Consultation Paper and on our [website](#).

We will consider all other feedback on the compliance timeline for future reporting periods. Any changes to the 2024 ESS and 2024-25 PDRS reporting periods will be published before the end of this year.

2 Next steps

To assist scheme participants, we have updated our guidance documents to reflect the consultation outcomes:

- Compliance Guide – Scheme Participants
- Audit Guide – Scheme Participants
- Declaration of Liable Acquisitions
- DSW Submission Form – Declaration of Liable Acquisitions

We will provide scheme participants with AEMO gross market purchase data for 2023 ESS reporting in June and 2023-24 PDRS reporting in September 2024.

Table 1 Summary of stakeholder feedback

Question	Summary of stakeholder feedback	IPART response
<p>AEMO market purchase data Does the move to providing gross electricity market purchase data present any issues or challenges for your business?</p>	<ul style="list-style-type: none"> • Respondents were largely supportive of the move to gross electricity market purchase data to streamline and simplify reporting requirements and reduced audit requirements. • Two respondents proposed that scheme participants be given flexibility to report data using either AEMO gross market purchase data (proposed method) or net market purchase data plus self-reported imports to the grid (current method). • One respondent raised that while the move to gross electricity market purchase data is positive operationally, the potential increase in liability of approximately 0.5% on average presents a cost concern to consumers. • One respondent expressed the opinion that any change in approach to data should be consistent with other schemes including the Renewable Energy Target (RET) and Victorian Energy Upgrades (VEU). • One respondent expressed concerns that it would be more difficult to forecast liability based on AEMO gross market purchase data compared to net purchase data. • One respondent noted they consider there is an immaterial difference between the use of AEMO gross market purchase data and the current data approach. 	<ul style="list-style-type: none"> • The move to gross electricity market purchase data is a more accurate method of calculating liable acquisitions. The method used to date has served as a proxy for estimating gross market purchases in the absence of reliable data for Tier 1 retailers. • Providing scheme participants with an option to choose which reporting method to use would allow scheme participants to under report their liable acquisitions. It would also result in inconsistent treatment of scheme participants and advantage some scheme participants over others. • The expected average 0.5% increase in liability is primarily due to imports to the grid being underestimated to date as distribution losses were not accounted for in the data self-reported by scheme participants. The move to gross market purchase data corrects this underestimation and removes any inconsistencies in reporting between scheme participants, ensuring all scheme participants are treated equally. • While we support harmonisation between schemes, we do not believe a lack of alignment is a sufficient reason to overlook a more accurate approach which utilises the best available data. As the legislation between the schemes is largely aligned to require the reporting of gross market purchases, it may be open to scheme participants to use gross market purchase data for other schemes. • As the principles underpinning the legislation are not changing (i.e. liability remains based on gross market purchases), a scheme participant's ability to forecast liability should not change.
<p>ESS and PDRS audit requirements Do the revised audit requirements present any issues or challenges for your business?</p>	<ul style="list-style-type: none"> • Respondents were supportive of the revised audit requirements and welcomed any reduction in regulatory burden and cost to scheme participants. • Respondents agreed the move to gross electricity market purchase data can lead to reduced audit requirements. • One respondent asked for further information on the derivation of the thresholds and asked whether the thresholds would be set for the duration of the scheme or reviewed. 	<ul style="list-style-type: none"> • Thresholds are designed to balance the cost of audit against the relative cost of complying with scheme targets. • Thresholds will be reviewed every 3 years however it is open to the Scheme Regulator to amend audit requirements, including audit thresholds, at any time.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Question	Summary of stakeholder feedback	IPART response
<p>Scheme compliance timeline Would you like to see changes or improvements to the compliance timeline? Do you support the combined ESS and PDRS compliance cycle? Does the existing compliance timeline present any issues or challenges for your business?</p>	<ul style="list-style-type: none"> • Respondents were generally supportive of the scheme participant compliance timeline and IPART's approach to implementing learnings from the first combined ESS and PDRS compliance cycle: <ul style="list-style-type: none"> – One stakeholder noted its support for the combined ESS and PDRS compliance cycle and requested no changes be made to the compliance timeline. – One stakeholder noted its support of the compliance timeline and that it did not propose any amendments. – Three stakeholders proposed changes regarding deadlines or format of the compliance timeline. • Two stakeholders raised concerns about the notification of PDRS exemptions and liable acquisitions due by 31 May each year. • One stakeholder proposed improvements to the format of the compliance timeline to clarify which compliance period the milestones relate to. • One stakeholder proposed IPART should set a date by which 'auditor nominations' must be provided. • One stakeholder raised concerns that the Annual Report to the Minister is too delayed following the ESS compliance period (i.e. the annual report is released 18 months after the compliance period ends) and noted that ESS compliance dates were moved due to the COVID-19 pandemic and were never returned to the legislated date. 	<ul style="list-style-type: none"> • The purpose of the notification of PDRS exemptions and liable acquisitions is to help us identify whether a scheme participant needs to conduct an audit so that we can ensure the scheme participant has engaged an auditor and that the DSW has been approved in time for the audit to be completed on time. IPART acknowledges that: <ul style="list-style-type: none"> – there are alternative ways to identify scheme participants requiring an audit – the requirement introduces unnecessary administrative burden. <p>We propose to shift this reporting requirement to align with the reporting deadline for the ESS Annual Statement and PDRS Individual Liable Demand and deem these submissions to satisfy the notification requirement.</p> • We have published a combined ESS and PDRS compliance timeline for a single reporting period (i.e 2023 ESS and 2023-24 PDRS). We acknowledge that in any one calendar year there are milestones for 6 overlapping reporting periods however we found that developing a compliance timeline that picks up multiple reporting periods is cluttered and confusing and we therefore decided against presenting information in this way. • The legislation does not require IPART set a date by which an auditor must be engaged. The only requirement is that a scheme participant provides an audit report (if required) by the ESS Annual Statement and PDRS Individual Liable Demand reporting date. It is therefore open to each scheme participant to determine the timing of its auditor engagement to ensure it complies with this requirement. • The ESS compliance dates were not changed during the 2019, 2020 and 2021 compliance periods. Some concessional treatments were offered to scheme participants due to hardship which included an extension to surrender certificates or to pay any shortfall penalty and waiving of the ESS individual energy savings target for small retailers.

Question	Summary of stakeholder feedback	IPART response
		<ul style="list-style-type: none">• The 2022 ESS reporting date was pushed back to align with the 2022-23 PDRS reporting date following the combined audit process for scheme participants consultation in 2022. At this time, a decision was also made to use AEMO 20-week revision data to improve accuracy of reporting and minimise the need for future amendments. As such data is not available for the ESS until late May/early June. This means it is not feasible for the ESS reporting date to return to 1 March.• With the introduction of the PDRS, a combined Annual Report to the Minister is prepared and submitted by 31 July of the subsequent year in accordance with the legislation^a. To supplement the Annual Report we also released a Schemes Update in March 2024 which included some market information. We will continue to produce similar updates and explore new ways to provide relevant market information in a timely manner.

^a Clause 76(1A)(a) of Schedule 4A to the *Electricity Supply Act 1995* (NSW) and clause 59A of the *Electricity Supply (General) Regulation 2014* (NSW)