

Project-based assessments VEET consultation 2015

Energy Policy and Programs

Department of Economic Development, Jobs, Transport and Resources

energysaver.incentive@ecodev.vic.gov.au

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Re: Project-based assessments VEET consultation 2015

Dear Dr Enzinger

The Energy Efficiency Council welcomes the opportunity to provide input into the development of project-based assessment (PBA) methods for the Victorian Energy Efficiency Target (VEET). The Council's detailed response to the consultation paper is set out in the attached paper. In addition to the points set out in the submission, we highlight the following four key points.

First, Council strongly supports the development of PBA methods in the VEET. PBA methods are essential for the success of VEET, as they support

- **Energy efficiency in business.** Most of the large energy saving opportunities in commercial buildings, manufacturing and energy-intensive Small to Medium Enterprises (SMEs) cannot be supported using simple deemed methods, and the energy savings need to be identified using PBA methods.
- **More complex home retrofits,** including multi-technology retrofits, behaviour change programs and multi-site projects.

Second, the Council strongly supports the use of robust Measurement and Verification (M&V) in the VEET and more broadly in energy efficiency projects and programs. Using M&V gives consumers and regulators confidence around energy savings, and encourages the industry to focus on delivering outcomes, rather than technology, to consumers.

Third, large energy users (including sites that were formerly subject to the Environment and Resource Efficiency Plans program) must be eligible to generate certificates under VEET, but should not contribute to the cost of the VEET for the next two years.

Finally, the Council supports the introduction of PBA methods as part of the process of harmonising the VEET, the NSW Energy Savings Scheme (ESS), the South Australian Residential Energy Efficiency Scheme and the ACT Energy Efficiency Improvement Scheme. The Victorian Government should place a much higher priority on harmonisation with the ESS in particular, as this will lower costs for both industry and consumers. Differences from the ESS should be minimised and limited to issues where there is a strong justification for such a difference.

We again congratulate the Victorian Government for its efforts to enhance the operation of the VEET. Please contact me on rob.murray-leach@eec.org.au should you require further information on any of the issues raised in this submission.

Yours sincerely



Rob Murray-Leach

Question 1. Proposed M&V Method

- ***Do you envisage a market for the proposed M&V Method?***

There is an enormous potential market for the proposed M&V method. This potential will only be tapped into if:

- Large energy users are allowed to generate certificates through VEET; and
- The Victorian Government follows the example set by the NSW Government and provides support to drive the uptake of M&V methods, including training and subsidies for early-movers to develop case studies.

Numerous studies by the Australian Government, ClimateWorks Australia and others have found very large opportunities for energy efficiency in industry and commercial buildings. Opportunities on specific sites cannot be estimated by simple deeming, but can be unlocked through PBA methods. As the consultation paper notes, around 1,350 projects have been supported by PBA methods under the NSW Energy Savings Scheme (ESS).

The Energy Efficiency Council strongly argues that large energy users (including sites that were formerly subject to the Environment and Resource Efficiency Plans (EREP) program) must be allowed to generate certificates under VEET. There are often significant opportunities for energy savings on these sites, as demonstrated by the NSW ESS. Excluding these sites from VEET would mean that Victoria would miss out on major opportunities to save energy and strengthen its economy.

However, the Council argues that companies that are classified as Emissions Intensive Trade Exposed (EITE) should be able to generate certificates but should not have to contribute to the costs of the VEET scheme for the first two years of their participation, as the M&V method will take time to ramp-up and deliver benefits to large energy users.

Finally, the experience from the NSW ESS makes it clear that the Victorian Government will have to provide support to encourage the take up of M&V methods. The Victorian Government should:

- Support subsidised training for the use of M&V methods; and
- Provide financial assistance to early movers, because the costs, delays and risks will be much greater for the first tranche of projects using the M&V method. This is discussed more under question 8.

Question 2. Other proposed project-based assessment methods

- ***Do you envisage a market for these proposed methods? Why/why not?***
- ***Are there any other project-based assessment methods which the Department should consider as a priority? (note please make calls for new deemed methods separately)***

Based on experiences in NSW, the Energy Efficiency Council believes that the demand for the proposed M&V Method will be the strongest, followed by demand for the NABERS Metered Baseline Method, then the smaller-scale M&V method and the aggregated smaller sites method. Therefore, we recommend that the development of the M&V Method and NABERS Metered Baseline Method should take precedence. Nevertheless, all these methods are important, and the method for aggregating smaller sites will be essential to unlock large-scale household programs in the future.

There is a range of other methodologies in use in the NSW ESS, and we believe that it would be relatively simple for Victoria to adopt these methods if they are adopted with minimal changes. Ideally, Victoria should only introduce differences to the NSW scheme where evidence suggests this may seriously compromise the VEET.

Question 3: APs (Accredited Parties)

- **What minimum qualifications and/or experience should an AP need in order to demonstrate capacity to deliver the M&V Method? E.g.:**
 - **Certified Measurement & Verification Professional (CMVP)**
 - **Certified Energy Efficiency Specialist /Leader (CEES/CEEL)**
 - **Relevant industry experience (please specify)**
 - **Other (please specify)**

It is critical that projects using the M&V method involve individuals with relevant knowledge and experience of M&V. The CMVP designation is currently the only robust global accreditation for M&V professionals, and provides a minimum level of qualification. Therefore, the Council recommends that projects under the M&V method should be signed off by a CMVP, although the CMVP should not have to be a permanent employee of the AP, and could be a contractor.

In some cases, it may be desirable for an M&V project to be supported by a professional with more industry experience and knowledge than the minimum level assured by the CMVP designation. While there is currently no designation higher than CMVP, the Council is aware that development of a higher designation is being considered internationally. However such a designation, if it were developed, would not be available for at least two to three years, which means that for the moment any requirement for expertise over and above CMVP would need to be assessed by Government.

Finally, the Council administers the CEES/CEEL program on behalf of an independent Steering Committee that includes representatives from governments, the property sector and the energy efficiency sector. The CEES/CEEL designation demonstrates an individual has the knowledge and experience to lead an integrated building efficiency retrofit for a commercial building, including experience in M&V.

It is highly desirable for projects that generate certificates for commercial building retrofits to involve a CEES/CEEL. Commercial buildings types addressed by the Scheme include office buildings, hotels, hospitals, schools, car parks, aged care facilities and shopping centres. However the CEES/CEEL designation is not relevant for other types of projects, i.e. industrial efficiency.

Question 4: PBA Assessors

- ***What minimum qualifications and/or experience should a PBA Assessor possess in order to demonstrate capacity to provide assessments? E.g.:***
 - ***Certified Measurement & Verification Professional (CMVP)***
 - ***Certified Energy Efficiency Specialist /Leader (CEES/CEEL)***
 - ***Relevant industry experience (please specify)***
 - ***Other (please specify)***
- ***How can the independence of the PBA Assessor be assured? E.g.:***
 - ***Restrictions on who can be a PBA Assessor (please specify)***
 - ***Contractual arrangements (please specify)***
- ***Should APs be able to act as PBA Assessors if they are able demonstrate they don't have a conflict of interest?***
- ***Should an AP be able to choose their own PBA Assessor, or should PBA Assessors be assigned by the ESC?***

PBA Assessors must, at a minimum, be CMVPs. However, a higher level of knowledge and experience of M&V may be desirable for PBA Assessors as the market develops. As noted on the previous page, there is currently no designation higher than CMVP, although one is under consideration. If a higher level of certification becomes available, the Victorian Government should consider making it a requirement for PBA Assessors to have that qualification.

In the meantime, the Victorian Government could consider a competitive process for appointing PBA assessors to a panel, which includes an assessment of an individual's experience, skills and other qualifications such as CEES/CEEL.

APs should be able to act as PBA Assessors if they don't have a conflict of interest, as otherwise it will be difficult to recruit sufficient number and quality of PBA Assessors. However, it is critical that PBA Assessors are independent from the project that they work on. Therefore, the Council recommends that:

- PBA Assessors should be formally engaged by the Essential Services Commission (ESC), even if the ESC passes on part of the PBA's fee to the project proponent
- The ESC should ask PBA Assessors to sign a declaration that they will not work on projects where they have a conflict of interest, and PBA Assessors should be disqualified from future service if they breach this declaration; and
- The ESC should propose which PBA Assessor works on a project. APs should not be able to select their own PBA Assessor, but should have the right to appeal the ESC's choice of assessor and request the appointment of an alternative PBA.

Question 5: Eligibility

- ***Is it preferable that this information is provided later at the M&V Plan step?***
- ***Are there any potential issues at this step with commercially confidential information, e.g. budget information? How could this be managed?***

The information set out on page 10 of the consultation document should be provided at the eligibility stage (rather than later at the M&V plan stage), to ensure that APs only expend resources on projects that they have some confidence are eligible to generate certificates

The type of information required at this step will often be commercially confidential, and this is common in under the NSW ESS. The Energy Efficiency Council's members accept that some commercially confidential information will need to be provided, as long as the ESC has robust safeguards in place to ensure that this information remains confidential.

Question 6: M&V Plan

- ***What information should be required in the M&V Plan, and what should be able to be provided later? Please refer to the proposed content listed in this section, as well as the PIAM&V method and IPMVP framework.***

The list of requirements for an M&V plan on page 11 of the consultation document is appropriate.

While it would be ideal for ESC to approve M&V plans before projects commence, we note that sometimes projects need to commence before the M&V plan is approved for a variety of reasons, including determining what information can be gathered at the site. As the AP would take on the risk of an M&V plan not being sufficient to generate certificates, we recommend that APs be allowed to commence before the M&V plan is signed off.

Question 7: Operational verification

- ***How can proponents demonstrate that the implementation has been installed correctly and is operating as intended? E.g.:***
 - ***Measurements***
 - ***Commissioning report***
 - ***Site inspection***
 - ***Geotagged and dated photographs***

The ESC should provide some flexibility in determining if equipment has been installed correctly and is operating as intended, as different types of information are useful for different situations and administration costs should be minimised. The ESC should focus on the results of M&V to determine if the savings that were anticipated are being realised.

- Geotagged and dated photographs can be useful to demonstrate that some types of equipment have been installed correctly, but for some types of equipment this does not guarantee that it is operating as intended.
- Commissioning reports can be useful to determine if equipment is installed and functioning correctly, but these will only be produced for some types of equipment. In addition, commissioning reports may not include appropriate M&V.
- Independent site inspections may be a useful component of an auditing regime, but should not be mandatory for all projects under the M&V Method as that would significantly increase the cost of projects.

Question 8. Reporting energy savings

- ***Is 10 years an appropriate length of time to allow top-up or annual certificate creation to continue? Why / why not?***

The Energy Efficiency Council recommends that Victoria adopt the savings persistence model used by the NSW ESS. The NSW ESS allows top-up certificates to be created to encourage additional savings from projects such as building tune-ups.

Whilst noting that differences from the NSW ESS should be minimised, 10 years is a reasonable length of time to allow top-up or annual certificate creation, unless the expected lifespan of equipment is less than 10 years, in which case the product lifespan should be used. Based on the current evidence, this provides investors with the level of confidence they need to move ahead with projects.

Question 9. What training or capacity development needs are needed to support businesses using the M&V Method in Victoria?

The NSW Government has provided extensive support to build capacity in M&V to support the NSW ESS, including:

- Training in both general M&V and the ESS methods; and
- Grants of up to \$15,000 (with no requirement for a co-contribution from the participating company where the cost is below \$15,000) for M&V projects where there is an expectation that this could generate certificates under the ESS.

The Energy Efficiency Council works with the international Efficiency Valuation Organisation to deliver the CMVP training and exam in Australia. Experience in NSW has shown that CMVP training provides a strong theoretical and technical background in the IPMVP for M&V professionals. This training has been complemented by targeted training on ESS methods funded and delivered directly by the NSW Government. The Council recommends a similar approach be adopted in Victoria.

Grants for early movers will be important to support the adoption of the M&V method in Victoria. The ESC will take some time to streamline its process for the M&V method, and industry will face higher transaction costs and the risk that projects may generate fewer certificates than expected. The NSW Government's subsidies have been critical for the roll-out of their PIAM&V method.

The Energy Efficiency Council recommends that the Victorian Government work closely with the Council and the NSW Government to develop cost-effective support for the M&V method in Victoria.