The Department of Economic Development, Jobs, Transport and Resources would like your feedback about options for including large energy users in the Victorian Energy Efficiency Target (VEET) scheme.

The VEET scheme

The Victorian Energy Efficiency Target (VEET) scheme is a market-based scheme that incentivises energy efficiency upgrades, reduces greenhouse gas emissions, encourages investment and jobs and develops technology in Victoria.

The government is strengthening the scheme. As part of this process, options for including large energy users are being examined.

Inclusion of large energy users

Certain large energy users are currently excluded under the scheme’s Regulations from either generating certificates or creating a liability for energy retailers. These are those large energy users that once participated in the Environment Protection Authority’s Environment and Resource Efficiency Plans (EREP) program which is no longer in operation. The EREP program was aimed at reducing the energy and water use of large energy users. Over 260 sites participated.

When the VEET scheme was expanded to include businesses in 2012, an exclusion was created for those large energy users registered as participating in EREP.

The EREP program closed in 2013. The Department of Economic Development, Jobs, Transport and Resources (the department) is now consulting on options for including these large energy users in the VEET scheme.

Why include large energy users?

**Change in policy context**

The policy intent of the VEET scheme is to include everyone who purchases electricity or gas from an energy retailer. The original rationale for excluding large energy users participating in EREP from VEET is no longer applicable. This exclusion came about because EREP already created a mandatory requirement for energy efficiency upgrades and including these large energy users in VEET would have created duplication.

**More opportunities and access to benefits**

The incentives provided by the scheme would make energy efficiency improvements more economically viable for currently excluded large energy users. Including these organisations in the VEET scheme would also increase the pool of energy efficiency opportunities available to generate certificates.

**Interest from stakeholders**

A number of currently excluded large energy users expressed an interest in being able to participate in the VEET scheme when the department consulted on this issue in 2015.

**New methods make inclusion possible**

There will be new methods for determining energy savings that will make it more appealing for currently excluded large energy users to participate in the VEET scheme.

Until now, the available methods used for determining the energy savings for activities have been ***deemed methods***. This means that the energy savings of any given activity have been determined based on reasonable averages for such things as the normal efficiency of a certain product and the operating hours for which it is used.

However, this is often not a suitable approach for the kind of upgrades that large energy users are likely to undertake, which may need a more customised approach to determining energy savings. For this reason three new measurement methods are being proposed, known as ***Project Based Activities*** (PBAs).

These are activities where the number of certificates that can be claimed is specific to a given project. They will often involve the direct measurement of energy consumption and are designed to credit a wide range of technologies.

The new PBA methods will be flexible and will open up incentives for a wider range of potential approaches to saving energy. The department is also consulting on all three of these methods. Please see [www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi)

**Reduced administrative burden**

Some energy retailers have noted the administrative burden of identifying large energy users on the EREP register and removing their energy consumption from their annual Energy Acquisition Statements. This is made more complex now that the EREP program has closed.

The immediate option

Under this option all large energy users on the current EREP register could gain VEET incentives from 1 January 2017. The current exemption for creating liabilities for energy retailers would also end from this date.

**Immediate and simple**

This option is the simplest change and the benefits of including large energy users in the scheme would take effect straight away.

**Simplicity for Relevant Entities**

This option would remove administrative and compliance burdens from energy retailers because they would no longer need to claim exemptions for large energy users on the EREP register when submitting their annual Energy Acquisition Statements.

The gradual option

Under this option, currently excluded large energy users could generate certificates at any point from 1 January 2017.

Liabilities for energy retailers would start on
1 January of the calendar year after an excluded large energy user created its first certificate or 1 January 2020, whichever
came sooner.

Current register out of date

The existing EREP register includes information that is no longer current. The current EREP register can be found at [www.epa.vic.gov.au/our-work/programs/past-programs/erep-program/erep-public-register](http://www.epa.vic.gov.au/our-work/programs/past-programs/erep-program/erep-public-register)

Revised list proposed

For this option to be delivered, the current register would be revised and included in the VEET Regulations. It is proposed that this revised register would comprise those large energy users for which energy retailers claimed an exemption for liability in their Energy Acquisition Statements for either the 2014 or 2015 liability years. The proposed revised list can be found online at [www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi)

This list would be a new schedule to the VEET Regulations and would include sufficient information to allow both the Essential Services Commission and energy retailers to identify each site. It is proposed that this information should be the name of each organisation and the physical address of each site concerned.

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| **Question:**Does listing the name and physical address of each organisation give energy retailers sufficient information to identify the site?Is this information appropriate for a public register? |

**Allowing participation now**

A number of currently excluded large energy users in Victoria have expressed an interest in being able to participate in the VEET scheme. This option would allow these large energy users to participate while creating a transition period for others.

**Allowing for scheduling of upgrades**

The voluntary period would allow excluded large energy users time to plan and schedule energy efficiency upgrades as these may be relatively large projects. For this reason, under this option, an excluded large energy user would only generate a liability once it had generated its first certificate.

Burden for energy retailers

The gradual option would have the disadvantage of extending for another three years the administrative and compliance burden on Relevant Entities involved in claiming exemptions for large energy users when submitting their annual Energy Acquisition Statements.

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| **Questions:**Of the options provided, which is your preferred option? Please say why.Are there any other options or issues that have not been considered?Do you have any comments on these proposals? |

Next steps

Consultation day

There will be a public consultation day for interested parties in June 2016.

Please see the department’s website
for further information including, time, date
and location:
[www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi)

How to provide your comments

This document is intended to be read alongside the draft Regulation regarding the exclusion for large energy users which can be accessed online at [www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi).

Responses should clearly state the issue and, where relevant, make reference to specific sections of the draft Regulation.

Submitting by email

Submissions may be emailed to energysaver.incentive@ecodev.vic.gov.au.

Please use the subject:
*VEET: options for including large energy users currently excluded from the scheme*

Submitting by post

Alternatively, responses may be provided in writing to:

*VEET: options for including large energy users currently excluded from the scheme*Energy Policy and Programs
Department of Economic Development, Jobs, Transport and Resources
GPO Box 4509
Melbourne VIC 3001

Closing date for submissions

Please refer to the departmental website: [www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi)

Confidentiality

Submissions may be published on the website. Please indicate if the submission, or sections within the submission, is confidential or contains sensitive information that is not for publication.

Authorisation

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