



Benchmark Rating Method Activity Guide

Project-Based Activities

11 December 2018



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1. Introduction

The Victorian Energy Upgrades program is a Victorian Government initiative which commenced on 1 January 2009. The program was established under the Victorian Energy Efficiency Target Act 2007 (the VEET Act) and is administered by the Essential Services Commission in accordance with the Victorian Energy Efficiency Target Regulations 2018 (the principal VEET Regulations) and the Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017 (the PBA Regulations).

The VEU program is designed to make energy efficiency improvements more affordable, contribute to the reduction of greenhouse gases, and encourage investment, employment and innovation in industries that supply energy efficiency goods and services.

Under the program, accredited businesses can offer discounts and special offers on selected energy saving products, appliances and other energy efficiency improvements in homes, businesses or other non-residential premises. The greater the greenhouse gas reduction, the greater the potential saving.

There are many abatement methods or 'prescribed activities' in the VEU program. Undertaking project-based activities (PBA) using the benchmark rating method is an eligible prescribed activity under the PBA Regulations.

1.1. Purpose of this document

The purpose of this document is to help participants and accredited persons (APs) understand the benchmark rating method and provide important information about their obligations when undertaking them.

This document explains how to participate in the PBA benchmark rating method under the VEU program. This method is administratively more complex than some other activities available under the program.

For instructions on compliance requirements, including a detailed description of all the documents required for each step of the benchmark rating process, please refer to **Benchmark Rating Method Compliance Requirements**, available at www.esc.vic.gov.au/benchmark-rating.

1.2. How this document is structured

This activity guide begins by explaining key concepts and issues – see Section 3 of this document. You will need to understand this section before reading the other sections of this document. Sections 3 to 6 of this document explain the process for participating in the benchmark rating method. Section 4 provides an introduction to the technical concepts used in the benchmark rating method and explains what information you will need to gather, and how to use it to calculate the

number of Victorian energy efficiency certificates (VEECs) that the project can create. Section 5 details the end-to-end process, starting with becoming accredited and finishing with the registration of VEECs. It is one example of how you might engage with the program. Every business is different, and the specifics of your arrangements may differ, but Section 5 should provide an easy way to find the information you need quickly. Section 6 provides additional information which may also be useful when carrying out a PBA benchmark rating project, including what to do when something about the project changes.

1.3. Legal context for this document

The commission has prepared this activity guide to assist with the interpretation of relevant parts of the:

- Victorian Energy Efficiency Target Act 2007 (the VEET Act)
- Victorian Energy Efficiency Target Regulations 2018 (the principal VEET Regulations)
- Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017 (the PBA Regulations)
- Benchmark rating in Victorian Energy Upgrades – Specifications (the benchmark rating specifications)
- Victorian Energy Efficiency Target Scheme Guidelines (the VEET Guidelines)

These documents can be accessed at www.esc.vic.gov.au/veu-legislation.

This document should not be relied upon as substitute for legal advice and should be read in conjunction with the above source documents. In the event of inconsistency between this guide and the above source documents, the content in the source documents takes precedence in the order shown.

2. Before you begin

This is not the only document you will need to understand how to participate in this activity. The following documents referred to in this document will be important throughout your involvement in the VEU program in addition to the regulatory documents listed in the previous section. You should access these documents and keep them handy, especially if you are new to the VEU program. These are available at www.esc.vic.gov.au/veu.

- Benchmark Rating Method Compliance Requirements
- Application Guide for Accredited Persons
- Lighting Product Application Guide

Understand your compliance obligations

Participating in VEU can be challenging, especially at the start. Make sure you understand how the scheme works before engaging in any projects, including all relevant program guidance documentation and the end-to-end process described in Section 5 of this document.

3. Key concepts and issues

There are a range of concepts and terminologies specific to undertaking benchmark rating projects in the VEU program.

While some key concepts have been used in other activities in the VEU program, there are many new concepts in this document specific to undertaking benchmark rating projects.

To participate in the program you should familiarise yourself with all the key concepts and issues, even if you're an experienced energy efficiency practitioner. The use of these concepts to design and carry out benchmark rating projects are described in greater detail in Section 4, and the process used to carry out a project is described in Section 5.

If you are unsure about any of these concepts, in the first instance please refer to the resources listed in Section 2 of this document. If you have further questions, please contact VEU Support on (03) 9032 1310 or veu@esc.vic.gov.au.

3.1. Project-based activities

The PBA Regulations provide for project-based activities in the VEU program.

Prior to the introduction of PBA, prescribed activities under the VEU program used deeming methods only. Deeming estimates an activity's abatement of electricity or gas based on average values for all activities across Victoria. PBA currently uses one of two methods for quantifying abatement, either measurement and verification (M&V) or benchmark rating. Both methods rely on site specific measurements to determine a project's baseline and post-activity energy consumption.

The benchmark rating method has been designed to use National Australian Built Environment Rating System (NABERS) ratings to calculate abatement in eligible buildings. It relies on using a building's rating before and after the upgrade to determine energy savings, and in turn greenhouse gas savings.

PBA methods such as benchmark rating are technology neutral: they potentially allow multiple technologies, techniques, upgrades and abatement methods to be combined in one project. This was not possible under previous prescribed activities in the VEU program.

Only projects at single sites are allowed (e.g. the 'site' must have the same street address or be geographically continuous over a defined location).

3.2. Relationship with other prescribed activities

There are many types of prescribed activities which can generate VEECs in the VEU program.

A benchmark rating project undertaken using PBA is a stand-alone activity. You (as the AP) do not have to refer to existing activities, except for lighting upgrades. All lighting upgrades under the VEU

program, including those carried out using PBA methods, require any lighting equipment installed to be on the Register of Products (www.veu-registry.vic.gov.au/register-products), and the old lighting equipment and control gear must be decommissioned in accordance with the principal VEET Regulations.

3.3. Ineligible activities

The following activities are ineligible to create VEECs under project-based activities:

- activities that must be done to meet mandatory statutory or regulatory requirements
- activities that have negative effects on production or service levels (including safety levels)
- activities that also create Renewable Energy Certificates (RECs) under the Commonwealth Renewable Energy Target (RET) for the same abatement, except for some hot water systems that can create small-scale technology certificates (STCs) under the Small-scale Renewable Energy Scheme in addition to VEECs
- activities that also claim benefits for the same abatement under the scheme established under the Commonwealth's Carbon Credits (Carbon Farming Initiative) Act 2011 for the issue of Australian Carbon Credit Units (ACCUs) in relation to eligible offset projects
- activities that increase consumption of non-renewable energy
- activities that will increase greenhouse gas emissions.

3.4. Eligible activities

There are six eligibility criteria a project must satisfy to take part under project-based activities. They are:

- Who is the project owner?
- What type of energy is saved?
- Are the premises eligible?
- Is the activity eligible?
- Is the activity additional and does it result in genuine abatement?
- Do you have the appropriate accreditations and approvals at the time of the project?

The eligibility conditions of each test are described in subsequent sections.

3.4.1. Project ownership

Project ownership focuses on who is responsible for the project, and the entity entitled to the certificates. To establish project ownership, you need to substantiate your right to undertake the project and identify affected stakeholders. Elements of project ownership are:

- owner
- energy consumer.

Owner

You must establish site ownership. This site-owning entity may be an individual or organisation which may, or may not be you (the AP).

Energy consumer

The energy consumer may be the site owner, or they may be a tenant, an operator, or some other entity. You as the AP may also be the energy consumer in respect to a project site.

Section 16(1) of the VEET Act states that the right to create certificates is held by the entity who consumes the electricity or gas. You must therefore establish the entity who consumes the electricity or gas and obtain permission from them to undertake the project.

You are also required to provide evidence of the energy consumer's knowledge and interest in the project activities progressing. Where you are not the energy consumer, you must provide a Registration of Interest Form signed by the site energy consumer. This document provides assurance to us that the energy consumer is aware of the project and is interested in you submitting an application, but does not give you the right to create certificates with respect to the abatement, however. Assignment of rights occurs following completion of the project using a VEEC Assignment Form for Project-Based Activities.

Note that obtaining permission to undertake the project may also include obtaining licences or planning and development approvals from local, state and/or federal regulatory or other bodies where applicable.

Once these requirements are met, you (the AP) are then the project owner for the purposes of the VEU program.

3.4.2. Energy sources affected

The energy sources affected are those within the project boundary. These will generally be fixed electricity and mains gas utilities. Where other energy types are affected, or where the project involves fuel switching, the AP must provide details of each energy source, including:

- the type of renewable energy source
- average energy content of the new fuel
- difference in emissions factors between the original and new fuel.

VEECs can only be generated for saving electricity and fossil fuel gas – no other fuel savings are eligible. For clarity, projects that save coal, oil, petroleum based products, non-fossil fuel gas (such as biogas) and renewable energy are not eligible.

3.4.3. Eligible premises

To be an eligible premises, sites must fulfil three essential criteria:

- it must be in Victoria
- it must **not** be a new building¹
- it must either be a business or non-residential premises, unless it meets eligibility criteria for residential premises².

3.4.4. Eligibility requirements

For a benchmark rating project to be eligible, it must meet the following conditions:

- you must be able to source all documentation to verify the pre- and post-activity conditions.
- the project must not commence until after we have received an application for scoping plan approval
- any lighting products installed as part of the activity must have been listed on the Register of Products before you lodge your first application for impact report approval for the project, and meet all other product requirements as detailed in Section 6.3 of this document.

3.4.5. Additionality and genuine abatement

To ensure that the VEU program is encouraging projects that would not have otherwise occurred, we, as the commission, are required to assess the additionality of activities under the program. You are required to satisfy us that your project is additional and will likely produce genuine abatement.

To satisfy us that a project is additional, you must demonstrate that the project is:

- not required by law
- not also claiming benefits under a prescribed greenhouse gas scheme for the same abatement
- not underway prior to scoping plan submission³.

Not required by law

Projects that are required by law are those that have a qualitative or quantitative requirement for the energy consumer, the AP, the site owner or other affected stakeholders to undertake all or part of an activity. Certain projects may be considered not additional if external requirements compel the project to take place. This includes complying with energy efficiency or greenhouse gas emissions requirements in any minimum standard or mandatory requirement under legislation.

¹ Since a benchmark rating used to calculate VEECs must be based on measured energy consumption, commitment agreements or other such arrangements cannot be used to establish the baseline energy consumption. As such, new buildings which have not been occupied are not eligible under PBA benchmark rating.

² A residential premises may be eligible provided the project relates to common services within the building. For example, a project can involve the upgrade of residential common area services such as the car park of an apartment building, but it cannot involve the upgrade of services to a single apartment within the building.

³ You cannot apply for scoping approval until you are approved for PBA as an AP

You will need to provide a signed declaration that undertaking the project is not required by law.

Not also claiming benefits under a prescribed greenhouse gas scheme for the same abatement

Benefits cannot be claimed for the project under both the VEU program and another prescribed greenhouse gas scheme for the same abatement, with the exception of some hot water systems. You may elect to design a benchmark rating project's measurement boundary such that aspects of the project which are claiming benefits under a prescribed greenhouse gas scheme are metered and separated from the aspects that are claiming VEECs. In the case of benchmark rating, energy generated by renewable energy systems which are also claiming benefits under another prescribed scheme must be metered and included as unaccounted energy consumption. For further details on how to treat these systems, please refer to Section 4.7. For clarity, prescribed greenhouse gas schemes are the Commonwealth's Carbon Credits (Carbon Farming Initiative) Act 2011, and the Renewable Energy (Electricity) Act 2000, excluding the hot water systems listed under Part 2, Division 4B of that act.

To satisfy the commission that the project is not claiming benefits for the same abatement under a prescribed greenhouse gas scheme, both the AP and the energy consumer are required to sign a declaration, and consent under s10 of the VEET Act to allow the commission to disclose the details of the project to prescribed schemes to verify their statement. The energy consumer provides this consent in signing the Registration of Interest Form.

Not underway prior to scoping plan submission

No work for the project can have commenced prior to submitting the application for scoping plan approval (or submission of the combined Scoping and Project Plan Approval Form), except activities described as exempt in regulation 6(6) of the PBA Regulations. For details of scoping plan approval, refer to Section 5.3 of this document.

3.4.6. Appropriate commission accreditation and approvals

To be eligible to participate in the VEU program and create VEECs, a project must have:

- an AP approved by the commission to participate in PBA. This process is described in Section 5.2
- a scoping and project plan, and impact report(s) lodged and approved by the commission. These are described in Sections 5.3, and 5.10 respectively.

4. The benchmark rating method

The benchmark rating method allows VEECs to be created based on improvements in a building's energy performance following upgrade activities. It is designed to be technology neutral and as such a wide variety of activities can be used to create abatement. This method depends on using a process specified by an approved benchmark administrator to obtain a benchmark rating for a twelve month period prior to the upgrade (known as the **baseline period**), completing an eligible upgrade (refer to Section 3.4) and then obtaining a second rating for the twelve month period immediately following the upgrade (known as the **reporting period**).

Incentives are provided based on the difference between the reporting rating and the baseline rating. A building may provide a reporting rating annually up to eight times following the initial upgrade. The methodology for determining the abatement from this difference and the number of VEECs that can be created by a benchmark rating project is explained in further detail throughout this section.

Benchmark rating programs develop methods to account for the variation between buildings and changes in the use of a building over time. A list of the approved benchmark administrators is published by the Secretary in the benchmark rating specifications (also referred to in Section 4.1 of this document). At the time of publication of this activity guide, the only approved benchmark administrator is the National Australian Built Environment Rating System (NABERS).

4.1. Approved benchmarking administrators

Benchmarking administrators are approved by the Secretary under regulation 17A of the PBA Regulations. These are published in the benchmark rating specifications, found at www.esc.vic.gov.au/veu-legislation.

4.2. Services affected by the upgrade

Benchmark rating projects may involve a range of different technologies and service types. A service type, for the purposes of PBA, means an output or amenity, such as heating ventilation and air conditioning (HVAC), steam, transportation, compressed air, lifts, water pumping, and lighting that is produced by an energy-consuming system. This list is required as part of the application for scoping plan approval (refer to Section 5.3 for further details).

The nominated service types can be upgraded throughout the project's life. Please refer to Section 6.2 for details on what changes are allowed to be made to this list of nominated service types after the scoping plan is approved.

4.3. How to calculate VEECs using benchmark rating

The calculation method and the equations are defined in the benchmark rating specifications.

The number of VEECs available for a reporting period is determined using Equation 1, which converts electricity and gas savings to tonnes of carbon dioxide equivalent, accounting for the location in Victoria and the emission factor of each energy type.

Equation 1

$$VEECs = \text{electricity savings} \times \text{electricity emissions factor} \times \text{regional factor} + \text{gas savings} \times \text{gas emissions factor} - \text{counted savings} + \text{negative savings}$$

where:

- *electricity savings* is calculated in MWh using Equation 2
- *gas savings* is calculated in gigajoules (GJ) using Equation 2
- *counted savings* are described in Section 4.9
- *negative savings* is the negative carbon dioxide equivalent from the previous reporting period (if any), which should be carried through reporting periods until the difference has become zero.
- The *regional factors* for metropolitan and regional Victoria, and the *emissions factors* for electricity, gas and liquefied petroleum gas are listed in the benchmark rating specifications.

The energy savings for each energy type (electricity in kWh and gas in GJ) are determined using Equation 2 below.

Equation 2

$$\text{energy savings} = (\text{baseline energy consumption} - \text{reporting energy consumption})$$

where:

- *baseline energy consumption* is calculated using Equation 4
- *reporting energy consumption* is calculated using Equation 3

Baseline energy consumption and *reporting energy consumption* must be calculated for a premises with a *similar configuration* (refer to Section 4.6 for an explanation of similar configuration).

Equation 3

$$\text{Reporting energy consumption} = E_R + E_U$$

where:

- E_R is the *energy consumption* specified in the reporting rating report (explained in Section 4.4.2 of this document)
- E_U is the *unaccounted energy consumption* during the reporting period, at the building where the project is undertaken, that is not included in for reasons explained in Section 4.8).

The baseline energy consumption is calculated using Equation 4 below:

Equation 4

$$\text{Baseline energy consumption} = BF \times E_B$$

where:

- E_B is the *maximum allowable energy consumption* determined for the baseline period using the *reverse calculator*, explained in further detail in Section 4.5.
- BF is the *benchmark factor* calculated using the Equation 5.

Equation 5

$$\text{Benchmark factor} = 1 - 0.03n$$

where:

- n is the *number of whole years* from the end of the baseline period to the end of the reporting period.

The number of whole years is calculated by subtracting the year in which the baseline period ends from the year in which the reporting period ends. For example, if the reporting period ends on 1 January 2020 and the baseline period ends on 31 July 2018, the number of whole years is calculated as follows:

$$n = 2020 - 2018 = 2 \text{ whole years}$$

4.4. Rating reports and measurement periods

Benchmark rating programs determine improvements in the energy efficiency of a building by measuring changes in its energy rating. The performance of a building is rated for a twelve month period before the start of project upgrade activities, to show its performance before the upgrade. It is then rated for another twelve month period annually after the upgrade activities are completed, for up to a maximum of eight years. To rate the performance of a building, measured energy consumption and other variables relating to operating conditions must be determined for each rating period. This information must then be reported in a benchmark rating report for each rating period. Incentives can be awarded based on the difference between a reporting and baseline rating.

All rating reports must show the rating of the building with no purchase of energy under the GreenPower⁴ Program (i.e. 0% GreenPower). The rating report may also display the rating achieved with a proportion of energy purchased under the GreenPower Program, shown as a percentage, however this rating cannot be used to calculate savings under the benchmark rating method.

The requirements for which variables need to be measured and the length those measurements are set by the approved benchmark administrator for the relevant benchmark process. For some building types, such as data centres, the administrator may allow a rating to be based on a shorter billing period, such as one month. However, all ratings used to calculate VEECs must cover a twelve month period. An example of where this might apply is if the benchmark administrator allows it, you may use one month of data to build a 12 month rating period.

4.4.1. Baseline rating – before the upgrade

The rating carried out before project works (upgrade activities) commence is called the **baseline rating**. The baseline rating determines the energy performance of the building for a twelve month period before the project activities start, known as the baseline period. All measurements of energy consumption and other variables showing operating conditions before the upgrade activities, used to determine the baseline rating, must be conducted during the baseline period and in accordance with the rules of the nominated benchmarking process.

The baseline period, in relation to a project, is a twelve month period, ending:

- before project works commence – the PBA Regulations includes a list of activities related to the project which may occur before scoping plan submission under Regulation 6(6)
- no more than 18 months before project works commence.

The benchmark rating from this report is used in the reverse calculator, using the rules specified in Section 4.5.1.

4.4.2. Reporting rating – after the upgrade

The second rating takes place at the end of the twelve month period which starts immediately after project works have been completed (i.e. the activity end date). This is called the first **reporting rating** for the project. If the project has been completed in stages, the activity end date is the date, and optionally the time, at which equipment affected by the upgrade was brought back into service following completion of the first stage of works. All measurements of energy consumption and other variables showing operating conditions after the upgrade activities must be conducted during the reporting period. This rating shows the performance of the building after the upgrade activities

⁴ The GreenPower Program is government scheme which allows energy consumers to purchase certified renewable energy from the grid

have been completed. A reporting rating can be provided annually up to a maximum of eight times for a single project.

The reporting period, in relation to a project, is a twelve month period commencing:

- immediately after the activity end date for the project (i.e. immediately after equipment is brought back on line after the upgrade has occurred), or
- immediately after another reporting period, noting that there can be a maximum of eight reporting periods for a given project.

The energy consumption for the reporting period E_R is published on the benchmark rating report for the reporting period. Where energy is taken to mean gas, (E_R) must take on a value in GJ. Where energy is taken to mean electricity, E_R must take on a value in MWh.

4.5. Reverse calculator

The operation and use of a building may change over the lifetime of the project. These changes are accounted for in the benchmark rating method by using a **reverse calculator**. The reverse calculator is an electronic mechanism for calculating the maximum energy that a premises can consume for a given benchmark rating, as defined in regulation 17A of the PBA Regulations.

The reverse calculator should be published on the benchmark administrator's website, and it determines what the energy consumption of the building would have been if the project had not occurred. Details regarding the usage and operation of the building during the reporting period (the **other variables** as described in Section 4.5.1) and the rating from the baseline rating report are entered into the calculator to determine the maximum allowable baseline energy consumption (E_B). This is the maximum energy consumption that a building may have in order to achieve a given benchmark rating, under the specified operating conditions. In such a way, the reverse calculator adjusts the baseline energy consumption to account for the reporting period conditions. The energy consumption is then adjusted using Equation 4 by the benchmark factor to account for the time that has passed between the baseline rating and the reporting rating, to determine the **baseline energy consumption**.

Note that the baseline rating which is used in the reverse calculator must not take into account any GreenPower purchased.

When a building undergoes a major renovation or expansion, the planning requirements may trigger the building code, which requires certain energy efficiency activities. VEECs cannot be claimed for completing these activities to achieve a minimum requirement, under the relevant planning approval. To account for this, activities that occur after the start of the baseline period which require planning approval must use a different baseline rating in the reverse calculator, as specified in Section 4.5.1.

4.5.1. Reverse calculator requirements and inputs

The requirements for using the reverse calculator are listed below:

- The inputs for the reverse calculator must be equal to the conditions and variables published on the reporting rating report, known as the **other variables** published in the reporting rating report. This includes any information used by a benchmark administrator's process to calculate a benchmark rating, other than the premises' measured energy consumption.
- The baseline rating input into the reverse calculator is the rating determined for the building before undertaking the upgrade activities, with 0% GreenPower. This rating is published on the baseline period rating report.
- The percentage breakdown of fuels used in the building where the project is undertaken, which is input into the reverse calculator, must be determined by converting into MWh any measurement of energy consumed at the building that is not measured in MWh. This must include all fuels in the reporting rating.
- If the fuel has not been measured in terms of energy, the energy content factor for that fuel type must be used in the conversion, as published by the Commonwealth Department of Environment in the August 2016 publication entitled National Greenhouse Accounts Factors.
- If after the start of the baseline period the building undergoes a renovation or upgrade that requires planning approval, then the baseline rating input into the calculator is the greater of the following:
 - the rating published on the benchmark rating report for the most recent reporting period (or the baseline rating report, if there have been no reporting periods), that ends prior to the issue of the planning approval
 - the minimum rating (if any) the building is required to meet under the planning scheme of the Local Government Area that applies to the building
 - if the building is not required to meet a minimum rating, the ratings listed in Table 1 below.

Table 1: Minimum ratings where no minimum rating is specified under a planning approval

Building type	Baseline rating
Office buildings	4
Hotels	4
Shopping centres	4
Data centres	4.5
Hospitals	4
Apartment buildings	4

4.6. The measurement boundary and how to manage changes in a building's configuration

The measurement boundary is the limit of a project. It defines what activities are inside and outside of a project. For benchmark rating projects, the measurement boundary is defined by the metered part of a building that is rated for the purposes of a benchmark rating report.

The baseline energy consumption and reporting energy consumption must have a similar configuration for the premises, meaning that either:

- the metering arrangements (i.e. the measurement boundary) are the same during both rating periods,
or
- any changes to the measurement boundary have been considered using unaccounted energy consumption (E_U).

This condition is satisfied if, at the time a building was rated under the baseline rating and reporting rating, the sub-metering arrangements (if any) covered the same space as determined by the assessor for each rating, using the evidence required by the benchmark administrator that is relevant to the nominated benchmark process.

There may be some situations where the sub-metering arrangements are not the same for the baseline rating and the reporting rating. For example if there is a change in the way that a part of the building is used, the rules set by the nominated benchmark administrator may require that the affected part of the building is excluded from the reporting rating. If there are any changes in the sub-metering arrangements which result in an exclusion, then the excluded part of the building must be metered and its energy consumption recorded during the reporting period along with any other relevant variables. That energy consumption must then be discounted from energy savings as unaccounted energy consumption (refer to Section 4.8). Please note this applies to both electricity and gas consumption. This is then used in Equation 3 (refer to Section 4.3).

All exclusions must be metered and recorded over the rating period.

4.7. Renewable energy

Renewable energy systems are eligible to be used in benchmark rating projects to create VEECs only if they do not receive incentives under other prescribed greenhouse gas schemes, as detailed in Section 3.3 of this document. Eligible renewable energy sources include those defined as 'renewable energy' in the PBA Regulations.

4.7.1. Claiming benefits for renewable energy systems in benchmark rating

Benefits can be claimed for generation from on-site renewable energy systems either under the VEU program or another prescribed greenhouse gas scheme but not both for the same abatement,

except for some solar water heaters. Any electricity generated by an on-site renewable energy system that also receives incentives under another prescribed greenhouse gas scheme, which are installed after the end of the baseline period and before the end of the relevant reporting period, must be included as unaccounted energy consumption in the energy saving calculations, as explained in Section 4.8.

If benefits are not being claimed under another greenhouse gas scheme and the energy generated is consumed on-site, it will be accounted for as reduced grid consumption on the relevant reporting period rating report.

The commission may require evidence that energy saved on-site is from sources other than renewable generation.

Benchmark rating projects are allowed to export energy beyond the measurement boundary. The rating report will only count energy which is consumed by the building.

4.7.2. Metering requirements for renewable energy systems

If benefits are being claimed for a renewable energy system under another greenhouse gas scheme, then the amount of energy generated by these systems must be metered and reported. The commission may require evidence of the metering arrangements and metering data. For specific requirements please refer to Benchmark Rating Method Compliance Requirements.

4.8. Unaccounted energy consumption

Unaccounted energy consumption (E_U) includes any energy consumption during the baseline period which is not included in the reporting period ratings report. The two sources of unaccounted energy consumption that must be included in savings calculations are as follows:

1. reduced energy consumption, both electricity (measured in MWh) and gas (measured in GJ), as a result of changes in the building's sub-metering arrangements between the baseline period and reporting period, i.e. where the configuration is not similar as defined in Section 4.6
2. electricity generated from renewable energy systems installed between the end date of the baseline period and the end date of the relevant reporting period for which incentives have been received under a prescribed greenhouse gas scheme. Any installations that occur outside of this timeframe do not need to be included under unaccounted energy consumption. For further detail on how to treat renewable energy systems, please refer to Section 4.7.

If either of these two conditions apply then the unaccounted energy consumption must be added to the reporting period energy consumption using Equation 3, as specified in Section 4.3.

4.9. Counted savings

The counted savings represent the reduction of greenhouse gases which is shown in terms of carbon dioxide equivalent (in tonnes). Counted savings are represented by certificates (VEECs and those created under other prescribed schemes) created as a result of the activities after the end of the baseline period, unless accounted for in an earlier reporting period.

An adjustment might be required for the counted savings for the following conditions:

- the adjustment corrects for the number of years that the savings coincide with the remaining annual reporting periods
- the adjustment is required for compliance with Regulation 14(b) of the PBA Regulations.

5. How to apply for a PBA benchmark rating project

5.1. Introduction

The key steps for carrying out a project and creating VEECs for benchmark rating projects are:

- apply to be an AP for PBA
- submit scoping plan
- submit project plan
- obtain baseline rating
- undertake project activities
- obtain reporting rating
- determine abatement
- assign rights to VEEC creation
- submit impact report to the commission
- VEEC creation and registration.

A process map is shown in Figure 1. Each step is described in the following sections.

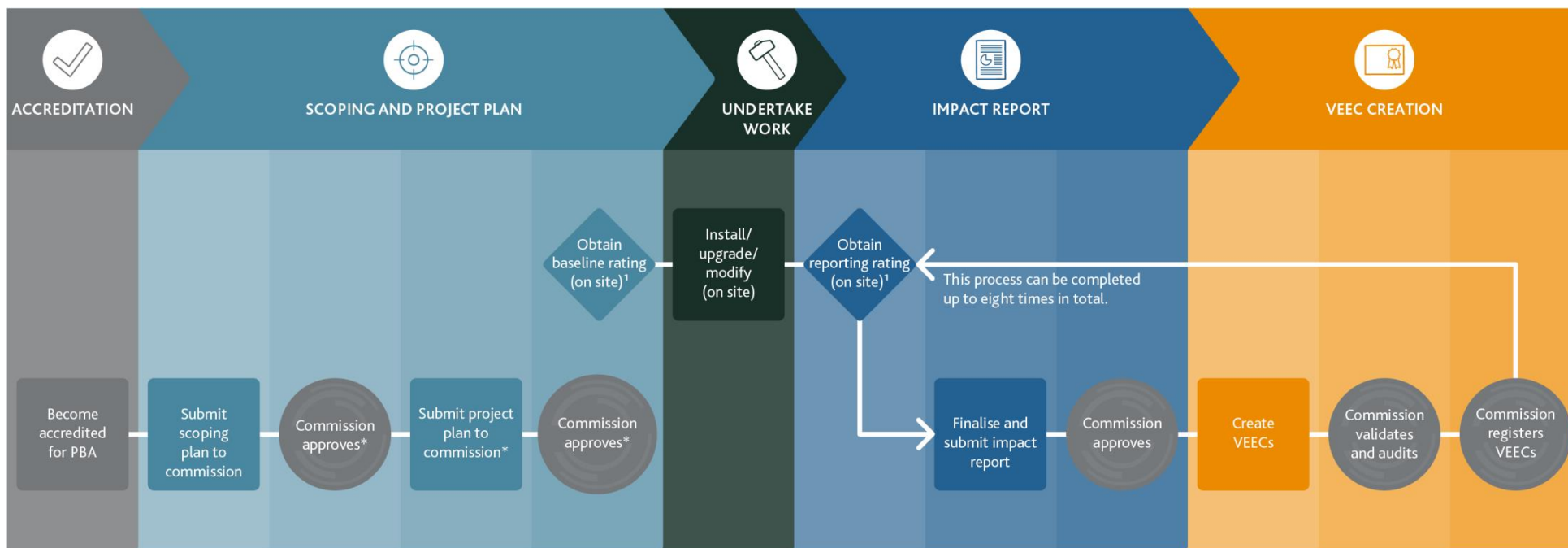
5.2. Apply to be an accredited person

We must have approved a project proponent to undertake PBA under the PBA Regulations before you can create VEECs from these types of projects.

If you are not yet accredited, the process is described in the Application Guide for Accredited Persons.

If you are already an AP and want to apply to participate in PBA, the application process is different from other activities and uses a different form. The process is described in the Application Guide for Accredited Persons and the Project-Based Activities Application Form which are both available at www.esc.vic.gov.au/become-veu-accredited.

The AP approval process for PBA is simpler than the AP accreditation process for other activities.



¹ To obtain a rating, you must generally measure for a total of twelve months. You must complete the baseline measurement within the 18 months before project works start,

* You can start undertaking work on site before these stages are complete. You can also submit the scoping plan and project plan at the same time.

Figure 1: Process map – project-based activities – benchmark rating

This process map shows the steps businesses must follow in order to create Victorian energy efficiency certificates (VEECs) from benchmark rating projects.

5.3. Submit scoping plan

This section explains how to prepare and submit an application for scoping plan approval. Further details of scoping plan requirements are found in Section 5.3.1. Scoping and project plan applications are made using your VEU Registry account at www.veu-registry.vic.gov.au

The scoping plan covers a range of elements of the benchmark rating project. The purpose of the scoping plan is to provide us with an understanding of what you plan to do, without requiring details that may not be able to be provided at this early stage of the project's development. You can start work as soon as we have acknowledged receipt of a scoping plan application; however it is strongly advised that you wait until you have received full approval in principle.

Scoping plans can be submitted at the same time as project plans. In this case, once the scoping plan has been assessed and approved, we will contact you to inform you of your progress and check if there needs to be any changes to the project plan. You will then have the opportunity to update and re-submit. If no changes are needed, we will assess the submitted project plan.

Having the approval in principle in two parts means that you can gain conditional approval in principle from the commission for the scoping plan, before proceeding to collect the information required for the project plan. This allows you to gain confidence that the project is likely to be eligible, before spending the money and time that it may take to gather the more detailed information required for the project plan. Applications for scoping plan approval are either submitted as a combined application along with the project plan or as a standalone scoping plan application.

You can submit your scoping and project plan applications using your VEU Registry account at www.veu-registry.vic.gov.au. For a combined application for scoping and project plan approval, the primary document is the **Scoping and Project Plan Approval Form**.

For a standalone application for scoping plan approval, the primary document is the **Scoping Plan Approval Form**. We must have acknowledged your submission of an application for scoping plan approval before commencing physical work for the purposes of a benchmark rating project.

These documents are available at www.esc.vic.gov.au/benchmark-rating.

For a detailed list of what information must be included in the application for scoping plan approval, please refer to Benchmark Rating Method Compliance Requirements.

Before you begin you may need to estimate the number of VEECs a project will generate, in order to fulfil project activities such as providing a quote for a job, developing a business case, and other related scenarios.

As benchmark rating allows many different types of abatement technologies and energy reduction techniques, we do not provide a VEEC calculator for this purpose. It is a requirement of participation in the benchmark rating method that you have the requisite qualifications, or access to an accredited assessor with the requisite qualifications, in order to obtain the benchmark ratings necessary for these activities. Section 4 of this document is then used to calculate the number of VEECs which can be created for a project.

5.3.1. Scoping plan – detailed requirements

The scoping plan covers the following:

- project ownership, including providing evidence of the energy consumer's agreement to the project via a **Registration of Interest Form** (described in Section 3.4.1 of this document)
- additionality (described in Section 3.4.5 of this document)
- project purpose (described below).

The application for scoping plan approval requires you to explain what the project involves and how this aligns with the activity's eligibility requirements. The project purpose should establish:

- project name
- location
- activity end date
- description
- energy sources affected and introduced
- a nominated benchmark rating administrator.

Each is described in more detail below. The scoping plan is also used to assess additionality, as described in Section 3.4.5 of this document.

Project name

The project name is the public reference and identifier for the project, and will be shown in the Register of Approved Project Plans, found at www.veu-registry.vic.gov.au/register-projects. You should nominate your preferred name for the project. That name:

- must be unique
- must not mislead about the project's ownership or purpose
- must not contain language inappropriate for a publicly listed project.

The name should use the following convention: [company name]_[site]_[project purpose]_[start date] e.g. FinanceCompany_Ballarat_HVAC Upgrade_Dec 2018.

If you or the energy consumer are concerned about having certain details publically listed, such as the name of the company, you do not need to have this explicitly stated in the project name. However project names that do not give the correct purpose and start date cannot be used.

Location

The location should be an address, where available. A lot number or equivalent or GIS coordinate can be used where no other location identifying reference is available.

The project's location is required in the project plan. It must be one geographically continuous site. Multi-site projects will not be accepted at this time.

Activity end date

The activity end date sets the date and optionally the time at which the project works are expected to be completed and the project is brought back into service (after any commissioning). If the project is completed in multiple stages this date is the completion of the first stage of project works. The activity end date is also known as the implementation start time in the PBA Regulations.

Description

The description is your explanation of the project. Use this section to describe the activities being undertaken, including how the project plan addresses the eligibility criteria set out in the PBA Regulations, the benchmark rating specifications, the VEET Guidelines and guides published on www.esc.vic.gov.au/veu.

This is a high level description and should provide us with a basic understanding of everything that is being proposed, and whether this falls within the general scope of the relevant benchmark rating project.

Energy sources affected and introduced

The energy sources affected and introduced are the electricity and gas sources within the project boundary. These will generally be fixed utilities in the form of grid electricity or piped natural gas. Where other energy types are affected, or where the project involves fuel switching, provide details of each energy source. Refer also to Section 3.4.2 of this document for further details.

Nominated benchmark administrator

The nominated benchmark administrator must be one of the approved benchmark administrators published in the benchmark rating specifications. Please refer to Section 4.1 of this document for further information.

5.4. Submit project plan

This section explains how to prepare and submit an application for project plan approval. Further details of project plan requirements are found in Section 5.4.1. Scoping and project plan applications are made using your VEU Registry account at www.veu-registry.vic.gov.au

The project plan includes the specific details of the project which builds on the description provided in the scoping plan. For the benchmark rating method, the purpose is to provide the commission with further details about the project which may not have been available at the scoping plan stage.

The project plan can be provided at the same time as the scoping plan; however it is not required at that stage.

All work must take place in accordance with the approved project plan. It is strongly recommended that you await full approval in principle for the project plan from the commission before beginning work on the project. The benefits of starting work on the project early should be weighed against the potential consequences of the project plan not being approved.

The primary document required for this application is the **Project Plan Approval Form**. This document is available at www.esc.vic.gov.au/benchmark-rating.

The project plan must be acknowledged as having been received by the commission **prior** to the activity end date (the date at which project works end).

Further details on what must be included with the application for project plan approval are listed in Benchmark Rating Method Compliance Requirements, available at www.esc.vic.gov.au/benchmark-rating.

5.4.1. Project plan – detailed requirements

Specific requirements will vary by project; however, they will all cover the following:

- project delivery schedule
- project details

These are described in more detail in the subsequent sections.

Project delivery schedule

The project delivery schedule will outline the timing for implementation of the project. This will identify key dates and any relevant tolerances. These timings form the approved implementation approach, with all key timings included. This may include, but is not limited to:

- baseline start and end dates
- activity start date (start of project works)
- activity end date (end of project works) – the start date for the first reporting period starts immediately after this date

The project schedule should also specify the number and frequency of activities you intend to undertake throughout the project. The project may consist of a single activity or upgrade; however the benchmark rating method allows multiple, or ongoing activities to be undertaken under the PBA Regulations. These may include rolling upgrades or the staged implementation of an activity.

You are required to explain how you intend to roll out activities in multiple stages under your project.

As the AP, you should note that the activity end date (referred to in the PBA Regulations as the 'implementation start time') is the date and optionally the time that the first activity finishes (e.g. the date that equipment is deemed to have come back into service after being upgraded). This date sets the timeframe for the entire project, so if for example, your second activity does not complete until year three, then savings for this activity can only be accounted for the remaining five years of the project.

Project details

The project plan builds on the details provided in the scoping plan. The primary focus of the project details section is to:

- explain how the activity will result in measurable abatement including an estimate of greenhouse gas reduction (refer to Section 5.4.2 for specific requirements)
- provide the commission with confidence that as the AP you understand how to implement a successful project of the type described
- provide an estimate of total project costs.

Specific requirements are set out in the PBA Regulations, the benchmark rating specifications, the VEET Guidelines, guides published on the commission website, and any relevant standards.

5.4.2. How much detail to provide in the estimate of carbon dioxide abatement

At the project plan stage, the commission must be assured that the project will result in genuine abatement. As such, an estimate of the carbon dioxide equivalent of greenhouse gases to be reduced by the project must be provided as part of the project plan. This estimate must be provided with some basic calculations to show how the abatement will occur, and where a project includes several energy saving activities, this must include an estimate of how much abatement is due to each activity.

The impact report will show the energy which has actually been saved due to the project, and VEECs are created using this information. As such, the abatement estimate calculations at the project plan stage do not need to be accurate, or to a high level of detail. However, the project plan must indicate two things:

- the applicant holds or can access the knowledge, skills or capacity to deliver the project described in the application
- the project will result in genuine abatement.

5.5. Obtain baseline benchmark rating

The baseline benchmark rating is the main piece of evidence that you will need to collect in order to show site conditions before any project activity is undertaken. You may already have this before submitting the application for scoping plan approval.

You can obtain a baseline rating for the premises by engaging an accredited assessor to provide a certified rating in line with the requirements of the benchmark administrator for the nominated benchmark process for that building type. Specific requirements are set out in Section 4.4.1 of this document, the PBA Regulations, the benchmark rating specifications, the VEET Guidelines and the guides published on the commission website (www.esc.vic.gov.au/benchmark-rating).

To create VEECs, you may be required to provide any relevant information that the assessor has used to provide the baseline rating. Thus this information should be collected and stored according to the requirements of the VEET Act.

There are a number of other types of information you will need to gather for your records, beyond the data you need to create VEECs using the online VEU Registry. Ensure you consult the relevant section of the Benchmark Rating Method Compliance Requirements. Contact the VEU support team if you are still unsure of your obligations.

5.6. Undertake project activities

“Project activities” is the carrying out of projects and control measures that result in electricity and/or fossil fuel gas savings (abatement). The activity start date is the date at which project works commence, and this cannot occur before the project’s scoping plan application has been submitted. The PBA Regulations includes a list of activities related to the project which may occur before scoping plan submission under Regulation 6(6), ‘Activity end date’ (referred to in the regulations as the ‘implementation start time’), in relation to a project, means the date, and optionally the time, normal operations are capable of commencing after all changes to be implemented by the project, including any testing and commissioning, are completed. Determination of the impact cannot happen before this date.

For an installation to be eligible under VEU, it must comply with all relevant laws and regulations, including those relating to OH&S and product safety. This applies to all projects – including where you subcontract any work to a third party.

As an AP you can use subcontractors to undertake project work on your behalf. However, the AP remains responsible for ensuring the certificates created comply with the VEET Act and regulations.

As the use of subcontractors is a compliance risk, you may be required to provide information about the contractual arrangements for each project you undertake. This information is recorded

on the VEEC Assignment Form for Project-Based Activities and may be requested when you create the VEECs associated with each project.

The highest priority during the project works is that all relevant OH&S laws, standards and precautions are observed. You will also need to ensure that your staff and/or subcontractors collect any relevant compliance information about the project processes.

5.7. Obtain reporting benchmark rating

The reporting period benchmark rating is the main piece of evidence that you will need to collect in order to show site conditions after project activities are undertaken.

You can obtain a reporting rating for the premises by engaging an accredited assessor to provide a certified rating in line with the requirements of the approved benchmark administrator for the nominated benchmark process for that building type. Specific requirements are set out in Section 4.4.2 of this document, the PBA Regulations, the benchmark rating specifications, the VEET Guidelines, commission guides published on the commission website, and any relevant standards.

To create VEECs, you may be required to provide any relevant information that the assessor has used to provide the baseline rating. This information should be collected and stored according to the requirements of the VEET Act. There are a number of other types of information you will need to gather for your records, beyond the data you need to create VEECs using the online VEU Registry. Ensure you consult the relevant section of the Benchmark Rating Compliance Requirements. Contact the VEU support team if you are still unsure of your obligations.

5.8. Determine abatement

The impact assessment determines the abatement that has been achieved by the project and therefore how many VEECs can be created, using information stated on the benchmark rating reports for both the baseline and reporting periods. It is communicated using the application for impact report approval. The impact report quantifies and reports the difference in energy use between the correct adjusted baseline and the measured energy consumption from the reporting period after completion of project works, as determined using information from the baseline and reporting rating reports and the approved benchmark rating administrator's reverse calculator. Specific requirements for calculating the number of VEECs which can be created are set out in Section 4.3 of this document, the PBA Regulations, the benchmark rating specifications, the VEET Guidelines, guides published on the commission website, and any relevant standards.

Whilst the two rating reports are the primary sources of information to determine the number of VEECs available for a project, they are not the only documents required, depending on the specific project. You must be familiar with all the concepts in Section 4 of this document in order to collect and provide all of the information necessary for your project.

5.9. Assignment of VEEC creation rights

The relevant energy consumer for a project holds the right to any VEECs that can be created.

Before VEECs can be created, there must be an assignment of rights between the energy consumer and the AP in accordance with Section 8 of the VEET Guidelines.

Once the project has been carried out, the energy consumer must complete and sign a VEEC Assignment Form for Project-Based Activities when assigning their right to create VEECs to a third-party AP, which is submitted along with the first impact report. This form collects the information necessary for you to create certificates and demonstrate compliance with the legislation.

You must ensure that the person signing on behalf of the client, the 'authorised signatory', does indeed bear legal authority to sign on the behalf of that entity.

Where you (the AP) are also the energy consumer and are carrying out a project at your own site, you must still assign the rights to create VEECs to yourself. Therefore, even in this case a VEEC Assignment Form for Project-Based Activities must still be filled out by the energy consumer, which in this case is you (the AP). You must provide both the declaration for the upgrade manager representing the AP and the declaration for the authorised signatory representing the energy consumer.

You may customise the coversheet for your own VEEC assignment form to incorporate additional explanatory text, company logos and other features. When applying for accreditation, you will need to provide a copy of your proposed form for our review as part of your accreditation application process. No other changes to the form will be allowed.

You must give a copy of the form to consumers at the time of signing. Additionally, you must ensure that all personal information collected in this form is held in accordance with the Information Privacy Principles (IPPs) under the Privacy and Data Protection Act 2014 (Vic). Details of how to comply can be found at www.privacy.vic.gov.au.

5.10. Supply impact report to the commission

This section explains how to prepare and submit an application for project impact report approval. Further details of impact report requirements are found in Sections 5.10.1 and 5.10.2. The application must be submitted using your VEU account at www.veu-registry.vic.gov.au.

After the project has been implemented (i.e. project works are complete and first brought back into service), and savings have been determined, an impact report can be lodged with the commission. The impact report must be submitted to us using the Impact Report Approval Form.

The primary document required for this application is the **Impact Report Approval Form**.

This document is available at www.esc.vic.gov.au/benchmark-rating.

In order to submit an impact report application, your project must have received approval in principle, such that both your scoping plan application and project plan application have been approved by the commission.

The impact report quantifies and reports the difference in energy use between the baseline period and the reporting period. The impact report must include:

- baseline rating report
- reporting rating report
- all other supporting evidence as stated in Benchmark Rating Method Compliance Requirements, available at www.esc.vic.gov.au/benchmark-rating.

Begin by completing the Impact Report Approval Form. You must provide an answer to all applicable questions. The approval form prompts for the attachment of several documents. A full description of each required evidence document type can be found in Benchmark Rating Method Compliance Requirements.

You are only able to create VEECs once an impact report has been approved. If you have submitted an application for impact report approval, you are unable to submit an additional application for impact report approval until the commission has approved your existing application, and you have created VEECs corresponding to that report. Please refer to Section 5.10.1 for further details on the timing of impact report submission.

The impact report's content is described in Regulation 11 of the PBA Regulations and also the benchmark rating specifications issued under Regulation 18 of the PBA Regulations.

5.10.1. How often an application for impact report approval is required

VEECs can be claimed annually based on the difference between the most recent reporting period and the baseline period. To obtain the maximum number of available VEECs for a project, APs must lodge impact reports each year, for up to a maximum of eight years. For clarity, an impact report is required for each year of the project, even where negative savings have occurred (i.e. more energy was used than that used in the baseline year), noting that you can choose to end a project before the eight year maximum whereupon no further impact reports can be submitted.

5.10.2. Project impact report – detailed requirements

The following sections will explain the requirements of each section of the impact report approval form.

Applicant details

This section simply asks to confirm the details of the AP, and the project's name, address and contact details.

Project details

This section asks several high level questions about the outcomes of the project. You are asked to confirm that no changes have been made to the project and its team without submitting an application for variation (refer to Section 6.2 for details on project variations).

If the project involved a lighting upgrade, you are asked to confirm that the lighting products used are listed on the Register of Products (found at www.veu-registry.vic.gov.au/register-products) and that all old lighting equipment was properly decommissioned. Evidence of this must be provided. Please refer to Benchmark Rating Method Compliance Requirements for further details of these requirements.

You must also confirm which energy sources were affected by the project and that the reduction in greenhouse gas emissions was completed in accordance with the requirements of the PBA Regulations. Where the project included a reduction in service levels to correct over-servicing, a full justification must be included in this section. Please refer to Benchmark Rating Method Compliance Requirements for further details of these requirements. Finally, this section also asks for the total cost of the project.

Project completion

This section asks for key project dates and evidence of project completion, which occurs on the **activity end date**. The definition of activity end date depends on whether the project was completed in a single stage or multiple stages. For a single stage project, where all project works are completed in a single activity, the project works are considered complete when all changes have been completed, including commissioning, and the changes are brought into service. The date, and optionally the time, at which this occurs is referred to as the activity end date. In the PBA Regulations, this is referred to as the implementation start time.

For a project that is completed in multiple stages, but brought back into service between each stage, the activity end date occurs on the date when the first stage is completed and brought back into service. This starts the clock for the total project life, which is up to a maximum of eight years. This maximum of eight years does not reset each time a stage is completed. You will be asked to submit evidence for the completion of the initial stage, and each subsequent stage that has been completed for the project to date.

You will be asked to confirm the baseline period start and end dates (refer to Section 4.4.1 for more detail about the baseline period), as well as the start and end dates of the project works.

Project impact report

This section of the form prompts for the attachment of key documents including rating reports for the baseline and reporting periods, reverse calculator, rating data summary, hospital rating spreadsheet or any other documents required which include details of information used to determine the benchmark ratings for the site. This section also asks for details of the abatement achieved due to the project. The calculation must include details of counted savings, negative savings and unaccounted energy. All of these requirements must be provided as described in Section 4 of this document.

Where the VEEC calculation includes unaccounted energy, you may need to provide evidence of metering arrangements, metering data and any exclusions from the measurement period between the baseline and reporting periods. If the building has undergone a planning approval which requires a minimum rating to be achieved, this must also be reported in this section of the form. Please refer to Section 4 of this document and Benchmark Rating Method Compliance Requirements for further details of these requirements, available at www.esc.vic.gov.au/benchmark-rating.

Benchmark process accredited assessor

Each benchmark rating must be provided by an accredited assessor for the nominated benchmark process. The accredited assessor is required to provide a rating using the rules of the nominated benchmark administrator, and this rating must be objective and must not be biased by any conflict of interest, either real or perceived.

A **Conflict of Interest Declaration** is required for each benchmark rating report. This document is available at www.esc.vic.gov.au/benchmark-rating. If the accredited assessor who completed the baseline rating report is different to the one who has provided the reporting period report, then two conflict of interest declarations must be provided. A further form must be provided each subsequent year of the project.

For clarity, the accredited assessor can be an employee of the AP or the site owner, however they must adhere by all of the rules of the benchmark administrator, including conflict of interest requirements. In addition, they are required to declare to the commission any conflict of interest, either perceived or real, on the Conflict of Interest Declaration. If the accredited assessor has another involvement in the project, they must demonstrate that any conflicts are appropriately managed. This situation may result in a greater risk rating being applied to the project. If a benchmark rating is found to have been manipulated in favour of VEEC creation, this may result in penalties being applied under the VEET Act.

Evidence of assignment of VEEC creation rights

The first time an impact report is submitted it must be accompanied by a VEEC Assignment Form for Project-Based Activities. This process only occurs once. After the first impact report has been

approved, an assignment form is **not** required for each subsequent year's submissions. Section 5.9 explains the concept of assigning rights to create VEECs.

5.11. VEEC creation and registration

5.11.1. How to create VEECs

For PBA, VEECs can only be created with respect to an approved impact report. For details on how to apply for impact report approval, please refer to Section 5.10.

To create VEECs, an AP must submit certain information to the commission through the VEU Registry. The AP must be approved to undertake benchmark rating projects.

5.11.2. The commission validates VEECs

To successfully create VEECs, the data uploaded for a particular activity must pass the website's validation and address verification checks. After you press the 'Save' button for validated activities, the VEECs associated with that activity are created and assigned a unique ID number. The commission then assesses those certificates and will decide whether to register them or not.

5.11.3. The commission registers VEECs

The commission has powers to decide whether it registers or does not register VEECs based on the results of the validation of the impact report and any audit undertaken. You should initially expect every project to be audited before VEECs are registered. Audit frequency and timing may change as you participate in PBA, decreasing with low risk rating or increasing with high risk rating. The audit and risk assessment parts of the validation process are described in Section 6.1.

Once validated, the commission will raise and forward an invoice in due course for the accepted number of VEECs in order to complete the registration process. Once payment is received, the commission registers the certificates and notifies you, the AP that the certificates are now valid and therefore available to be traded and/or surrendered to the commission.

6. Other important points to consider

6.1. Your project may be subject to an audit

6.1.1. Auditing of projects

The commission is responsible for monitoring compliance with the VEET Act, the principal VEET Regulations and PBA Regulations (the regulations made under the VEET Act), the VEET guidelines, and the benchmark rating specifications. This includes undertaking periodic audits of the VEU-related operations of program participants.

Under Section 7(2)(d) of the VEET Act, the commission may audit the creation of certificates by APs. The commission may appoint one or more members of staff of the commission or another appropriately qualified or experienced person or firm to investigate compliance with the VEET Act, the regulations made under the VEET Act, and the VEET guidelines. Please refer to Section 15 of the VEET guidelines for further information on audits undertaken by the commission.

If required, the commission must issue an audit report under ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Information which provides for reasonable assurance. The report requirements are described in Section 15.2 of the VEET Guidelines.

We have developed a number of guides to help you understand and fulfil your audit and compliance obligations. These guides can be accessed at www.esc.vic.gov.au/benchmark-rating.

For PBA benchmark rating, the commission may elect to audit a project between the VEEC creation stage and the registration stage. The commission will determine a risk rating for each project. The likelihood, scope and timing of an audit may depend on that risk rating.

6.1.2. Enforcement

Where investigation has shown unintentional non-compliance with the VEET Act, regulations made under the VEET Act, the VEET Guidelines and other commission documents and requirements, the commission may:

- warn the AP
- reprimand the AP and/or
- impose a condition or restriction on the accreditation of the AP.

Where an AP without reasonable excuse does not comply with a direction to produce documents, or provides false or misleading information, the penalty is 60 penalty units for an individual, and 240 penalty units for a body corporate. The value of a penalty unit is set annually by the Department of Treasury and Finance, and is updated on 1 July each year.

If the commission considers that an AP has breached undertakings given under the VEU program or improperly created VEECs, the commission may suspend or revoke their accreditation and issue a certificate surrender notice to that person.

The penalty for failing to comply is 600 penalty units and an additional penalty unit for each certificate that the person fails to surrender in accordance with the order.

6.2. Submit a variation if something changes

A variation is any change to an approved or conditionally approved benchmark rating project and/or the project team running it. Changes can be expected in any large project, especially in the early stages. Some variations, such as the forward creation of more VEECs based on improved measurements, can be proposed right up until final VEEC creation.

Once a scoping or project plan has been submitted, we must approve any proposed change(s). An application for variation, for which the relevant change has already been made in practice, may not be approved, depending on the nature of the variation. We therefore strongly encourage applicants to await our decision before making any changes.

Please note – it is not a requirement that you seek a variation before making a change, however the commission **strongly** advises seeking approval first. It is in your interest to inform us of any changes as early as possible, to confirm that the variation will be eligible before proceeding. This may also result in faster processing times.

Unapproved changes (especially from the project plan) that affect the result of impact reports could result in VEECs not being created for the project. In addition, a project cannot create VEECs while a variation request is being processed.

Some project details can be changed readily after approval. These include changes to site ownership, project scope and timing, project boundaries and most key project roles. Other conditions cannot be changed readily, and may warrant a new project application. These include a change of AP, a change of location or change of purpose. Table 2 lists the types of variations that can and cannot be made.

Table 2: Acceptable and unacceptable variations for benchmark rating projects

The commission will consider variations for	The commission will not consider variations for
Site ownership	Requests not made on the standard Variation Approval Form
Project timing	The AP, except in exceptional circumstances
Project measurement boundaries	Changes to the project's physical location
Scope of the project, if purpose has not changed	Additions to the nominated services being upgraded – for example, adding lighting to the list of services being upgraded which was not included in the scope when the scoping plan was approved
Reduction in the scope of the project (e.g. removing a service from the list of nominated affected services)	Changes to the project's purpose
Changes to key roles responsible for the delivery of the project	Any addition of activities outside of the site boundary
Impact reports that significantly over-create VEECs	Any change that makes genuine abatement unlikely
Changes to the benchmark rating process being used to calculate the abatement ⁵	Any change that introduces unacceptable risk to the project
Other factors, if compelling reasons exist	Any change that removes additionality
	Projects that are still processing another variation, i.e. one variation is allowed at a time
	Unreasonably frequent changes
	Multiple revisions of previously made changes
	Any change that fails requirements set out in the VEET Act, Regulations made under the VEET Act, the VEET guidelines and guides published on the commission website
	Changing the method used to calculate abatement – for example, changing from benchmark rating to M&V

A simple process has been put in place to enable variation applications. A Variation Approval Form (available at www.esc.vic.gov.au/benchmark-rating) should be submitted using your VEU Registry account along with any updated scoping or project plan applications (and any other relevant documents). The variation is submitted by creating a new 'New Variation' on the 'Variations' tab

⁵ Depending on the nominated benchmark rating process. Some changes cannot be accepted – please discuss any potential changes with the commission for further guidance.

under the relevant project listing. The variation approval form is a relatively short form which allows you to communicate the proposed variation quickly. It enables us to quickly assess if we will consider the variation. Larger variations are likely to be bespoke, and in such cases we will issue a request for further information following receipt of the short variation application. Table 3 outlines what changes require you to submit a variation application for approval.

Table 3: What changes require an application for variation – benchmark rating projects

Matters that require a variation	Matters that do not require a variation
Changes to the baseline or activity start/end dates as stated in the application for project plan approval	Changes to the activity start and end dates indicated in the application for scoping plan approval
Lighting products to be used, where this was indicated in the application for project plan approval	Lighting products to be used, where this was indicated in the application for scoping plan approval
Reducing the scope of the project, if purpose has not changed	Changes in project cost
Increasing the scope of the project, so long as this does not include any additional services not already included at the scoping plan stage	Changes to the implementation model
Changes to key roles responsible for the delivery of the project, including the use of agents and expert advisors	
Changes to fuel sources, if applicable	
Changes to the project’s participation in other prescribed greenhouse gas schemes	

Should you wish to vary your project, you should discuss it with us as soon as possible. If the variation will be considered, you can lodge more details and seek approval.

A variation must be submitted before the next stage of the process can be approved. For example, if you are applying for a variation to the project plan after the works are completed, the commission will need to approve this variation before the impact report can be approved.

If the variation will not be considered, you can either proceed with the original plan, or lodge a new project.

For clarity, a decision to not consider a variation is a rejection of the variation. Note also that a decision to consider a variation is not an approval; any approval requires a full assessment of a larger application. We can approve small variations on the basis of the initial brief application if warranted.

6.3. How to use products under PBA benchmark rating

To use products in an M&V project, you must ensure the following criteria are met:

- any lighting product(s) installed are listed on the Register of Products (found at www.veu-registry.vic.gov.au/register-products) prior to submitting the first impact report for the project
- any lighting product(s) removed as part of the project must be decommissioned in accordance with the VEET Act, Regulations made under the VEET Act, and the VEET guidelines
- any mercury containing lighting product(s) replaced as part of the installation has been disposed of in a class of waste disposal facility as determined by the commission
- any lighting product(s) replaced as part of the installation were not installed for the purposes of being decommissioned as part of the project (i.e. the baseline environment is not altered prior to the installation).

Lighting products that can be used in benchmark rating projects are those listed in the Register of Products for Activities 21, 27, 34 and 35. Alternatively, they may be another type of lighting product which would not ordinarily be listed under either of these activities. APs and VEU Registry account holders (including manufacturers) seeking to add a new lighting product to the Register of Products for use in a benchmark rating project must submit an application under the appropriate activity to the commission using the online product application tool via your VEU Registry account. For example, Activity 34 is likely to be the most appropriate register if you wish to use a highbay lamp in a benchmark rating project. The commission can then verify that the product is capable of meeting the minimum criteria required by the principal VEET Regulations for that activity.

For more information about the product application and assessment process, please refer to the Lighting Product Application Guide, which contains a detailed step-by-step guide to getting a product listed for each prescribed activity category on the Register of Products. If the installation environment is unusual and the lighting product may therefore not normally fit under Activity 21, 27, 34 or 35, or if you are unsure how to proceed, please contact the VEU support team for further information on how to apply for the product to be listed on the register. It is recommended that this is done as early as possible (prior to submission of your scoping plan).

6.4. How and why the commission may cancel a project

We, the commission, may move to cancel projects for which project plan approval has been awarded if we are satisfied that there has been an unreasonable delay in the work commencing to undertake the activities specified in the application for project plan approval.

Should we have grounds to believe that such a delay has occurred, it will investigate the project. If the investigation results in us deciding to cancel the project, a cancellation report will be compiled and you will receive a notice of intent to cancel. This notice will ask you to provide reasons why they believe the project should not be cancelled. You then have 28 days to respond. If an adequate

response is not received, we will send a notice of cancellation, and remove the project from the Register of Approved Project Plans so that VEECs cannot be created for that project.

6.5. How and why an AP may relinquish a project

Relinquishment is a means by which to end a project early. This is an option if circumstances change and it is clear that the project will not succeed as planned. As the AP, you have the option to request relinquishment of a project at any stage by applying to the commission in writing, and receiving confirmation from the commission. You may request for your projects to be relinquished by selecting the appropriate option on the specific project page within the VEU Registry. If you are considering relinquishing a project, you should discuss it with us as soon as possible

6.6. Time limits for creating certificates

Section 17(2) of the VEET Act states that a certificate must be created not later than six months after the end of the year in which the reduction in greenhouse gas emissions that results from the prescribed activity occurs. Refer to Table 4 below for further clarity on the timing of certificate creation.

Table 4: Timing of greenhouse gas reduction and certificate creation

Operating or reporting period ends on	Certificates must be created by	Total time allowance (to the nearest month)
1 January 2019	30 June 2020	18 months
30 June 2019	30 June 2020	12 months
1 July 2019	30 June 2021	24 months
31 December 2019	30 June 2021	18 months
1 January 2020	30 June 2021	18 months
30 June 2020	30 June 2021	12 months
1 July 2020	30 June 2022	24 months
31 December 2020	30 June 2022	18 months

6.7. Record keeping requirements

In addition to the requirements set out in Section 72 of the VEET Act, you must keep records and documents which provide evidence of the following, to the extent applicable:

- the records referred to in Section 5.9 of this activity guide in relation to assignments of rights to create certificates
- sales, purchase and/or service records of each product or service which constitutes a prescribed activity for which certificates have been created, including make and model number,

- if applicable the street address and postcode of the consumer (if in a residential premises) or the ABN, business name, address and postcode (if in a business or non-residential premises)
- all raw baseline data, baseline model and other supporting information, raw operating data, operating model and all supporting information, metering accuracy and calibration information and equipment specifications
 - any additional record keeping requirement set out by the commission, including decommissioning requirements described in Section 6.3.

Records should be kept in case of audit by the commission, for a period of six years from the date on which the final certificate for the project has been registered.

7. Roles and responsibilities

7.1. Commission powers

The PBA Regulations give the commission powers to administer PBA that APs should be aware of. They include:

- The commission may grant or refuse a scoping approval.
- The commission may grant or refuse a project plan approval.
- The commission may publish approved project plans on a public register, naming the project, the AP, the project's location, the method intended to calculate energy savings and any other non-commercially-sensitive information as the commission requires.
- The commission must not approve a project plan if the commission is not satisfied that the project is likely to reduce greenhouse gas emissions.
- The commission may cancel a project plan approval after 28 days written notice if the commission is satisfied that the project is unreasonably delayed or unable to satisfy the requirements of the PBA Regulations.
- The commission may grant or refuse a variation to a scoping or project plan approval.
- The commission may grant or refuse an impact report approval.
- The commission may decide a VEEC is not eligible for registration, if the commission is not satisfied that the activity meets the requirements of the VEET Act and regulations.
- Role of the accredited person (AP).

7.2. Role of the accredited person (AP)

Each project must have a nominated project owner to be responsible for the project. This organisation or natural person is required to apply to us for accreditation as the AP. For clarity, the AP can be an organisation; it does not have to be a natural person.

The commission may approve an organisation or natural person as an AP once all requested information has been lodged and assessed, and all necessary fees have been paid within a specified time frame.

Where the AP is a natural person, it is not necessary for them to be directly employed by the project owner, but they must have the authority to sign on the project owner's behalf. Where the AP is an organisation, the roles of the AP on VEU program documentation must be completed by one natural person.

You as the AP must ensure that the VEECs created with respect to a project are compliant with the VEET Act, Regulations made under the VEET Act, and the VEET guidelines. If you feel unsure about the obligations and risks associated with being an AP, you should seek independent legal advice.

As the AP you are required to identify what the key roles in a project are, provide a suitable explanation of each of these roles, and record who is filling them.

You can use subcontractors to undertake project work on your behalf. However you remain responsible for ensuring the VEECs created comply with the VEET Act, Regulations made under the VEET Act, and the VEET guidelines. You may be required to provide information about the contractual arrangements for each contractor for each activity you undertake.

For an installation to be eligible under the VEU program, you, as the AP, must ensure you comply with all relevant laws and regulations, including those relating to occupational (OH&S) and product safety, among others. This applies to all installations – including where you subcontract the installation work to a third party.

The AP must also keep all records relevant to all project activities in the manner and for the period specified in the VEET Act. For clarity, this means for six years from the date on which the final certificate for the project has been registered.

7.3. Role of the upgrade manager

All projects must have, as a minimum, an upgrade manager for the purposes of assignment of rights to create VEECs. For smaller projects, this may be you (the AP) alone.

It is not necessary for the upgrade manager to be directly employed by the AP, but they must have the authority to sign on the AP's behalf. The roles of the upgrade manager on program documentation must also be completed by one person.

7.4. Role of the accredited assessor

For each project, you must obtain a rating report for the baseline period and any reporting period in respect of which an impact report is submitted. These rating reports must be completed by an accredited assessor for the approved benchmark process which has been nominated.

The accredited assessor may be employed by the AP or have some other connection to the site, however any conflicts of interest must be appropriately managed. Refer to Section 5.10.2 for further details on managing conflicts of interest.

7.5. Expert advisors

An expert advisor is a third party advisor engaged by you to assist in development of the project. The expert advisor is an individual with relevant expertise in the methodology or technology being used and generally will have industry experience and/or relevant tertiary qualifications.

Expert advisors are optional, but if they are also used as an accredited assessor for the project this must be declared as a conflict of interest, and the conflict managed. Refer to Section 5.10.2 for further details on managing conflicts of interest.

7.6. Using subcontractors and agents

As an AP, you can use subcontractors to undertake installations on your behalf. However, all responsibility for the compliance of the PBA project with the VEET Act, Regulations made under the VEET Act, and the VEET guidelines rests with you. Non-compliant projects will not be tolerated and may be subject to enforcement action. As the use of subcontractors is a compliance risk, you may be required to provide information about the contractual arrangements for each project you undertake.

APs and energy consumers may also nominate an agent or agents that will represent them for the purposes of aspects of the project. An agent is someone nominated by the AP to engage with the commission, on their behalf. An agent may be engaged to perform a variety of tasks, from administrative and program participation tasks, to operating elements of the project.

If you nominate an agent, the agent is not responsible for delivery of the project. As the AP you continue to be responsible for any action undertaken during participation in VEU.

The specific responsibility and function of the agent will govern what evidence needs to be provided to satisfy the commission that the agent can perform their function safely and effectively.

If you decide to use an agent, you need to provide the agent written authority to act on your behalf. You will also need to let us know if and when we can expect to deal with the agent on your behalf.

Where you have nominated an agent, you must indicate what that agent will be doing for the project, when we should contact the agent instead of you, and provide a summary of the agent's experience with similar types of projects.

You may also be acting solely as a certificate aggregator. As an aggregator you are responsible to ensure any certificate you create complies with the VEET Act, Regulations made under the VEET Act and VEET guidelines.

8. Risk management

8.1. Insurance

PBA projects will generally be larger scale, with higher costs and larger risks than other activities carried out under the VEU program. As the AP you are encouraged to seek guidance on the appropriate type and level of insurance for your project.

You are required to have public liability cover of at least \$5 million, product liability cover of at least \$5 million (where applicable) and professional indemnity cover of at least \$5 million (where applicable) to undertake PBA. Evidence of insurance cover is generally provided at the accreditation stage. This must include cover for rectification.

However, you can apply for a waiver of these requirements if you are undertaking projects on your own site. The Insurance Waiver Declaration form is available at www.esc.vic.gov.au/benchmark-rating. If you are undertaking projects on your own sites you are advised to seek guidance and apply your own judgement on the appropriate type and level of insurance for the project. For clarity, the commission is not mandating the level of insurance needed for APs running projects on their own sites; the commission expects these APs to determine their own insurance needs.

Other expert advisors to any project are also encouraged to have professional indemnity insurance, and you are encouraged to consider this when contracting expert advisors.

The commission encourages APs and experts to consider increasing the value of all types of insurance coverage in line with the value of the project, the risks involved and the consequences of any flow-on effects.

8.2. Product safety and occupational health and safety (OH&S)

It is a requirement that all product installers participating in the VEU program are fully licensed and have completed appropriate safety training.

Further, for an installation to be eligible under VEU, it must comply with all relevant laws and regulations, including those relating to OH&S and product safety. This applies to all project activities, including where you or the energy consumer subcontracts the installation (or modification) work to a third party. For APs who are solely undertaking certificate aggregation for the project, you will still need to satisfy yourselves that the energy consumer is capable of carrying out (or engaging someone to carry out) the project in a safe manner.

Under 10(c) of the principal VEET Regulations, VEECs cannot be created if the AP knew, or ought to have known, that the prescribed activity was not undertaken in accordance with the provisions of the Electricity Safety Act 1998, the Gas Safety Act 1997, the Occupational Health and Safety Act 2004, the Building Act 1993 or their respective regulations.

If the commission becomes aware that a PBA project does not meet these provisions, the commission may not register VEECs, and may refer the matter to the relevant regulator to investigate.

8.2.1. Installing or modifying equipment – important information

If you are planning on installing new equipment or modifying/adjusting existing ones as part of a project, you should ensure that you thoroughly understand the OH&S, compliance and warranty implications. You should also satisfy yourself that the equipment you plan to install or modify do not pose any unreasonable risks to your staff, sub-contractors or to your client and the public, either during the activities or after them.

Importantly, you should understand that ‘modifying’ existing equipment may effectively create a ‘new’ product from a legal viewpoint. This means that you could become responsible for that equipment’s compliance with relevant safety and compatibility laws and standards. Further, the modification may void the warranty provided by the original manufacturer, meaning you may be considered liable should the equipment malfunction after the activity date.

The Electricity Safety Act 1998 and Electricity Safety (Installations) Regulations 2009 requires a Certificate of Electrical Safety (or an agreed exemption) for all electrical installation work. In Victoria, this is overseen by Energy Safe Victoria (ESV). This document, where required, must be retained on file by the AP should the commission require an audit. This document must detail the modification work performed on each equipment type modified. ESV also oversees gas installation regulations, while plumbing standards are overseen by the Victorian Building Authority (VBA).

If you feel unsure about the obligations and risks associated with your planned activities, you should seek independent legal and/or other expert advice.

8.3. Approvals and permits

You should ensure that you clearly understand the approvals and permits required for any project activity you engage in. Failure to apply for and comply with all relevant approvals and permits may lead to enforcement action being taken against you by the relevant body.

If you feel unsure about the approvals and permits required for an upgrade project, you should seek independent legal and expert advice.

9. Where to get help

If you encounter difficulties when participating in this activity, you should in the first instance consult the guidance material listed in Section 2 of this document.

If you are unable to resolve your issue using the publicly available material, please contact the VEU support team on (03) 9032 1310 or veu@esc.vic.gov.au.

Glossary

The following abbreviations and terms are used throughout this activity guide.

Term or abbreviation	
ABN	Australian Business Number
AIP	Approval in principle
AP	Accredited person
benchmark rating specifications	Benchmark Rating in Victorian Energy Upgrades – Specifications
ESC	Essential Services Commission
ESV	Energy Safe Victoria
HVAC	Heating, ventilation and air conditioning
IPPs	Information privacy principles
OH&S	Occupational health and safety
NABERS	National Australian Built Environment Rating System
PBA	Project-based activities
PBA Regulations	Victorian Energy Efficiency Target (Project-Based Activities) Regulations 2017
principal VEET Regulations	Victorian Energy Efficiency Target Regulations 2018
RECs	Renewable energy certificates
RET	Commonwealth Renewable Energy Target
Activity 34	VEU program building based lighting upgrade
STCs	Small-scale technology certificates
The VEET Act	Victorian Energy Efficiency Target Act 2007
The VEET Guidelines	Victorian Energy Efficiency Target Guidelines
VBA	Victorian Building Authority
VEECs	Victorian energy efficiency certificates
VEET	Victorian Energy Efficiency Target

Key Terms

The following key terms are used throughout this activity guide.

Key term	Definition	Refer to
Activity start date	In relation to a project, the date, and optionally the time, at which physical works commence. This does not include any activities described in PBA Regulation 6(6)	
Activity end date	Takes the same meaning as implementation start time in the PBA Regulations. If the project uses annual creation and was completed in multiple stages, this is the date, and optionally the time, at which the first stage of project works was completed and brought back into service	
Scoping plan	Provides information to the commission about the intended project, without needing to provide details that may not be available at the early stage of project development.	
Project plan	Provides specific details to the commission about the project.	
Project impact report	Submitted to the commission after a project has been implemented and the savings have been determined. Must be approved before VEECs can be created.	
Variation	Required when certain details of the project change, after the scoping and/or project plans have been approved. Some changes are unacceptable and may require a new project application.	
Baseline period	A 12-month period ending no more than 18 months before works commence.	
Reporting period	A 12-month period that commences immediately after the implementation start time for the project or immediately after another reporting period, but not later than seven years after the implementation start time.	
Baseline rating report	A document issued by an approved benchmark administrator nominated at scoping approval which states the rating for a premises for the baseline period, the variables used to calculate that rating and any other requirements stated in 11A(3) and 11A(4) of the PBA Regulations.	
Baseline period start date	The date the 12-month period for determining a baseline period commences.	
Baseline period end date	The date the 12-month period for determining a baseline period finishes.	
Reporting period start date	The date the 12-month period for determining a reporting period commences.	
Reporting period end date	The date the 12-month period for determining a reporting period finishes.	

Reporting rating report	A document issued by an approved benchmark administrator nominated at scoping approval which states the rating for a premises for the reporting period, the variables used to calculate that rating and any other requirements stated in 11A(3) and 11A(4) of the PBA Regulations.
Benchmark rating certificate	The certificate issued by the accredited assessor for the approved benchmark administrator who has performed the benchmark rating assessment used for the PBA benchmark rating project.

Document version control

Version	Amendments made	Date published
V1.0	Creation of new Benchmark Rating Method Activity Guide	11 December 2018