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# VICTORIAN ENERGY EFFICIENCY TARGET SCHEME GUIDELINES

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# CONTENTS

<b>Contents.....</b>	<b>3</b>
<b>1 Background .....</b>	<b>8</b>
1.1 Purpose and authority	8
1.2 Scope of guidelines	8
1.3 Interpretation	8
1.4 Legislative objectives	9
1.5 Commencement date	9
1.6 Review of Guidelines	9
1.7 Priority of Act and regulations	9
<b>2 Definitions .....</b>	<b>10</b>
<b>3 Establishment of VEET Accounts .....</b>	<b>12</b>
3.1 Requirement for account	12
3.2 Account application	12
3.3 Use of account and VEET registry	12
<b>4 Accreditation of Persons .....</b>	<b>13</b>
4.1 Submission of application	13
4.2 Forms of consent or undertaking – prescribed greenhouse gas schemes	13
<b>5 Prescribed Activities .....</b>	<b>15</b>
5.1 Commission's role in relation to prescribed activities	15
5.2 Requests to modify ESC register	15
5.3 Manner of undertaking certain prescribed activities	16
<b>6 Assignment of Rights to Create Certificates .....</b>	<b>17</b>
6.1 Parties to the assignment	17
6.2 What may be assigned?	17
6.3 Time of assignment	17
6.4 Form of assignment	17
6.5 Responsibility for completion of form	18
6.6 Records to be retained by the assignee	18
6.7 Consumer personal information to be held in accordance with the Information Privacy Principles	18
<b>7 Creation and Registration of Certificates.....</b>	<b>19</b>

7.1	Form for creation of certificates	19
7.2	Creation and notification to the Commission	19
7.3	Payment of fee	19
7.4	Unique identification code	20
7.5	Further information	20
<b>8</b>	<b>Transfer of Certificates.....</b>	<b>21</b>
8.1	Transfer requirements	21
8.2	Electronic notification of transfer	21
8.3	Payment of fee	22
<b>9</b>	<b>Voluntary Surrender of Certificates .....</b>	<b>23</b>
9.1	Notification of Surrender	23
<b>10</b>	<b>Energy Acquisition Statements and Surrender of Certificates.....</b>	<b>24</b>
10.1	Form of energy acquisition statement	24
10.2	Submission of energy acquisition statement	24
10.3	Additional information required	24
10.4	Surrender of Certificates	25
<b>11</b>	<b>Record Keeping .....</b>	<b>26</b>
11.1	Accredited persons	26
11.2	Relevant entities	26
<b>12</b>	<b>Audit Of Energy Acquisition Statements .....</b>	<b>27</b>
12.1	Nominating, approving and appointing an auditor	27
12.2	Briefing the auditors	30
12.3	Audit Timing	30
12.4	General audit scope	30
12.5	Specific audit scopes	31
12.6	Reliance and Standards	32
12.7	Generic issues to be addressed	32
12.8	Audit Report	33
12.9	Commission response to audits	36
<b>13</b>	<b>Audit of Creation of Certificates.....</b>	<b>37</b>
13.1	Auditor	37
13.2	Audit Scope	37
13.3	Reliance and Standards	38
13.4	Audit Report	38
13.5	Commission response to an audit	41
	<b>AUDIT PROCESS TIMELINES .....</b>	<b>42</b>

<b>Figure 1</b>	<b>Process of undertaking audits for energy acquisition statements</b>	<b>42</b>
<b>Figure 2</b>	<b>Process of undertaking audit of accredited person</b>	<b>43</b>





## 1.1 Purpose and authority

These Guidelines are the 'ESC guidelines' referred to in the *Victorian Energy Efficiency Target Act 2007* (the **Act**).

The **Commission** is responsible for the general administration of the **Act** and the VEET scheme for which the **Act** provides. Section 74 of the **Act** authorises the **Commission** to issue Guidelines relating to any matter required or permitted by the **Act** to be provided for by the Guidelines.

## 1.2 Scope of guidelines

The **Act** requires or permits the Guidelines to provide for the following matters:

- the accreditation of a person;
- the creation, form and transfer of a certificate;
- the manner in which a prescribed activity is to be undertaken;
- the manner and form in which rights to create certificates may be assigned;
- the form of, and the information to be included in, an energy acquisition statement;
- the auditing by the **Commission** of the creation of certificates by an accredited person;
- the auditing of an energy acquisition statement by a third party engaged by a relevant entity;
- the records to be kept by an accredited person or a relevant entity;
- the information to be contained in the register of accredited persons and the register of energy efficiency certificates; and
- any other matter that the **Commission** considers is relevant to its functions under the Act.

## 1.3 Interpretation

In this Guideline:

- headings and footnotes are for convenience only and do not affect the interpretation of these Guidelines;
- words importing the singular include the plural and vice versa;
- words importing a gender include any gender;



- words importing a natural person include a company or other body corporate, partnership, trust, joint venture, association and governmental agency;
- a reference to any statute includes all regulations, proclamations, orders in council, ordinances, by-laws and determinations made under that statute; and
- a reference to any legislation or to any other document is to that legislation or document as amended, consolidated, restated or re-enacted.

#### **1.4 Legislative objectives**

The objects of the **Act**, as set out in section 4, are to:

- reduce greenhouse gas emissions;
- encourage the efficient use of electricity and gas; and
- encourage investment, employment and technology development in industries that supply goods and services which reduce the use of electricity and gas by consumers.

#### **1.5 Commencement date**

These Guidelines commence on 1 January 2009.

#### **1.6 Review of Guidelines**

These Guidelines are subject to review by the **Commission** from time to time.

#### **1.7 Priority of Act and regulations**

Except as specifically provided in the **Act** or **regulations**, nothing in these Guidelines affects the interpretation of the **Act** or **regulations**. If there is any inconsistency between these Guidelines and a provision of the **Act** or **regulations**, the relevant provision of the **Act** or **regulations** will prevail to the extent of that inconsistency.

## 2 DEFINITIONS

Terms defined in the **Act** and the **regulations** have the same meaning when used in these Guidelines and do not appear in bold and italics. Terms shown in ***bold and italics*** in these Guidelines have the meanings shown opposite them below.

<b>Act</b>	<i>Victorian Energy Efficiency Target Act 2007</i> (Vic).
<b><i>audit deed</i></b>	A tripartite audit deed between a relevant entity, its approved auditor and the <b>Commission</b> for the purposes of clause 12 of these Guidelines, in the form published by the Commission for the VEET scheme or otherwise in a form satisfactory to the <b>Commission</b> .
<b><i>authorised user</i></b>	A person designated by the holder of a <b>VEET account</b> to access and transact on that account on the holder's behalf.
<b>Commission</b>	The Essential Services Commission established under section 7 of the <i>Essential Services Commission Act 2001</i> (Vic).
<b><i>consumer</i></b>	In respect of premises, the consumer of electricity or gas at those premises or, in the circumstances set out in section 16(2)(a) or (b) of the <b>Act</b> , the owner of those premises.
<b><i>register of products</i></b>	The list of approved products and devices to be maintained by the <b>Commission</b> as described in clause 5.1 of these Guidelines.
<b><i>regulations</i></b>	<i>Victorian Energy Efficiency Target Regulations 2008</i> (Vic).

**relevant fee**

In respect of an application, notification or registration, the relevant fee (if any) published by the Minister under section 73 of the **Act**. The **Commission** will maintain a list of current **relevant fees** on its website.

**VEET account**

An account established under clause 3 of these Guidelines in which certificates must be held.

**VEET registry**

The internet-based communication and registry system established and designated by the **Commission** for use for the purposes of the VEET scheme or, if at any time no such system is available for a particular function, any method of communication and registration identified by the **Commission** for that purpose on its website.

## 3 ESTABLISHMENT OF VEET ACCOUNTS

**Act** reference: Section 74(2)(i) (general administration).

Applies to: accredited persons, relevant entities, persons trading certificates.

The **Act** requires energy efficiency certificates to be created in electronic form. In order to establish electronic registry systems, implement appropriate security measures and generally administer the VEET scheme, the **Commission** requires a person to hold a **VEET account** as a prerequisite to accreditation, and to the creation, transfer and surrender of certificates. This clause 3 sets out the requirements for the establishment and maintenance of **VEET accounts**.

### 3.1 Requirement for account

A person must hold a valid **VEET account** in order to:

- become an accredited person;
- create a certificate;
- become the registered owner of a certificate; or
- transfer or surrender a certificate.

### 3.2 Account application

An application for a **VEET account** must be made on the designated form published by the **Commission** on its website. All sections of the form must be completed and the form must be submitted using the **VEET registry**.

### 3.3 Use of account and VEET registry

A **VEET account** holder must (and must ensure that its **authorised users** will) use the **VEET account** and the **VEET registry** only in accordance with, and for the purposes permitted by, these Guidelines and any terms and conditions of use published by the **Commission** from time to time.

## 4 ACCREDITATION OF PERSONS

**Act** reference: sections 9 & 10.  
Applies to: accredited persons.

A person must be accredited by the **Commission** before creating certificates. The process for application is provided for in sections 9 to 12 of the **Act**. In particular, section 9(2) requires applicants for accreditation to provide information which the **Commission** considers necessary for the purposes of the VEET scheme, and documents which the **Commission** considers necessary for the purposes of deciding whether to approve the application. Under section 10 of the **Act**, the **Commission** may also require consents or undertakings for the purposes of ensuring that double benefits are not obtained under both the VEET scheme and any other scheme prescribed by the **regulations**.

This clause 4 describes what the **Commission** will generally require from applicants for accreditation.

### 4.1 Submission of application

An application for accreditation must be made by a **VEET account** holder on the designated application form published by the **Commission** on its website. All sections of the form must be completed unless otherwise indicated on the form. The completed and signed form must be sent to the **Commission** at the postal, fax or electronic address specified in the form, together with:

- the additional information and documents indicated on the form or in any instructions attached to the form; and
- the form of consent and the applicable forms of undertaking referred to in clause 4.2.

The applicant must pay the **relevant fee** in the manner specified on the application form or attached instructions. The application is taken to have been received by the **Commission** on the date the **Commission** has received both the application form and the **relevant fee** in cleared funds.

### 4.2 Forms of consent or undertaking – prescribed greenhouse gas schemes

The initial **regulations** do not prescribe any greenhouse gas schemes for the purposes of the **Act**. However, the **Commission** still requires applicants for accreditation to provide the undertakings referred to in clauses 4.2.2 and 4.2.3 to cover any scheme which may in future be prescribed.

#### 4.2.1 Consent under section 10(1) of the Act

If an applicant for accreditation is a participant in a prescribed greenhouse gas scheme set out in the **regulations**, that applicant must submit a signed consent, in the designated form published by the **Commission** on its website and addressed to the administrator of that scheme, authorising the disclosure of information relating to the applicant by that administrator to the **Commission**.

#### 4.2.2 Undertaking under section 10(2) of the Act

All applicants for accreditation must give the **Commission** a signed undertaking, in the designated form published by the **Commission** on its website, not to claim any benefit under a prescribed greenhouse gas scheme (whether current or future) if that would result in a benefit being obtained under both that scheme and the VEET scheme in respect of the same activity.

#### 4.2.3 Undertaking in relation to future scheme participation

All applicants for accreditation must give the **Commission** a signed undertaking, in the designated form published by the **Commission** on its website, to provide the **Commission** with the form of consent referred to in clause 4.2.1, promptly upon:

- becoming a participant in any prescribed greenhouse gas scheme; or
- a greenhouse gas scheme in which the applicant is a participant becoming prescribed by the **regulations**.

## 5 PRESCRIBED ACTIVITIES

**Act** reference: section 15 and 74(2)(c).  
Applies to: accredited persons.

Prescribed activities are determined by the **regulations**, but under section 74(2)(c) of the **Act** the Guidelines may provide for the manner in which prescribed activities are to be undertaken. This clause 5 sets out applicable requirements for certain prescribed activities.

### 5.1 Commission's role in relation to prescribed activities

The **regulations** provide for a number of specified activities which reduce greenhouse gas emissions to be prescribed activities for the purposes of the VEET scheme. The **regulations** may also specify when a prescribed activity is taken to have been undertaken and the methodology used to calculate the number of certificates that may be created for a prescribed activity.

The **Commission's** role in relation to prescribed activities is:

- to perform the functions specified in the **regulations**, including the maintenance of a list of efficient products and devices for the purposes of certain prescribed activities (the **register of products**), and
- more generally, and where the **Commission** considers appropriate having regard to the **regulations**, to provide for the manner in which prescribed activities must be undertaken in order for certificates to be created.

### 5.2 Requests to modify ESC register

Any person may submit a request in writing to the **Commission** to modify the **register of products** by adding, removing or amending the description of a product. The request must specify:

- the nature of the modification requested;
- the prescribed activity category and the name and any applicable brand or model number of the product;
- for the addition of a product, a description of how that product or device is consistent with the minimum standards and requirements for that activity set out in the **regulations**;
- for the removal of a product, the reasons for requesting its removal;
- for an amendment to the description of a product, a description of the proposed amendment and the reasons for requesting it;

- the nature of the requesting person's interest in the product; and
- any other information or supporting evidence that the requesting person considers relevant.

The **Commission** may, at its discretion, decide to modify the **register of products** if satisfied that the modification is consistent with the requirements of the **regulations** and the objects of the **Act**.

### 5.3 Manner of undertaking certain prescribed activities

In addition to the requirements, standards and specifications set out in the **regulations**, prescribed activities must be undertaken in accordance with all laws, regulations and codes of practice applicable to that activity. By way of example, and without limitation, these may include:

- Electricity Safety Act 1998;
- Gas Safety Act 1997;
- Building Act 1993, including the mandatory standards in the Schedule to that Act;
- Building Code of Australia 2008;
- Electricity Safety (Installations) Regulations 1999;
- Electricity Safety (Equipment) Regulations 1999;
- Gas Safety (Gas Installation) Regulations 1999;
- Plumbing Regulations 1998; and
- Code of Practice for Safe Electrical Work.



## 6 ASSIGNMENT OF RIGHTS TO CREATE CERTIFICATES

**Act** reference: section 16.

Applies to: accredited persons, **consumers**.

Where a prescribed activity is undertaken, section 16(1)(b) of the **Act** contemplates that the **consumer** may assign the right to create certificates for that prescribed activity. Section 16(3) of the **Act** requires an assignment of such rights to be made by written notice and in the manner and form specified by these Guidelines. This clause 6 sets out those requirements.

### 6.1 Parties to the assignment

Rights to create certificates can only be assigned by the **consumer** in respect of the prescribed activity to an accredited person.

### 6.2 What may be assigned?

The rights to create all of the certificates attributable to a prescribed activity must be assigned to the same accredited person.

A single form of assignment may relate to more than one prescribed activity.

### 6.3 Time of assignment

An assignment:

- may be made at any time prior to the latest date for creation of certificates in respect of the relevant prescribed activity under the **Act**, but
- must not take effect before the prescribed activity has been undertaken in accordance with the **regulations**.

### 6.4 Form of assignment

For the purposes of section 16(3) of the **Act**, each assignment of a right to create certificates in respect of a prescribed activity must be made in writing and must contain the mandatory information and fields designated by the **Commission** and published on its website. The **Commission** may designate separate mandatory information and fields relating to different categories of prescribed activity.

## 6.5 Responsibility for completion of form

The assignee must ensure that all sections of the applicable assignment form are completed and that the form is signed by the **consumer** and the assignee or its agent. The **consumer** must be given a copy of the assignment form upon request.

## 6.6 Records to be retained by the assignee

An assignee must maintain:

- a copy of the completed and signed form of assignment; and
- evidence of the benefit provided to the **consumer**,

for inspection and audit by the **Commission** on request, for a period of at least six years after the date of the assignment.

## 6.7 Consumer personal information to be held in accordance with the Information Privacy Principles

The assignee must ensure that all **personal information** collected in an assignment form about the **consumer** or any other individual (such as an installer) is held in accordance with the Information Privacy Principles (IPPs) under the *Information Privacy Act 2000 (Vic)*. The IPPs and information about how to comply with them can be found at <http://www.privacy.vic.gov.au>.

## 7 CREATION AND REGISTRATION OF CERTIFICATES

**Act** reference: sections 21 & 22.

Applies to: accredited persons.

A certificate may be created by an accredited person in respect of a prescribed activity, subject to and in accordance with sections 16 to 19 of the **Act**. Sections 21 and 22 provide for the form and content of certificates and the registration of certificates by the **Commission**. This clause 7 describes the electronic form for creating certificates for the purposes of section 21(1) of the **Act**, the manner of notification and additional information for the purposes of determining whether the certificate has been properly created and is eligible for registration.

### 7.1 Form for creation of certificates

An accredited person may only create certificates using the certificate creation form designated by the **Commission** in the **VEET registry**, and in accordance with any explanatory notes issued by the **Commission**. All sections of the certificate creation form must be completed.

### 7.2 Creation and notification to the Commission

An accredited person is taken to have created a certificate when that person:

- submits the completed certificate creation form for registration through its **VEET account** in the **VEET registry**; and
- completes any additional verification requests generated by the **VEET registry**.

Completion of these steps also constitutes the accredited person's notification to the **Commission** that it has created a certificate for the purposes of section 22(2) of the **Act**.

### 7.3 Payment of fee

The accredited person must remit the **relevant fee** for the creation of each certificate to the **Commission** in accordance with instructions generated by the **VEET registry**. The **Commission** will not register certificates unless the **relevant fee** is paid.

#### **7.4 Unique identification code**

A unique identification code for each certificate will be generated by the **VEET registry** once the certificate creation form has been submitted and validated.

#### **7.5 Further information**

In some circumstances, the **Commission** may request the accredited person to provide additional information after a certificate has been created, in order to decide whether the certificate is eligible for registration and has been properly created. Any information requested must be provided within ten business days unless otherwise agreed between the **Commission** and the accredited person. The Commission may decide not to register the relevant certificate if that information is not provided.

## 8 | TRANSFER OF CERTIFICATES

**Act** reference: section 24.

Applies to: accredited persons, relevant entities, persons trading certificates.

Certificates may be transferred to any person under section 24 of the **Act**. The form and terms of the transfer agreement itself are commercial matters for the parties. The **Commission** is obliged under the **Act** to register transfers that are notified in the manner specified in these Guidelines. This clause 8 sets out the requirements for transfer notifications for the purposes of section 24(3) of the **Act**.

### 8.1 Transfer requirements

Certificates may be transferred by the owner of those certificates to any person. However, the **Commission** will not register a transfer of certificates unless:

- both the transferor and the transferee hold a **VEET account**;
- the transferor is the current registered owner of the certificates; and
- the transferor and the transferee have complied with the notification and payment requirements in clause 8.2 and 8.3.

### 8.2 Electronic notification of transfer

In order to notify the **Commission** of a transfer of a certificate, the following steps must be completed:

- the transferor must send an electronic transfer notice to the transferee and the **Commission** from the transferor's **VEET account** in the **VEET registry**, using the form designated by the **Commission**;
- the transferee must send an electronic transfer confirmation to the transferor and the **Commission** from the transferee's **VEET account** in the **VEET registry**, using the form designated by the **Commission**; and
- both the transferor and the transferee must complete any additional verification requests generated by the **VEET registry**.

The **VEET registry** will include a facility for the transferor to withdraw the transfer notice at any time prior to the submission of a confirmation by the transferee. In this event, the **Commission** will not proceed to register the transfer.

A single form of notice or confirmation may be used in respect of the transfer of any number of certificates in a single transaction on the same date and between the same transferor and transferee.

### 8.3 Payment of fee

The transferee must remit the **relevant fee** for the transfer of each certificate to the **Commission** in accordance with instructions generated by the **VEET registry**. The **Commission** will not register the transfer of any certificate unless the **relevant fee** is paid.

## 9 VOLUNTARY SURRENDER OF CERTIFICATES

**Act** reference: section 25.

Applies to: accredited persons, relevant entities, persons trading certificates.

A certificate may be voluntarily surrendered by the owner of that certificate, at the same time giving the **Commission** reasons in writing for the surrender. This clause 9 describes the notification to be given to the **Commission**.

### 9.1 Notification of Surrender

The registered owner of a certificate may surrender that certificate under section 25 of the **Act** by:

- submitting a completed voluntary surrender notice to the **Commission** through the owner's **VEET account** in the **VEET registry**, using the form designated by the **Commission**; and
- completing any additional verification requests generated by the **VEET registry**.

A single voluntary surrender notice may be used for the surrender of any number of certificates.

## 10 ENERGY ACQUISITION STATEMENTS AND SURRENDER OF CERTIFICATES

**Act** reference: sections 29 to 35.  
Applies to: relevant entities.

Under section 33 of the **Act**, if a relevant entity makes a scheme acquisition in a calendar year, it must submit an energy acquisition statement to the **Commission** by 30 April in the following year. This clause 10 describes the information to be contained in each statement in addition to that specified in section 33(2)(a) to (f), and the form and manner in which energy acquisition statements must be submitted.

### 10.1 Form of energy acquisition statement

Relevant entities must prepare energy acquisition statements using the designated form published by the **Commission** on its website.

### 10.2 Submission of energy acquisition statement

Each energy acquisition statement must be signed and audited as required by the **Act** and clause 12 of these Guidelines. The relevant entity must submit to the **Commission** each of:

- the audited energy acquisition statement;
- the auditor's report;
- details of certificates surrendered (or to be surrendered) as required by section 33(4) of the **Act** and clause 10.4 of these Guidelines; and
- the **relevant fee** for lodgement of the statement,

in the manner specified in the form of energy acquisition statement or any explanatory notes published by the **Commission**.

### 10.3 Additional information required

In addition to the information specified in section 33(2)(a) to (f) of the **Act**, each energy acquisition statement must set out:

- the telephone number, fax number and email address of the relevant entity;
- the year to which the statement applies;
- the date of the statement;



- the quantity of energy acquired under scheme acquisitions from each of the persons or bodies referred to in paragraphs (a) and (b) of the definition of 'scheme acquisition' in the **Act**;
- the relevant entity's calculation, in accordance with section 29 of the **Act**, of whether the relevant entity had an energy efficiency certificate shortfall for the year; and
- any changes during the year to information (even if already given to the **Commission**) about the following matters for the relevant entity:
  - ownership;
  - material business acquisitions and disposals;
  - location and contact details; and
  - energy purchase arrangements.

#### 10.4 Surrender of Certificates

A relevant entity must surrender the number of certificates specified in the energy acquisition statement under section 33(4) of the **Act**.

- using the voluntary surrender notice designated for those purposes by the **Commission** in the **VEET registry**;
- on or before the date on which the statement is required to be lodged pursuant to section 33(1) of the **Act**.

## 11 | RECORD KEEPING

**Act** reference: section 72.

Applies to: accredited persons and relevant entities.

Accredited persons and relevant entities must keep records as specified in section 72 of the **Act**. This clause 11 sets out additional record keeping requirements for accredited persons and relevant entities.

### 11.1 Accredited persons

In addition to the requirements set out in section 72 of the **Act**, accredited persons must keep records and documents which provide evidence of the following, to the extent applicable:

- the records referred to in clause 6.6 of these Guidelines 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, and the street address and postcode of the consumer; and
- evidence of removal or destruction of existing products where removal or destruction is required by the regulations.

### 11.2 Relevant entities

There are currently no additional record-keeping requirements to those specified in section 72 of the **Act** for relevant entities.

## 12 | AUDIT OF ENERGY ACQUISITION STATEMENTS

**Act** reference: section 33(6).  
Applies to: relevant entities.

Section 33(6) of the **Act** requires each energy acquisition statement to be audited by an independent third party before lodgement by a relevant entity. This clause 12 identifies the requirements for the audit of energy acquisition statements.

### 12.1 Nominating, approving and appointing an auditor

#### 12.1.1 Nominating an auditor

- (a) By a date specified by the **Commission** in each year, each relevant entity must nominate to the Commission for approval an independent auditor to undertake the relevant audit, unless a current approval from the **Commission** is in place in respect of that relevant entity and auditor.
- (b) The **Commission** will consider approving auditors for a period greater than 1 year but no more than 5 years.
- (c) In nominating an auditor to the **Commission**, the relevant entity must provide details of:
  - (i) the proposed auditor who will undertake the specified audit;
  - (ii) the proposed individuals who will undertake any relevant audit work for the auditor (that is, the audit team);
  - (iii) the proposed individual who will lead the audit team (who must be a partner or equivalent of the auditor and who will be required to sign the audit report and take full responsibility for the audit findings);
  - (iv) the work history and skills of the audit team leader and each audit team member, and the role they will play in undertaking the audit;
  - (v) the auditor's field of work, core expertise, experience and corporate or business structure (unless the auditor has been selected from the panel of auditors established under clause 12.1.2;
  - (vi) any work undertaken by the auditor for the relevant entity in the previous two years, and any work that the auditor is currently doing or has bid for in relation to the relevant entity;

- (vii) any potential or perceived conflict of interest and the manner in which the potential or perceived conflict of interest is proposed to be managed; and
- (viii) the term of the approval requested.
- (d) In deciding whether to approve an auditor nominated by a relevant entity, the **Commission** will have regard to the following key criteria:
  - (i) demonstrated skill, experience in, and detailed knowledge of quality assurance, including operational or compliance auditing and where relevant, science or engineering, and information systems (in terms of both the nominated auditor and the proposed audit team);
  - (ii) appropriate knowledge of the electricity and gas industries (in terms of both the nominated auditor and the proposed audit team);
  - (iii) an absence of conflicts; and
  - (iv) if relevant, the resource capacity to undertake multiple audits under tight time constraints.

#### 12.1.2 Audit Panel

- (a) The **Commission** will establish a panel of auditors who it considers meet the skill, experience and knowledge criteria in clause 12.1.1(d) and the resource capacity to undertake more than one audit.
- (b) Panel members will need to agree:
  - (i) in principle to the terms of the **audit deed**; and
  - (ii) to take actions to ensure that staff maintain the necessary skill level and familiarity with the **Commission's** audit requirements.
- (c) If the relevant entity fails to nominate an auditor as required under clause 12.1.1(a) or the Commission decides not to approve the nominated auditor, the **Commission** may (but is not obliged to) appoint an auditor from its audit panel in respect of a statement to be provided by that relevant entity, without limiting or qualifying any liability of the relevant entity, and the relevant entity will be responsible for the costs of any auditor appointed by the Commission.

#### 12.1.3 Approval of auditors

- (a) If the **Commission** is satisfied that the nominated auditor and audit team members satisfy the key criteria in clause 12.1.1(d), it will provide the relevant entity with written notice of the **Commission's** intention to approve the auditor, which may be conditional. Approval will only be provided of a person nominated as auditor by a relevant entity:
  - (i) if the Commission has given notice of its intention to approve the person as auditor with respect to the relevant entity;
  - (ii) any conditions applicable to that notice have been satisfied (or waived by the Commission); and

- (iii) an **audit deed** has been delivered to the **Commission** duly executed by both the auditor and the relevant entity.
- (b) The approval of the **Commission** will take effect upon the **Commission's** execution of the relevant **audit deed**.

#### 12.1.4 Appointment and termination of approval

- (a) The relevant entity must ensure that no person nominated by it as auditor commences an audit until that person has been approved by the Commission under clause 12.1.3. Such a person cannot commence an audit before the **Commission's** receipt of a duly executed **audit deed**.
- (b) Once approved, the primary duty of care of the auditor is to the **Commission**.
- (c) The relevant entity must not:
  - (i) require or seek changes to be made to an auditor's report that conflict with the auditor's professional judgment and its primary responsibility to the Commission including, for instance, requiring a change to be made that would, in effect, remove or obscure any adverse finding of the auditor; or
  - (ii) unreasonably withhold payment or terminate any contract with the auditor over a disputed audit finding.
- (d) If the auditor believes that an event described in clause 12.1.4(c) has occurred, the auditor must advise the **Commission** as soon as possible after the event has occurred.
- (e) Once approved, the auditor must:
  - (i) notify the **Commission** immediately of any change to the audit team members;
  - (ii) ensure that no member of the audit team performs fee earning work for the relevant entity except as disclosed under clause 12.1.1(c) and that no work is undertaken that either influences any members of the audit team or could reasonably be considered to give rise to a material risk of any members of the audit team being influenced in relation to the relevant audit;
  - (iii) minimise the risk of conflicts of interest arising or being seen to arise, for example an approved auditor will be required not to do, and not to have done in the 12 months preceding its appointment, work which would create, or could be seen to create, a conflict of interest; and
  - (iv) notify the **Commission** of and manage any conflicts of interest or perceived conflicts of interest that arise in accordance with any conditions approved by the **Commission**.
- (f) The **audit deed** elaborates on these requirements and qualifies their application in the context of work undertaken in connection with the audit.
- (g) The **Commission's** approval of an auditor to conduct audits will end upon the expiry or termination of the relevant **audit deed**.

- (h) The **Commission's** approval of an auditor constitutes an approval of that auditor only for the purpose of conducting audits which the nominating relevant entity is obliged under the **Act** to arrange and for no other purpose.
- (i) The **Commission** may at its absolute discretion, remove an auditor from the panel of auditors at any time.

## 12.2 Briefing the auditors

The **Commission** intends to brief auditors annually (either individually or jointly) to ensure that the **Commission's** audit requirements are clearly understood.

Representatives of each relevant entity's auditor must attend the briefing. The relevant entity may also attend the briefing.

## 12.3 Audit Timing

An indicative process timeline for the relevant entity audit of energy acquisition statements is set out in figure 1 at the end of this document.

## 12.4 General audit scope

Except as otherwise required in a specific audit scope issued by the **Commission** to a relevant entity under clause 12.5, auditors must:

- (a) *investigate compliance* with the requirements of sections 29, 31 and 33 of the **Act**, and clause 10 of the Guidelines;
- (b) *analyse relevant data* in the relevant entity's information systems and records to:
  - (i) ensure that the data in those systems and records is consistent with the data reported to the **Commission** in the energy acquisition statement;
  - (ii) verify the correct application of formulae and the accuracy of arithmetical calculations in the energy acquisition statement; and
  - (iii) identify any missing data or unusual figures or trends that might suggest incorrect data, errors in data entry or manipulation.
- (c) *analyse documented procedures* to assess whether they are consistent with the matters that are subject to audit. Documented procedures include anything that guides staff in complying with obligations or acting in relation to relevant matters, for example training manuals and procedures for generating, entering and reporting information and source data used as an input for the energy acquisition statement;
- (d) *interview responsible staff* to assess whether they understand and comply with the documented procedures;
- (e) *analyse information systems* to assess the extent to which they produce information that supports information presented in the energy acquisition statement. This will require an examination of:

- (i) system design and security; and
  - (ii) the design of queries and calculations formulae that are used to compute the amount of electricity and/or gas acquired under scheme acquisitions.
- (f) *analyse quality controls* to assess whether misrepresented data is and information defects are systematically identified and corrected;
- (g) *test a sample of cases or data*. The auditor must establish the extent to which there has been actual compliance (insofar as compliance is subject of audit) or the extent to which relevant information is free of defect; it is not enough to ensure only that procedures are robust; and
- (h) take any other action set out in an audit scope issued to the relevant entity under clause 12.5.

## 12.5 Specific audit scopes

### 12.5.1 Issue of specific audit scope by the Commission

The **Commission** may decide and issue to a relevant entity by 1 October in any year an audit scope which specifies additional requirements for the conduct of audits.

An audit scope issued under this clause will apply to the audit of the energy acquisition statement due in the following calendar year and all subsequent audits unless the **Commission** varies or withdraws that audit scope by notice to the relevant entity by 1 October in any year.

In specifying additional requirements in an audit scope issued under this clause, the **Commission** will have regard to:

- (a) the obligations of the relevant entity under the **Act**;
- (b) the objectives of the **Act**;
- (c) its assessment of risk associated with a relevant entity in accordance with clause 12.5.2; and
- (d) such other matters as it considers relevant.

### 12.5.2 Assessing risk

In assessing the risk associated with a relevant entity the **Commission** will consider:

- (a) the likelihood and the consequences of non-compliance; and
- (b) in the case of information, the likelihood and consequences of it being defective, unreliable, lacking in quality or not conforming with relevant specifications.
- (c) In assessing the likelihood of non-compliance and the likelihood of information being defective, unreliable, lacking in quality or not conforming with relevant specifications, the **Commission** will consider the following factors:
  - (i) any previous audit results or evidence of non-compliance;

- (ii) the likely or known extent of information defects;
  - (iii) any issues identified by the Commission during the ongoing administration of the scheme.
- (d) In assessing the consequences of non-compliance or of information being defective, unreliable, lacking in quality or not conforming with relevant specifications, the Commission will consider the following factors:
- (i) the effect on the **Commission's** ability to administer the scheme;
  - (ii) the effect on the market for certificates;
  - (i) the effect on the objectives of the **Act**; and
  - (ii) the effect on commercial and administrative decision making (for example, the setting of the greenhouse gas reduction rate at an inadequate level based on inaccurate information).
- (e) The **Commission** will conduct any risk assessment under this clause 12.5.2 in accordance with Australian Standard AS 4360:2004, which has been issued by Standards Australia and is the Australian standard relating to Risk Management.

## 12.6 Reliance and Standards

Auditors:

- (a) may have regard to internal audit assessments but in arriving at a conclusion in relation to an audit matter must not rely on them exclusively. Where an auditor has previously audited a matter, they should exercise professional judgment as to the depth of inquiry required; and
- (b) must have regard to the requirements of the Auditing and Assurance Standards Board (AUASB) and the relevant Australian Standards for Assurance Sampling, Compliance and Risk Management;
- (c) notwithstanding clause 12.7, must issue an audit report under ASAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Information" which provides for limited assurance<sup>1</sup>.

## 12.7 Generic issues to be addressed

- (a) In auditing the quality, reliability or conformity of information with specified requirements, an auditor should address the following generic issues:

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<sup>1</sup> The objective of limited assurance is defined under ASAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued July 2007, as "a reduction is the assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the assurance practitioner's conclusion".



- (i) Is the information generated in accordance with documented methodologies, policies, practices and procedures?
  - (ii) Are the methodologies, policies, practices and procedures fully understood by relevant staff?
  - (iii) How accurately do those procedures and the information reflect applicable information specifications in the **Act** and **regulations**?
  - (iv) Is the information based on sound information systems and records?
- (b) In auditing compliance, an auditor should address the following generic issues:
- (i) Is the matter under investigation reflected in documented policies, practices and procedures?
  - (ii) Has the matter been fully understood by staff?
  - (iii) Has the matter been performed as specified?
  - (iv) Is the matter the subject of effective compliance monitoring and quality control (e.g. internal audits)?
  - (v) Does the culture appear to support compliant behaviour?
  - (vi) Does the organisational structure support compliant behaviour and outcomes?

## 12.8 Audit Report

### 12.8.1 Form of audit report

An auditor must prepare a report that addresses all applicable matters and issues identified in clause 12.4. The audit report must contain at least the following:

- (a) an executive summary identifying key issues arising from the audit that reflects any current standard reporting format issued by the **Commission**;
- (b) a description of the audit methodology used;
- (c) a brief description of the systems and procedures that have been put in place to complete the energy acquisition statement;
- (d) grades pursuant to clause 12.8.2 and a summary of findings for each matter, which includes a detailed description of each issue of non compliance; and
- (e) a completed data assessment table.

### 12.8.2 Data integrity grades






- (a) The auditor must assess the integrity of the data presented in the relevant entity's energy acquisition statement by using a standard grading system.
- (b) The grading system is a two step process requiring auditors to use Harvey balls and a traffic light system to assess the data.

## Reporting – Step one

Harvey balls are used to represent the quality and presence associated with each of the five principles represented in table 10.1 below.

**Table 12.1 Principles for auditing information relevant to the scheme**

<i>Principle</i>	<i>Definition</i>
1. <i>Faithful representation</i>	<ol style="list-style-type: none"> <li>1. Information should faithfully represent the events and transactions that it purports to represent or could reasonably be expected to represent.</li> <li>2. Uncertainties should be identified and quantified where possible.</li> </ol>
2. <i>Completeness</i>	<ol style="list-style-type: none"> <li>1. Information should be complete in all respects in accordance with any applicable requirements of the <b>Act</b>, such that information is not misleading or unreliable in terms of relevance to the processes of the relevant entity.</li> <li>2. All relevant transactions or events shall be included within the calculation or estimation of data.</li> </ol>
3. <i>Consistency</i>	<ol style="list-style-type: none"> <li>1. Consistent methodologies, measurements and source data should be used such that comparative assessments can be made from year to year and over time.</li> <li>2. Estimates should be consistent with relevant Australian and state government estimates.</li> </ol>
4. <i>Reliability</i>	<ol style="list-style-type: none"> <li>1. Information and source data should be free of misstatement and able to be relied upon by users of the information to faithfully represent that which it either purports to represent or could reasonably be expected to represent.</li> </ol>
5. <i>Transparency</i>	<ol style="list-style-type: none"> <li>1. Data shall be replicable by a third party through adequate record keeping.</li> <li>2. Data will have a clearly defined audit trail.</li> <li>3. Reference sources, methodologies and approaches to data generation shall be clearly documented.</li> <li>4. Changes to data and methodologies over time shall be clearly documented.</li> </ol>

<b>Grade</b>	<b>Description</b>
	<ul style="list-style-type: none"> <li>No adherence to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>Some adherence to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>General regard to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>High regard to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>Total adherence to the principle.</li> </ul>

### Reporting – Step 2

A traffic light system is used to indicate the overall integrity of the data.



Unacceptable



Acceptable but adjustments needed



Acceptable

### 12.8.3 Signed statement

The auditor must include in its final audit report a statement signed by the leader of its audit team that states that:

- (a) the audit report findings accurately reflect the professional opinion of the auditor;
- (b) the auditor and team members have observed the requirements of this guideline and the relevant **audit deed** in conducting the audit, making audit findings and preparing the report;
- (c) the conclusion of the audit specified as a limited assurance review opinion under ASAE 3000; and

- (d) the audit report findings have not been unduly influenced by the relevant entity.

## 12.9 Commission response to audits

- (a) The **Commission** may (without limiting its powers and rights under the **Act**, an **audit deed** or otherwise):
  - (i) obtain and analyse the auditor's record of its contacts with the relevant entity, for example to obtain more details of reported non-compliance, misrepresentation of data, or to investigate whether significant changes have been made to drafts of the report;
  - (ii) require further auditing to be undertaken (whether by the relevant auditor or another) where it considers the report is or may be unsatisfactory in a material respect, for example where the **Commission** has independent information contradicting an assessment made by the auditor;
  - (iii) require that the relevant entity arrange for another auditor approved by the Commission to undertake any such further auditing work;
  - (iv) require further information from the relevant entity under Part 8 of the **Act**;
  - (v) through its authorised officers, exercise any powers under Part 7 of the **Act** to the extent necessary to substantiate the information provided in an **energy acquisition statement**, or otherwise to determine whether the relevant entity has complied with the **Act**;
  - (vi) require termination of any contract by which the auditor was engaged to conduct the relevant audit; or
  - (vii) remove a firm from the audit panel if it has failed to follow this audit guideline or has not observed the necessary level of independence.
- (b) The **Commission** may report publicly and/or comment on the aggregated results of the audits undertaken. This may include but is not limited to reporting aggregated audit results as part of its annual reporting function under section 67 of the **Act**.

## 13 | AUDIT OF CREATION OF CERTIFICATES

**Act** reference: section 7(2)(d)  
Applies to: **accredited persons**.

Under section 7(2)(d) of the **Act**, the **Commission** may audit the creation of certificates by accredited persons. This clause 13 describes the basis on which the **Commission** will exercise its discretion to audit the creation of certificates and identifies the manner in which those audits will be carried out.

### 13.1 Auditor

The **Commission** may appoint one or more members of staff of the **Commission** or another appropriately qualified or experienced person or firm to perform an audit under this clause 13 following the process in figure 2 at the end of this document.

### 13.2 Audit Scope

#### 13.2.1 Purpose of audit

Where the **Commission** elects to audit the creation of certificates by an accredited person the purpose of the audit is to confirm the entitlement of the accredited person to create certificates in respect of a prescribed activity), by auditing compliance with the requirements of sections 16 to 19 of the **Act**, clause 7 of the Guidelines and the **regulations**.

#### 13.2.2 Matters to be investigated

The auditor may, as instructed by the **Commission**:

- (a) *investigate compliance* with each obligation or matter identified in Division 3 of Part 3 of the **Act** (as applicable), clause 7 of the Guidelines and the **regulations**;
- (b) *analyse relevant data* in the accredited person's information systems and records kept under clause 11 of the Guidelines to:
  - (i) ensure that the data in those systems and records is consistent with the content of the registered certificates and data within the **VEET registry**;
  - (ii) ensure that the prescribed activities have been undertaken in accordance with the requirements set out in the **regulations**;

- (iii) verify the correct application of formulae and the accuracy of arithmetical calculations; and
  - (iv) identify any missing data or unusual figures or trends that might suggest incorrect data, errors in data entry or manipulation.
- (c) *analyse any documented procedures* to assess whether they are consistent with the matters that are the subject of audit. Documented procedures include anything that guides staff in complying with obligations or acting in relation to relevant matters, for example training manuals and procedures for generating, entering and reporting information and source data used as an input for the creation of the certificates;
- (d) *interview responsible staff* to assess whether they understand and comply with the requirements in the **Act** and **regulations**;
- (e) *analyse any quality controls* to assess whether misrepresented data is and information defects are systematically identified and corrected;
- (f) *test a sample of cases*. The auditor must establish the extent to which there has been actual compliance (insofar as compliance is subject of audit) or the extent to which relevant information is free of defect; it is not enough to ensure only that procedures are robust; and
- (g) *take any other action* as the **Commission** considers necessary to complete the audit.

### 13.3 Reliance and Standards

The auditor will have regard to the requirements of the Auditing and Assurance Standards Board (AUASB) and the relevant Australian Standards for Assurance Sampling, Compliance and Risk Management.

### 13.4 Audit Report

The Commission will require the auditor to prepare a report that addresses all applicable matters and issues identified in clause 13.2.1 and 13.2.2 and contains;

- (a) an executive summary identifying key issues arising from the audit;
- (b) a description of the audit methodology used;
- (c) grades, where the auditor has assessed the integrity of the data subject to audit by using a standard two step (Harvey ball and traffic light) grading system; and
- (d) a summary of findings for each matter, which includes a detailed description of each issue of non compliance.






## Reporting – Step 1

Harvey balls are used to represent the quality and presence associated with each of the five principles represented in Table 13.1.

**Table 13.1 Principles for auditing information relevant to the scheme**

<i>Principle</i>	<i>Definition</i>
1. <i>Faithful representation</i>	<ol style="list-style-type: none"> <li>1. Information should faithfully represent the events and transactions that it purports to represent or could reasonably be expected to represent.</li> <li>2. Uncertainties should be identified and quantified where possible.</li> </ol>
2. <i>Completeness</i>	<ol style="list-style-type: none"> <li>1. Information should be complete in all respects in accordance with any applicable requirements of the <b>Act</b> and <b>regulations</b>, such that information is not misleading or unreliable in terms of relevance to the processes of the accredited person.</li> <li>2. All relevant transactions or events shall be included within the calculation or estimation of data.</li> </ol>
3. <i>Consistency</i>	<ol style="list-style-type: none"> <li>1. Consistent methodologies, measurements and source data should be used such that comparative assessments can be made from year to year and over time.</li> <li>2. Estimates should be consistent with relevant Australian and state government estimates and with international Guidelines.</li> </ol>
4. <i>Reliability</i>	<ol style="list-style-type: none"> <li>1. Information and source data should be free of misstatement and able to be relied upon by users of the information to faithfully represent that which it either purports to represent or could reasonably be expected to represent.</li> </ol>
5. <i>Transparency</i>	<ol style="list-style-type: none"> <li>1. Data shall be replicable by a third party through adequate record keeping.</li> <li>2. Data will have a clearly defined audit trail.</li> <li>3. Reference sources, methodologies and approaches to data generation shall be clearly documented.</li> <li>4. Changes to data and methodologies over time shall be clearly documented.</li> </ol>

**Table 13.4 Harvey ball scale**

<b>Grade</b>	<b>Description</b>
	<ul style="list-style-type: none"> <li>No adherence to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>Some adherence to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>General regard to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>High regard to the principle.</li> </ul>
	<ul style="list-style-type: none"> <li>Total adherence to the principle.</li> </ul>

**Reporting – Step 2**

A traffic light system is used to indicate the overall integrity of the data.



Unacceptable



Acceptable but adjustments needed



Acceptable

**13.4.1 Signed statement**

For instances where an external auditor has been engaged by the Commission, the auditor must include in its final audit report to the Commission a signed statement that:

- (a) the audit report findings accurately reflect the professional opinion of the auditor;
- (b) the auditor and team members have observed the requirements of this guideline and the relevant audit deed in conducting the audit, making audit findings and preparing the report; and



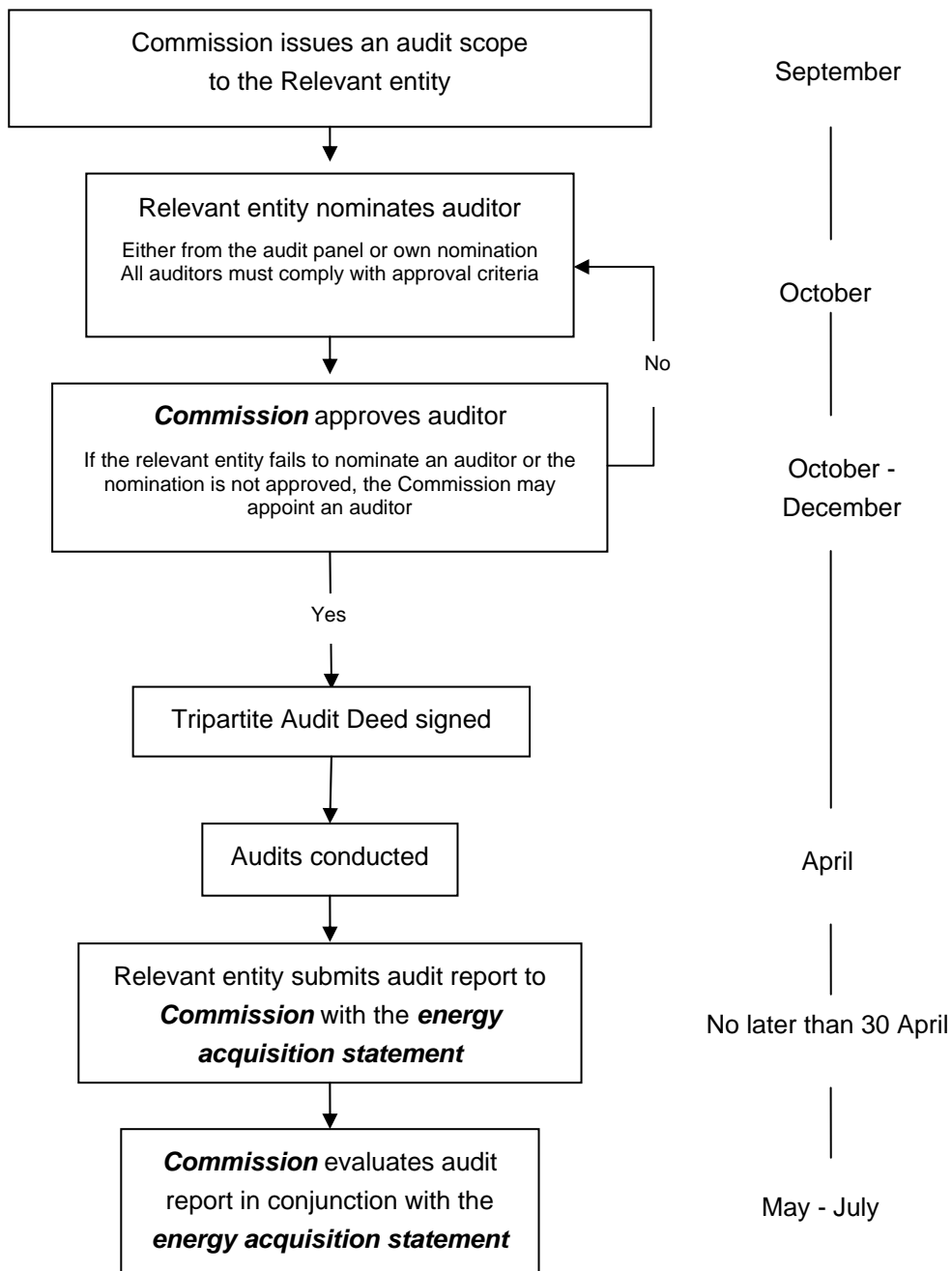
- (c) the audit report findings have not been unduly influenced by the accredited person.

### 13.5 Commission response to an audit

- (a) The **Commission** will provide a copy of the audit report to the accredited person on request.
- (b) The Commission may report publicly and/or comment on the aggregated results of the audits undertaken under this clause 13. This may include but is not limited to reporting aggregated audit results as part of its annual reporting function under section 7(4) of the **Act**.
- (c) Following completion of the audit the **Commission** will perform a risk assessment of the audit results to determine any further investigation is required.
- (d) In assessing the consequences of non-compliance or of information being defective, unreliable, lacking in quality or not conforming with relevant specifications, the **Commission** will consider the following factors:
  - (i) the effect on the Commission's ability to administer the scheme;
  - (ii) the effect on the market for certificates; and
  - (iii) the effect on the objectives of the **Act**.
- (e) The **Commission** may utilise the powers of authorised officers under Part 7 of the **Act** to conduct further investigation into matters relating to the creation of certificates.
- (f) The Commission may also require further information from the accredited person under Part 8 of the **Act**.

# AUDIT PROCESS TIMELINES

**Figure 1 Process of undertaking audits for energy acquisition statements**



**Figure 2 Process of undertaking audit of accredited person**

