

Victorian Energy Upgrades Forum

Jeff Cefai, Director
Essential Services Commission

25 June 2020



Victorian Energy Upgrades Forum – 25 June 2020

Victorian Energy Upgrades forum agenda

Plenary session (10:00 – 11:00am)

- | | |
|-------|--|
| 10:00 | Introduction (Jeff Cefai, VEU Director) (5 mins) |
| 10:05 | VEU program update (Jeff Cefai, VEU Director) (20 mins) |
| 10:20 | Policy update from the Department of Environment, Land, Water and Planning (10 mins) |
| 10:30 | Sustainability Victoria Energy Upgrade Tool (10 mins) |
| 10:40 | Q&A session (15 mins) |

Workshop A – Accredited persons (1:00 – 2:00pm)

Workshop B – Relevant entities (energy retailers) (2:30 – 3:30pm)

Sli.do

How to:

1. Either open the web browser and go to www.sli.do or download the sli.do app.
2. Enter the event code **#VEU2020** to join the event '**Victorian Energy Upgrades forum 2020**'.
3. You will now be able to type in and submit your questions. To prioritise your own or other people's questions, click the 'like' button that appears next to each question. Questions are sorted by their popularity, so the most popular ones appear on top.

2020 Program Update

1. January to June 2020

- Certificate validations and registrations
- Project-based activities and products
- Compliance matters
- Program updates

2. What's in store for the next six to 12 months

- Administer the program in a coronavirus world
- Continue to adapt and strengthen our risk-based, compliance-focused operational framework

3. Program Performance



January to June 2020 – Registry



Focus on quicker certificate validations



New process to streamline assessment – more staff allocated



Different approach to escalations



Creations have been averaging 105,000 per week since 1 April – higher than we expected



30 June approaching and 2019 activities need to be created

January to June 2020 – Compliance



We have increased our compliance focus on pending claims and increased desk top reviews and phone audits



No field audits in April, May or June. To recommence shortly



Audits still identifying instances on enhanced baseline and other breaches



Investigations leading enforcement action



Increased overall ESC focus on enforcement



Relevant entity matters – 2019 obligatory surrenders

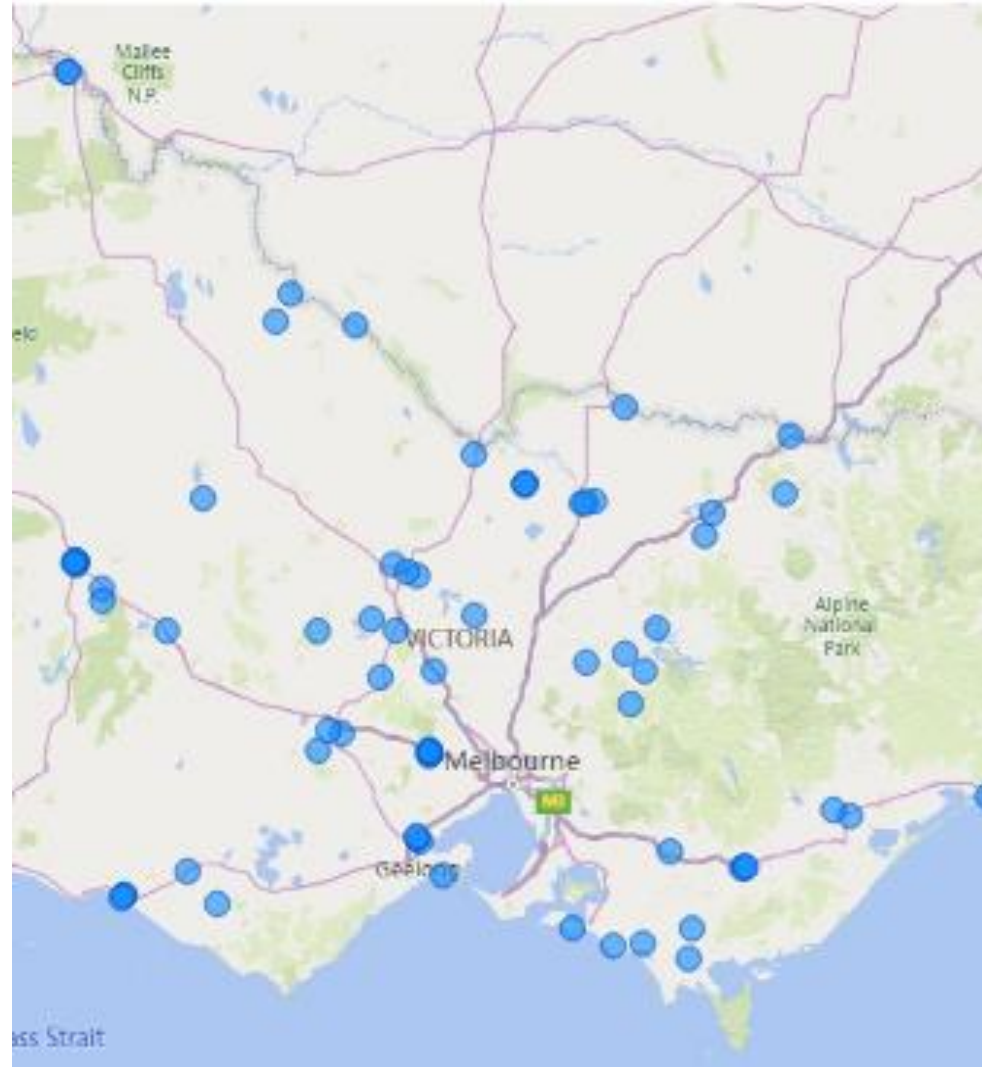


Discussions with CAV – ACL obligations

January to June 2020 – Compliance (Regional Audits)

A&C has audited 74 regional sites over the past 6 months.

- Enhanced and ineligible baseline continues to be a major source of non-compliance as communicated at the prior forum.
- Multiple APs and sub-contractors were investigated in 2020 resulting in substantial VEEC surrender.
- Our compliance team will continue to conduct site inspections in both metropolitan and regional areas once restrictions are lifted.



January to June 2020 – Compliance



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Discussions with CAV – ACL obligations

January to June 2020 – PBA

265 project submissions since start of PBA (June 2017)

Project numbers continue to increase year on year

16 APs approved for PBA

20 multisite projects since being introduced (September 2019)

Current active projects

Project status	No. projects ▼
Conditionally Approved-In-Principle	164
Approved-In-Principle	81
Incomplete	8
Total	253

Scoping plans

Year ▲	Submitted	Approved
2017	3	2
2018	49	48
2019	175	166
2020	38	36
Total	265	252

Product Application Volumes



In recent months we have experienced a significant increase in the submission of lighting product applications resulting in a rise in processing times for everyone.



Product installation data confirms that the majority of lighting products approved by us in the past twelve months were never installed under the program.



As a result, we are assessing the introduction of a new product application prioritisation system for all lighting categories.



The intention of this is to prioritise products that are intended for use under the VEU program.

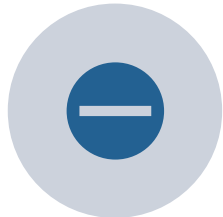
Prioritisation of Product Application Assessments



This system will be risk-based, dependent on the history of product applications versus actual installations



The number of times products have been applied for, nominated and then never installed under the program will affect risk ratings



We will risk rate both the product applicant as well as the nominating AP



We will prioritise low risk product applicants



We will limit high risk APs ability to nominate products



This will result in faster processing times for products genuinely intended for use in the VEU program

Proposed Product Application Risk Rating System

Percentage of lighting products installed	Priority	Target timeframe
60% - 100%	1	X + 0 days
30% - 59%	2	X + 7 days
1% - 29%	3	X + 21 days
0%	4	X + 40 days

Where X = typical assessment timeframes

- **Product applications that are higher risk will take longer to process**

Proposed Risk Rating for APs Nominating Products

Nominating AP	% of products installed	Priority	Limit of nominations
AP a	60% - 100%	1	No limit
AP b	30% - 59%	2	10/month
AP c	1% - 29%	3	5/month
AP d	0%	4	0 for next month

Note:

- Most APs use a high percentage of the products they nominate
- So the vast majority of APs will have no limits on their nominations
- Only where products are persistently nominated and never installed, will there be restrictions placed on an APs ability to nominate

January to June 2020 – Projects



Program updates released

- Update to requirements for lighting activities and in-home display activities
- Updates to requirements for water heating and space heating/cooling product applications
- Update on recycling invoice requirements/J6 upgrade requirements
- Guidance on selecting asset lifetime references correctly for activity 34



Reaccreditation of Course in Retrofitting for Energy and Water Efficiency.



Release of first VEU newsletter in January 2020



Release of decision-making framework and decision register

What's in store for the next six to 12 month

Administer
the
program in
a
coronavirus
world

Continual review of coronavirus situation based on government advice – Safe plans

APs and lead generators interact with consumers in a safe manner – do you need to doorknock

Constant communications with stakeholders

Commission – limited site inspections to recommence

Implementation of any new regulations – in response to coronavirus pandemic

What's in store for the next six to 12 month

Continue to adapt and strengthen our risk-based, compliance focussed operational framework

The program in 2021 appears that it maybe the same as it is now

Encourage review of processes and guidance

Continue to work with businesses to improve our administration

Prepare for the transition to the new program targets, activities, new IT system

Increasing use of data analytics to refine our risk-based validation/audit process

Program Performance Since 2009



Total activities: 4,777,228



Residential: 4,603,801



Non-residential: 173,427



Total certificates created: 66,001,204



Total certificates registered: 60,558,474

Program Performance – Current at June 2020



2020 Target: 6,500,000 certificates



Available certificates created at 15 June 2020: 7,400,000



Available certificates registered at 15 June 2020: 6,600,000



Products approved in 2020: 571 (Total program: 16,605)

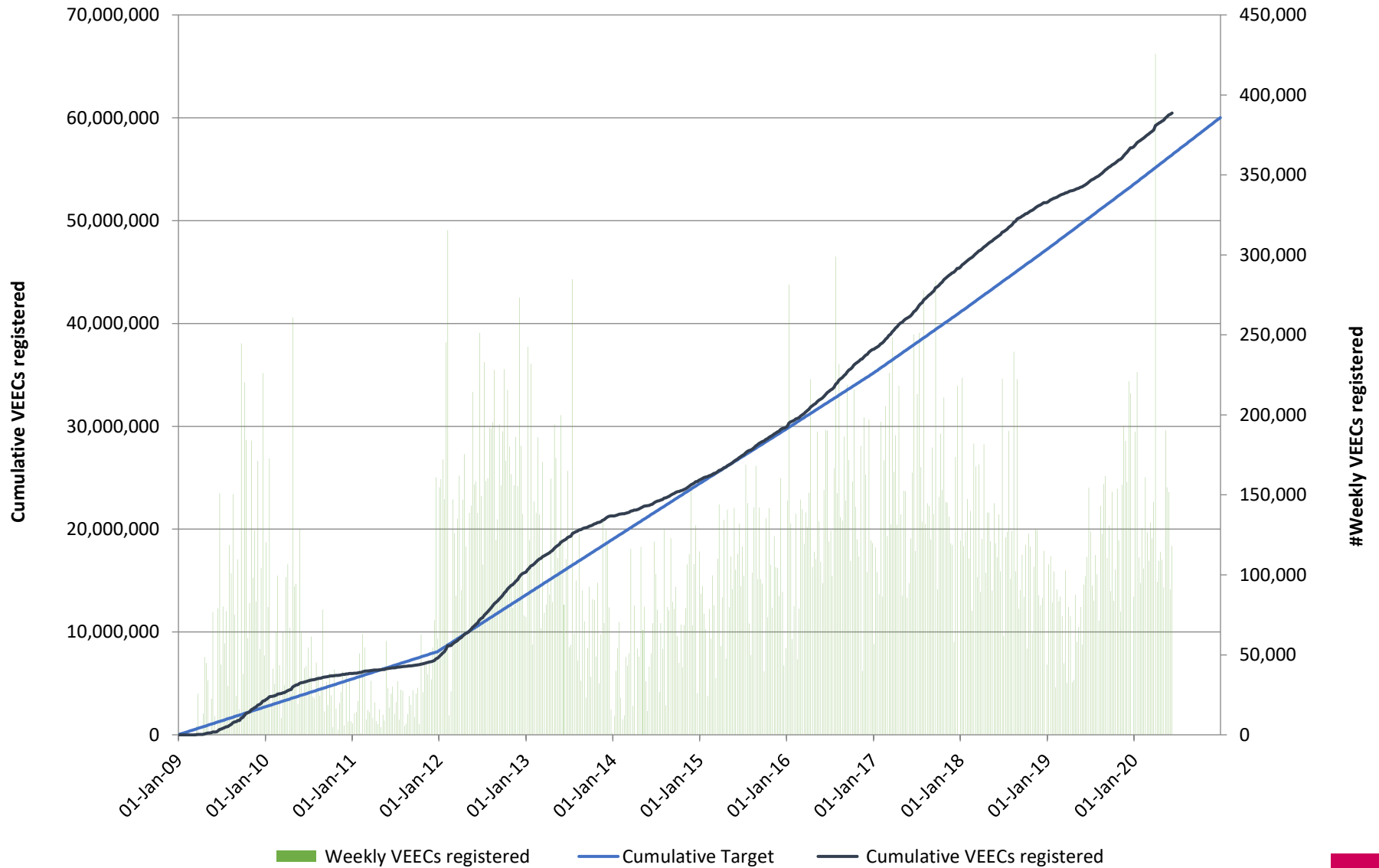


Approved installers: 5,072

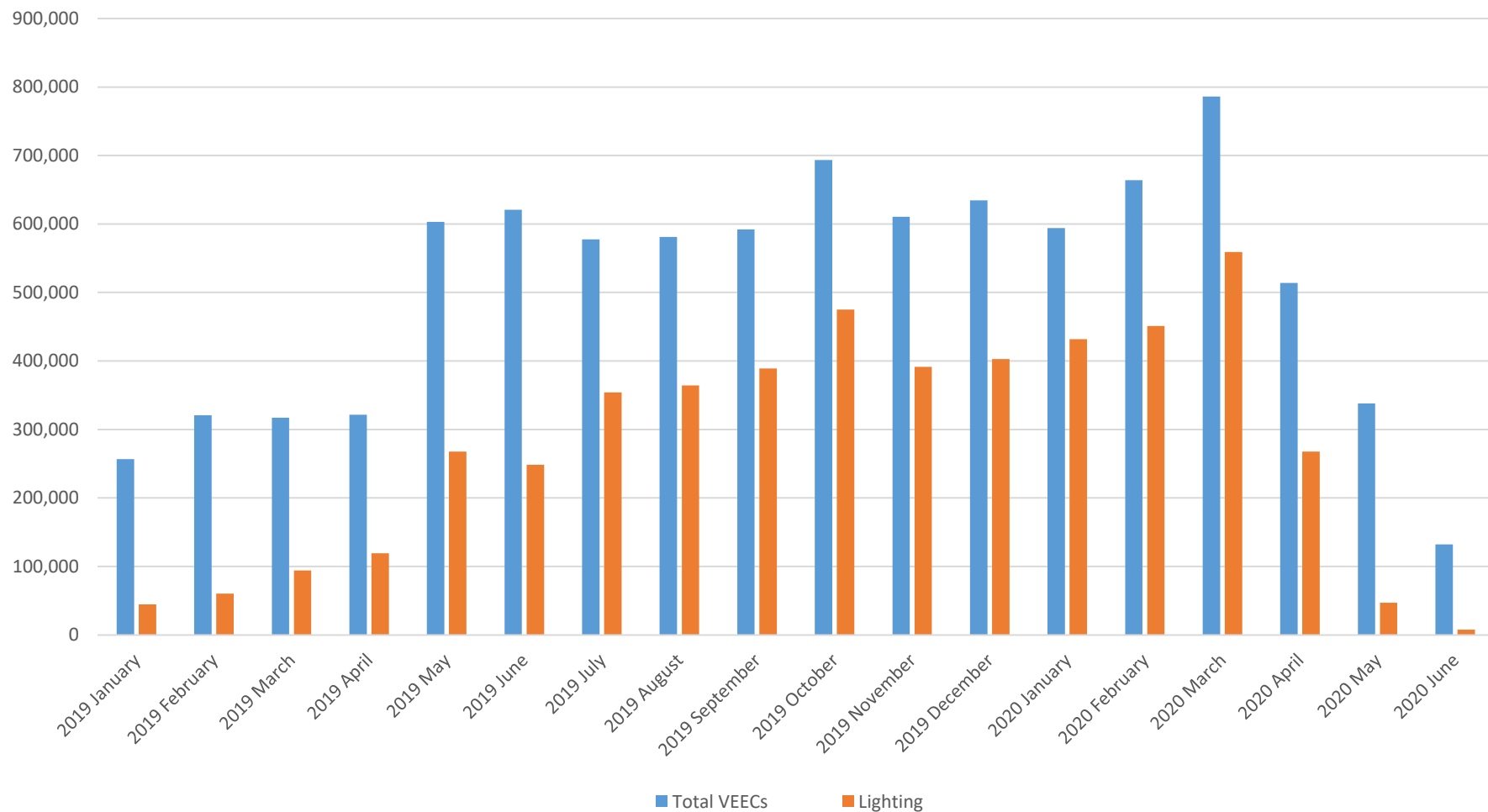
Program Performance

Activity categories	Jan – Dec 2019		Jan – Jun 2020	
	No of installations	VEECs created	No of installations	VEECs created
Lighting upgrade	406,339	3,210,176	223,698	1,756,110
BB lighting upgrade	9,793	2,510,183	4,322	979,651
Refrigerator destruction	9,397	51,009	4,041	21,909
Water heating	5,034	206,223	2,526	82,823
Shower rose	3,020	8,273	5,492	16,891
In-home display unit	1,442	3,342	3,509	7,422
Space heating	526	16,341	302	7,194
Weather sealing	198	752	332	1,430
HE refrigerated display cabinet	163	79,384	27	13,891
NBB lighting upgrade	7	5,778	3	684
Public lighting upgrade	3	5,525	4	18,077

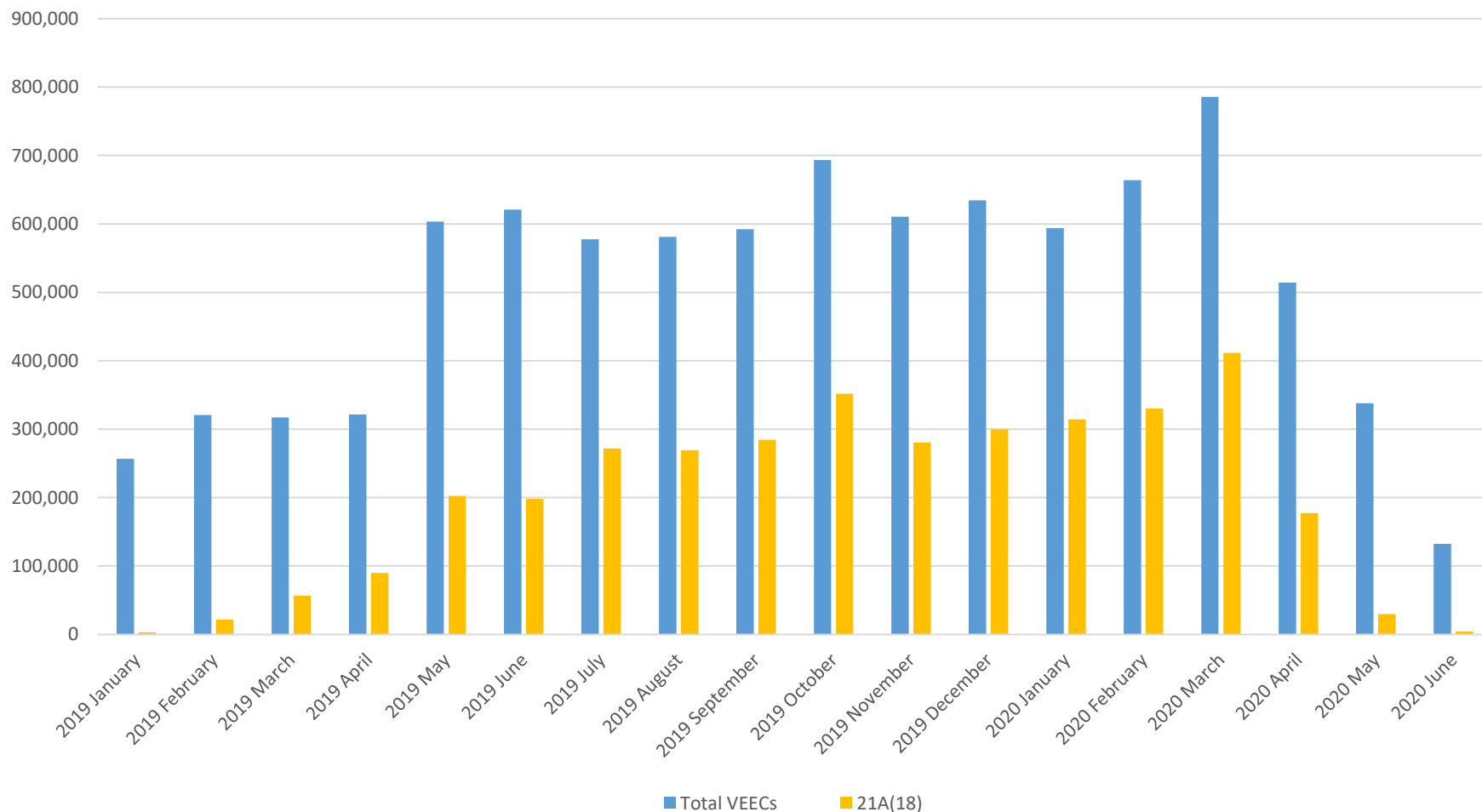
Registered VEECs



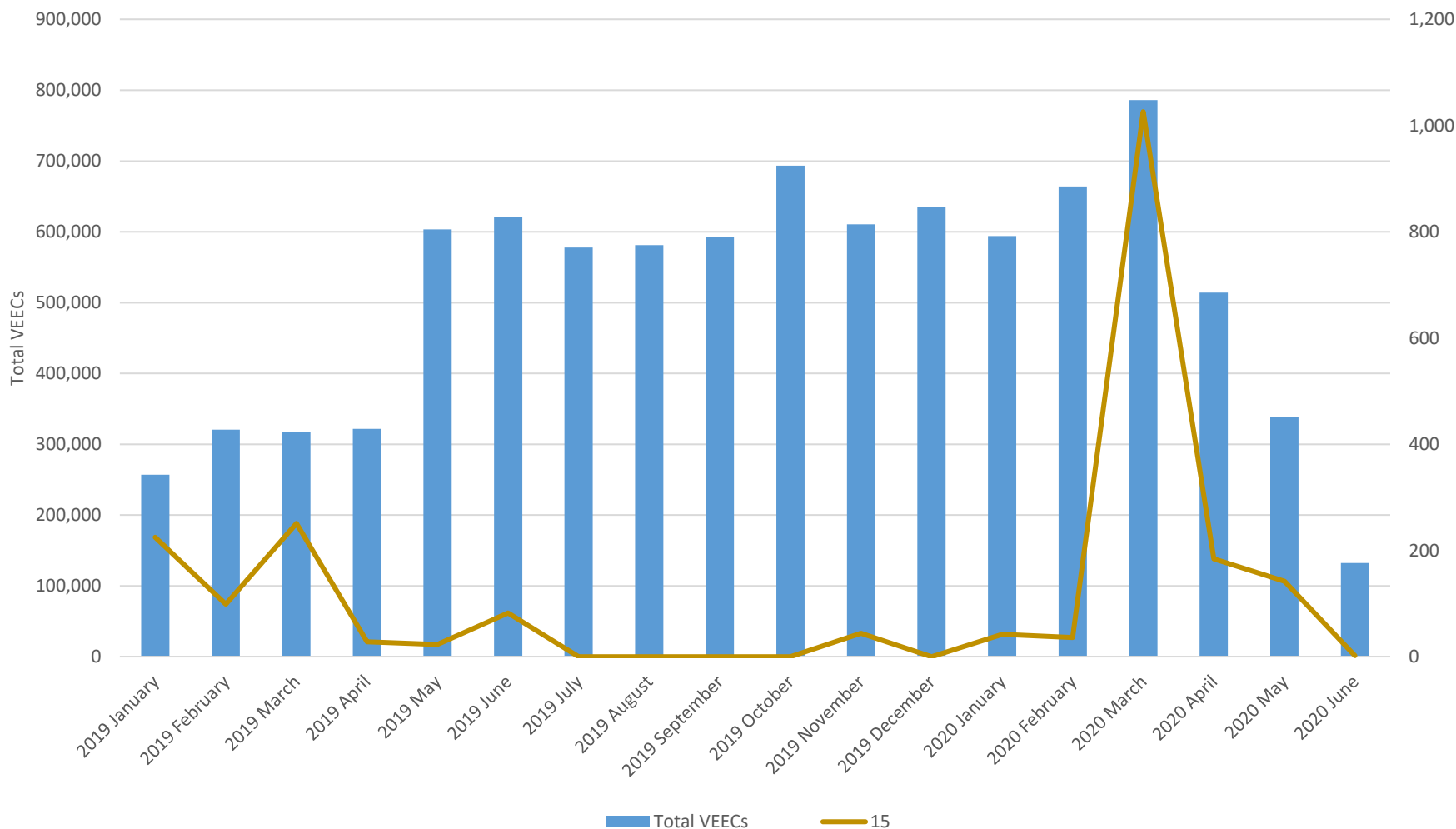
Program Performance – Monthly VEECs created for Part 21



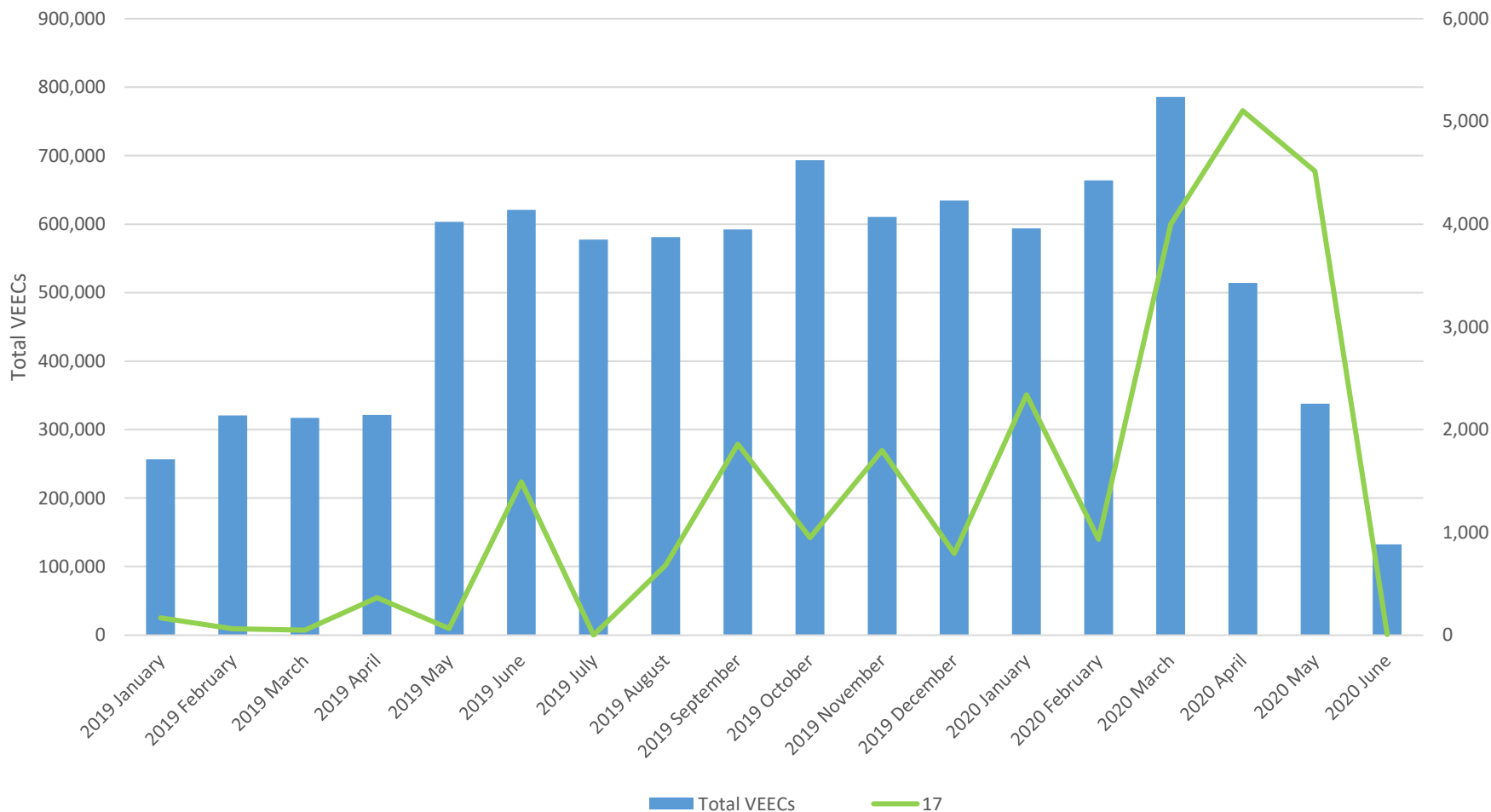
Program Performance – Monthly VEECs created for Activity 21A(18)



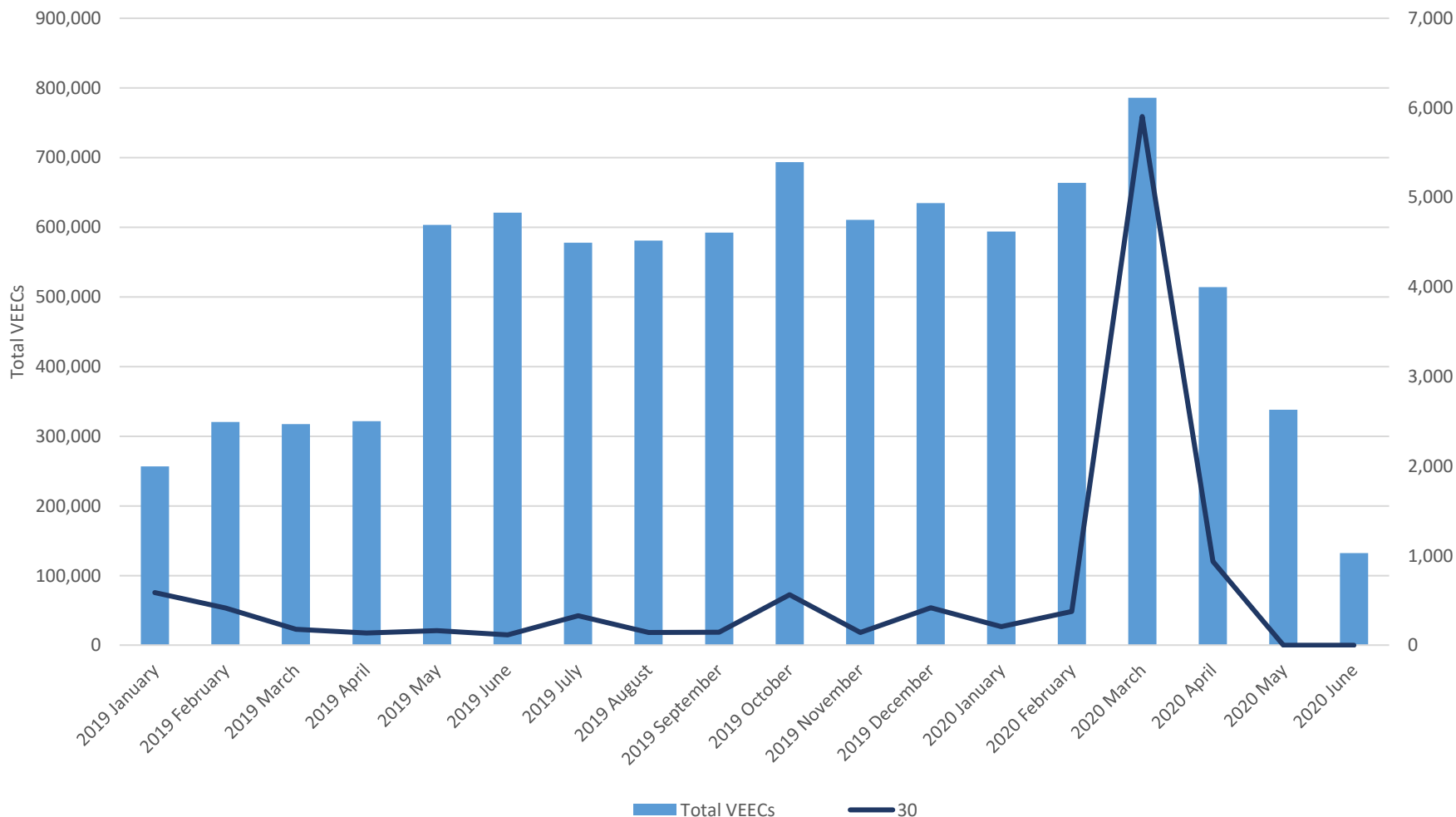
Program Performance – Monthly VEECs created for Activity 15



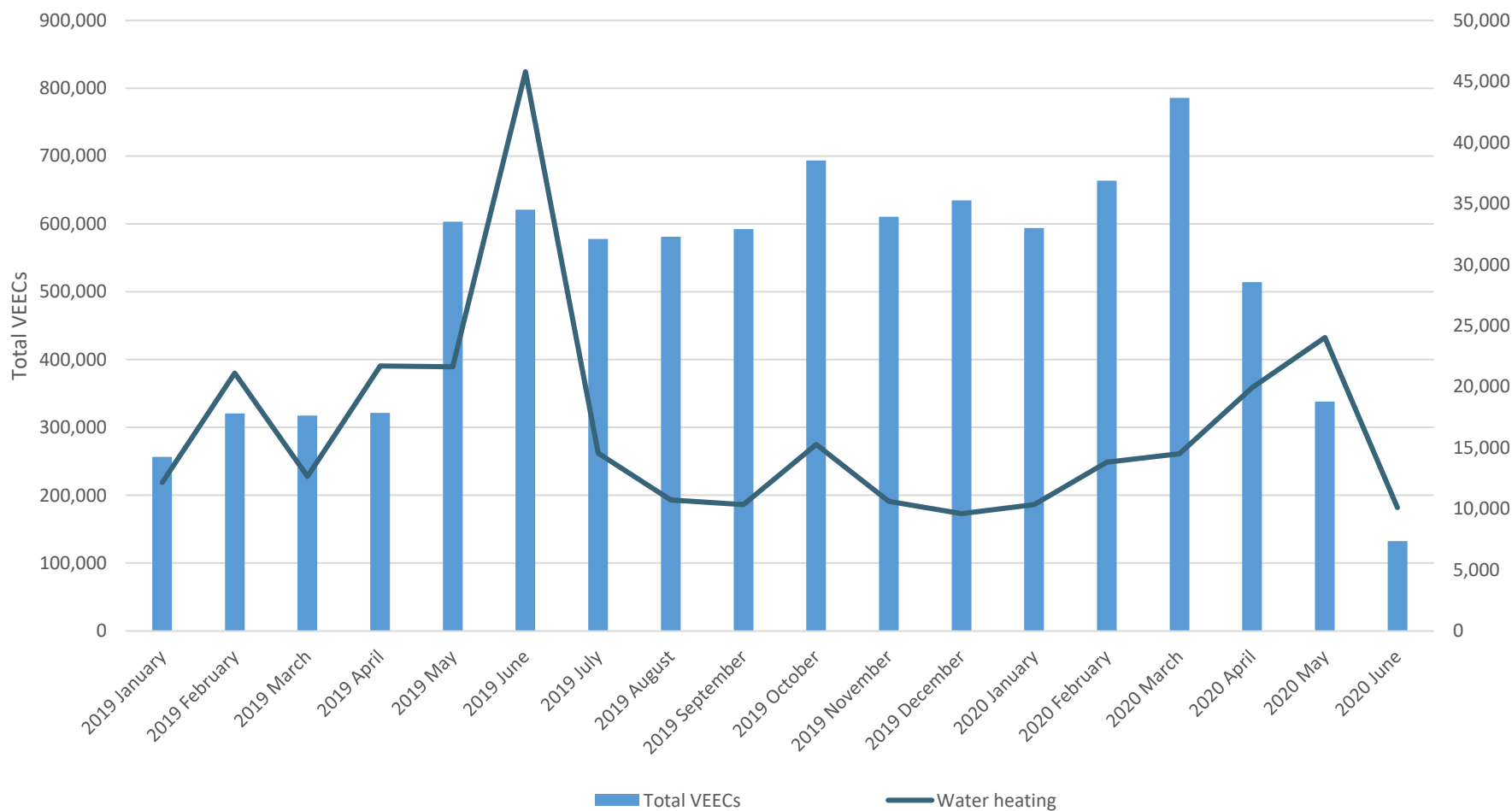
Program Performance – Monthly VEECs created for Activity 17



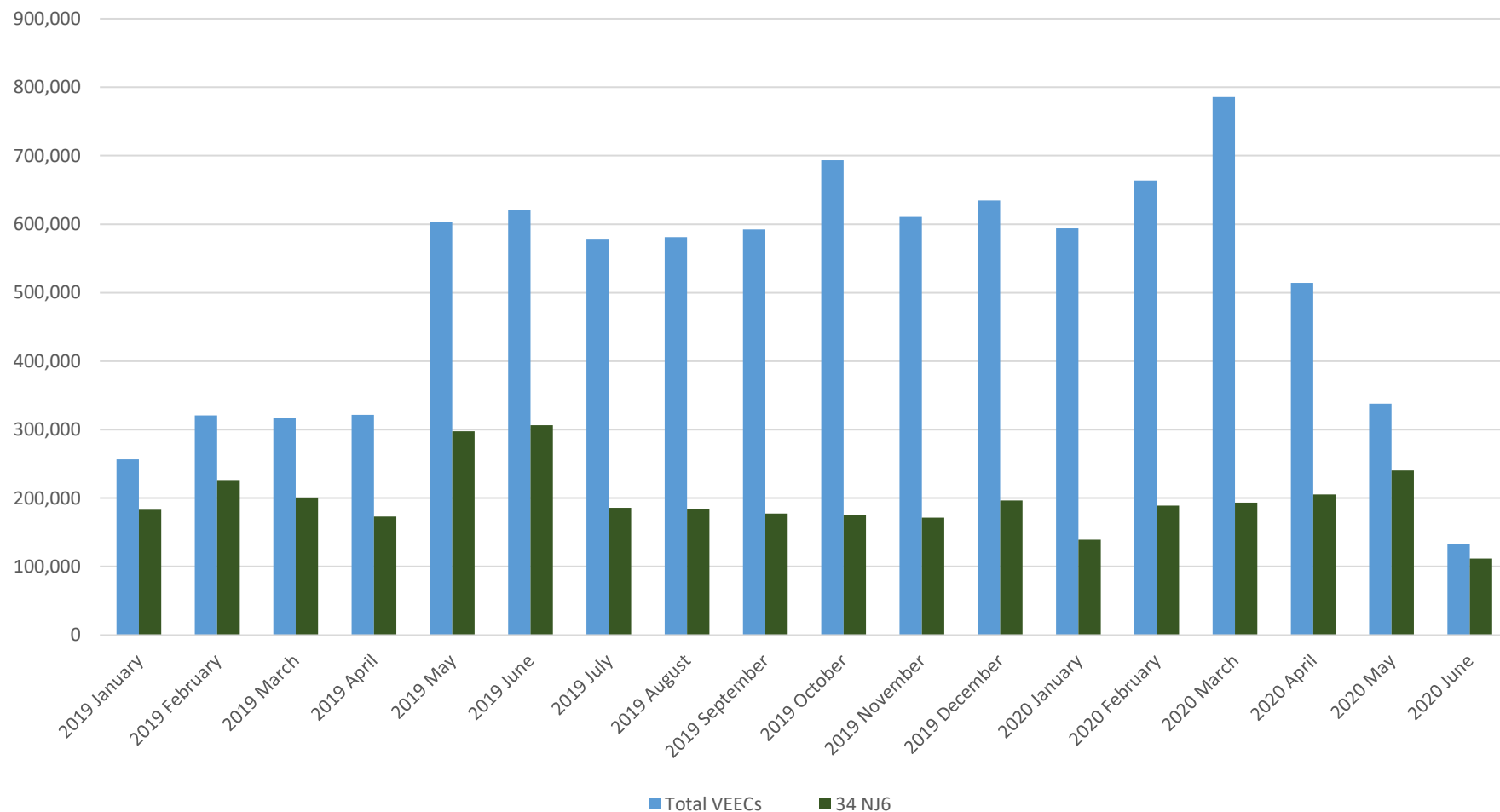
Program Performance – Monthly VEECs created for Activity 30



Program Performance – Monthly VEECs created for water heating activity

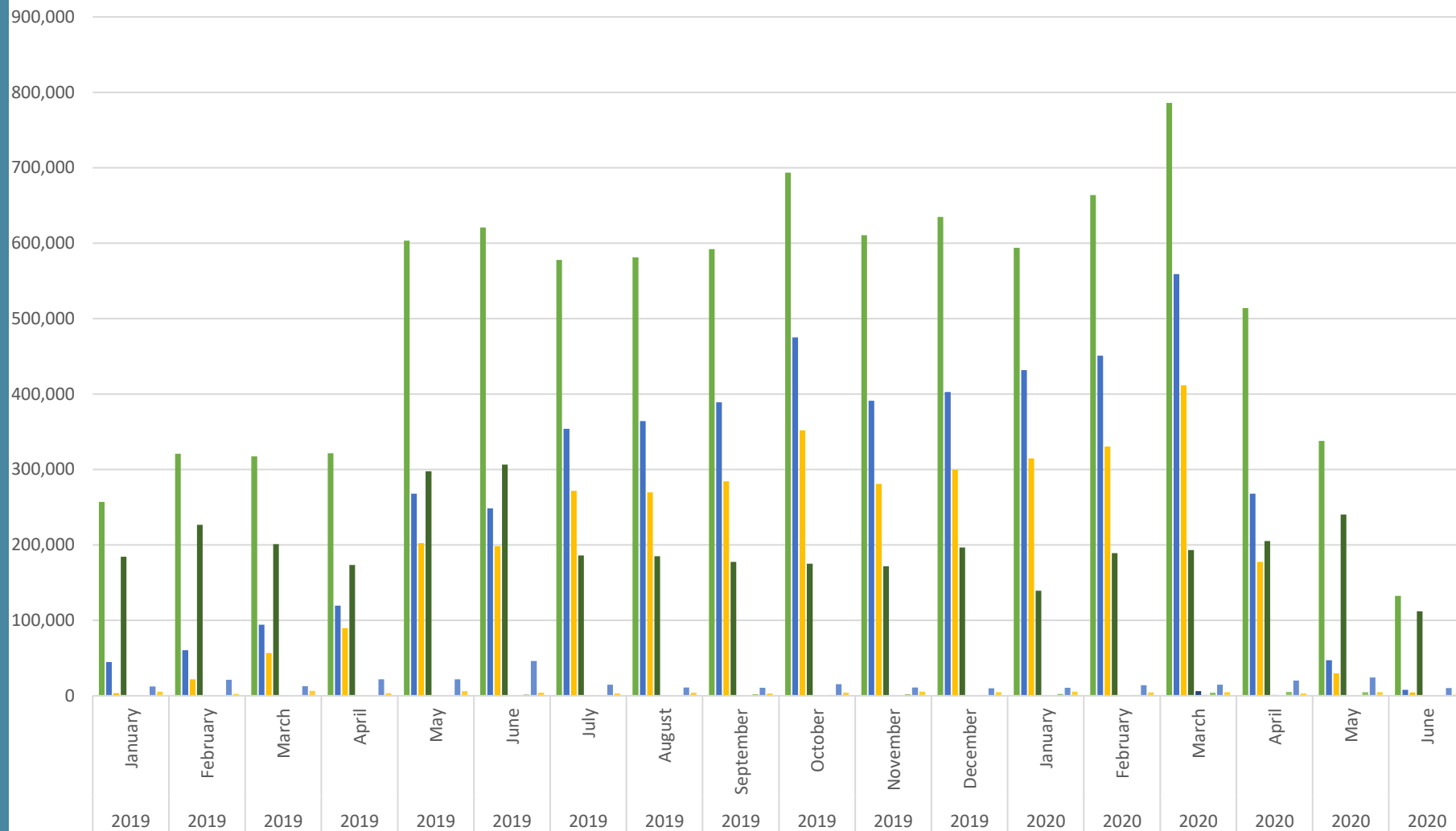


Program Performance – Monthly VEECs created for Activity 34 (Non J6)



Program Performance – Since 1 January 2019

■ Total VEECs ■ Lighting ■ 21A(18) ■ 34 NJ6 ■ 30 ■ 15 ■ 17 ■ Water heating ■ Fridge destruction



Audit and stakeholder contacts (Dec 2019 – Jun 2020)



FIELD AUDITS
146



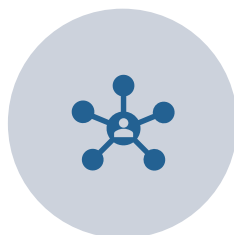
DESKTOP AUDITS
393



**VEECS SURRENDERED
FROM INVESTIGATIONS
AND ENFORCEMENT
ACTIONS**
41,506



QUERIES (TOTAL)
1,592



AP QUERIES
621



CONSUMER QUERIES
647



COMPLAINTS RESOLVED
137

Victorian Energy Upgrades



Policy Update
Department of Environment, Land, Water
and Planning



Environment,
Land, Water
and Planning

On 2 June, Minister D'Ambrosio confirmed that the **2021 target would be 6.5 million certificates** (i.e. tonnes of CO₂ abated)

- This is being done by setting the greenhouse gas reduction rate – not through regulations
- The Minister also confirmed that the Emissions Factor will not be changed before mid 2021

Targets for 2022 to 2025 will be determined by the end of 2020

- These targets will be set in regulations
- These will address the full range of proposals set out in the December 2019 RIS – informed by the feedback provided in submissions on the RIS

This two stage process for setting targets provides short term certainty for the market recognising the need for decisions as soon as possible given changing context created by the coronavirus (COVID-19) pandemic

It is recognised that settling the later targets will be important to support forward business planning by program participants

- **No changes to the electricity emissions factor will occur before July 2021**
 - Stakeholders will have a minimum of six months' notice of any changes taking place
 - Consultation feedback noted the need to more smoothly transition to lower electricity emissions factors, given the impact these would have on certificate creation
- **Changes to large energy user exemptions are still being considered**
 - Consultation feedback widely supported energy management requirements, but requested greater flexibility and simplicity
 - Delayed decision timing and impact of coronavirus (COVID-19) on businesses will be considered
- **Shortfall penalty**
 - Consultation feedback noted the potential impact of the penalties proposed in the RIS on affordability, and requested DELWP reconsider penalty levels and the transition to higher penalties
- **New activities proposed in the RIS** under development with consultations to come
 - Cold rooms, pipe lagging, boiler electrification, EMIS, smart thermostats, 100kW+ PV

- **Lighting Issues Paper released December 2019**
 - 49 stakeholder submissions provided feedback on the proposed changes to lighting incentives and timelines for phase out
- **Since then, the environment in which VEU operates has changed considerably**
 - Coronavirus (COVID-19) has led to significant changes, including the temporary suspension of some lighting activities
 - Recognising the impacts of coronavirus (COVID-19) and the need for certainty for business planning, there will be minimal changes to the program in 2021

DELWP is finalising detailed responses to each of the proposals in the issues paper

- Reviewing the case for change for each lighting activity
- Balancing support for participants and jobs, the need for adequate time for transition, and changes (technological, market, regulatory) that affect additionality of lighting
- Decisions will be made ahead of targets - likely in the next month
- Announcements through the DELWP website, Engage Victoria and via the mailing list

- **Four VEU activities were suspended on 1 April, through changes to VEU Specifications:**
 - Incandescent lighting upgrades (Part 21)
 - Low-flow shower roses (Part 17)
 - Weather sealing (Part 15)
 - In-home display units (Part 30)
- **Incentives have been reinstated from 24 June**
 - Activities can recommence BUT adherence to a COVIDSafe Plan is vital
 - Engagement with households will be a key risk to manage – **unsolicited visits are not recommended**
 - DELWP and ESC have released guidance on health, hygiene and physical distancing requirements to protect workers and members of the community – informed by advice from DHHS and WorkSafe
- **APs and their contractors must monitor government health advice** – be aware of/responsive to LGAs with higher risks
 - Visit www.coronavirus.vic.gov.au
- **APs must do their own risk assessment and planning to address individual circumstances**
- **APs must ensure that all their contractors including lead generators have implemented appropriate risk management measures**

- DELWP will continue to monitor the coronavirus (COVID-19) situation
- Lighting Response to Consultation will be published
- New activities Issues Papers will be released for public consultation
- Targets for 2022-2025 and other proposals set out in the December 2019 RIS will be determined by the end of the year, including:
 - Large energy users changes
 - Emissions factor changes
 - Shortfall penalty changes

Contact us at energy.upgrades@delwp.vic.gov.au

Energy Upgrades Tool

Ciaran O'Connor





The Tool: Background

- Why Build a tool?
 - SV Insights: Boosting Business Productivity Program
 - Brings finance & grant options together
- Supports supply chain
 - Businesses
 - Consultants
 - Equipment suppliers
 - **Victorian Energy Upgrade Accredited Providers**

Project in mind for a client? Use the tool to find

- Grant & incentives available
- Return on Investment
- Specific finance options available

No project in mind yet? Use tool to

- find common energy upgrade opportunities for the industry sector or council building type

www.sustainability.vic.gov.au/Find-funding



[Contact us](#)

Find funding for your energy-saving project

Are you a business or a local government?

☒ Business

☐ Local government

Next

Back



Fast tracking for your energy-saving project

Tell us about your building upgrade

This information is provided when you conduct an energy audit.

We can only provide recommendations on one building upgrade at a time.

Project name

Project category

Building type

Project cost

Expected yearly cost savings

Expected yearly gas savings in GJ

Expected yearly electricity savings in kWh

[Next](#)[Back](#)[Reset Fields](#)

Tool: Common Opportunities

Your top energy-saving opportunities

Since you haven't had an energy audit or a quote for an energy project, we can only provide rough estimates.

These estimates are based on a program where we worked with businesses energy use and minimise their energy cost.

You'll get best results by investing in an energy audit. An energy audit is a review of the way your business uses energy and where you can reduce your use.

[Find an energy auditor near you](#)

Industry

Agriculture (on farm)

Variable speed drive

Annual savings: **\$3,300** ✓

Install variable speed drives to pumps and fans.

Select project

Cost	Simple payback	Energy savings per year
\$10,100	3.1 years	20,100 kWh

Refrigeration and cool rooms

Annual savings: **\$3,000** ✓

Regularly maintain and repair refrigeration and cool rooms.

Select project

Cost	Simple payback	Energy savings per year
\$8,200	2.7 years	18,100 kWh

Power factor correction

Annual savings: **\$5,000** ✓

Install power factor correction equipment to your site.

Select project

Cost	Simple payback	Energy savings per year
\$13,500	2.7 years	30,100 kWh



Tool: Grant & Incentives

Recommendations

Based on the information you've provided, this recommendation is the best option available for your **Heat Recovery** project. This result is based on all grants and incentives available to business owners from local, state and government agencies.

[Disclaimer](#)

Best incentive for your project

Victorian Energy Upgrade (Project based)

Gives businesses access to discounted energy-efficient products and services through accredited providers.

[+ Show details](#)

Savings **\$12,127** ✓

[Find an accredited provider](#)

victorianenergyupgrade.vic.gov.au

Save
28%

Project cost

Heat Recovery	
Project cost	\$40,000
Savings from incentive	\$12,127
Total outlay	\$27,873

Return on investment

Energy savings per year

\$10,450 ↑

Improved simple payback

2.7 years

5 year position

\$24,377 ↑



Tool: Finance Options

Finance options

Based on the information provided we recommend the following finance options for your heat recovery project:

[Disclosure](#)

Total saving with grant savings

Heat Recovery

\$9,956

Finance options

Operating lease finance

Project size: **\$7,500+** ✓

A lessor buys energy efficiency equipment for your business to hire and use.

[+ Show product details](#)

[Find out more](#)

Capital lease finance

Project size: **\$7,500+** ✓

A lessor buys energy efficiency equipment for your business and you pay it back over time.

[+ Show product details](#)

[Find out more](#)

Equipment loan finance

Project size: **\$7,500+** ✓

A lessor loans your business money to buy energy efficiency equipment.

[+ Show product details](#)

[Find out more](#)

Hire purchase finance

Project size: **\$7,500+** ✓

A lessor buys energy efficiency equipment for your business to hire and use.

[+ Show product details](#)

[Find out more](#)



- Quick tool to show anticipated VEU savings for a client
- Any grants available will be shown also
 - Impact above has on ROI shown
- Numerous finance options available

www.sustainability.vic.gov.au/Find-funding

Questions?

Email: sustainablefinance@sustainability.vic.gov.au

Thank you

It's up to all of us
to help shape the
State of the Future



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