The Department of Economic Development, Jobs, Transport and Resources would like your feedback about a proposed method for determining energy savings for the Victorian Energy Efficiency Target (VEET) scheme called the Benchmark Rating method.

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.

Under the VEET scheme, accredited organisations known as Accredited Persons (APs) can create certificates known as Victorian Energy Efficiency Certificates (VEECs) for undertaking energy efficiency activities. Each VEEC is equivalent to one tonne of greenhouse gas reduced or avoided. The scheme is administered by the Essential Service Commission (ESC).

Project Based Activities

Until now, the methods used for determining the energy savings for activities under the VEET scheme have all been ***deemed methods***. This means that the calculations used regarding the energy savings of any given activity have been 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, some situations need a more detailed and tailored 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 Department of Economic Development, Jobs, Transport and Resources (the department) is seeking your feedback about each of these proposed new methods. This document explains one of these, known as the ***Benchmark Rating method***.

Reading this document

This document is intended to be read in conjunction with the proposed amendments to the VEET Regulations to do with the Benchmark Rating method. These will be added as new Schedule 38. Please refer to the proposed amendments to the Regulations before providing any feedback. These can be found online at [www.energyandresources.vic.gov.au/esi](http://www.energyandresources.vic.gov.au/esi)

Benchmark Rating schemes

A ***benchmark rating*** is a measure of the energy performance of a building compared with that of other buildings of a similar size and usage. Benchmark rating schemes develop methods to account for the variation between buildings and changes in the use of a building over time.

Under the proposed new method the ESC would be given the power to approve ***benchmark rating schemes***. These schemes must meet certain requirements in order to be approved, including the requirement that a scheme must base its building ratings on measured energy consumption data and that any variables used to calculate the benchmark energy consumption must be determined using a publicly available methodology. In addition, any approved benchmark rating scheme must be created and maintained by a qualified administrator and the ratings must be subject to independent audit.

NABERS energy rating scheme

These proposed Regulations have been drafted in a way that allows the ESC to approve the National Australian Built Environment Rating System (NABERS) as an approved benchmark rating scheme. NABERS is widely used in Victoria for rating commercial buildings, including office buildings, hotels, shopping centres and data centres.

For the purposes of legislative drafting, the draft Regulations do not refer directly to the NABERS scheme; instead they employ the more general term ‘benchmark rating schemes’.

How the method works

Benchmark rating schemes determine improvements in the energy efficiency of a building by measuring changes in its ***energy rating***. This method is designed to be technology neutral. As such, a wide range of activities can be undertaken as part of a benchmark rating project.

The performance of the building is rated before the project activities start and then annually after they are completed. The rating carried out before the project commences is called the ***baseline rating****.* This determines the energy performance of the building for the 12-month period before project activities.

The second rating takes place at the end of the 12-month ***reporting period***. This is called the ***reporting rating.*** It can be undertaken annually to claim incentives for a period of up to seven years, after which a new baseline rating is needed.

Benchmark rating schemes are designed to compare buildings of different sizes, uses and operating hours with one another. In order to do this accurately, energy consumption is normalised based on certain variables. For example, NABERS office ratings are normalised based on net let-able area.

Variables relating to the operation and use of a building may change over the lifetime of the project. These changes are accounted for using a reverse calculator. For example, the operating hours and the number of computers in an office building may change over time.   
A reverse calculator determines what the energy consumption of the building would have been if the project had not occurred. This is done by entering the current usage and operation of the building as well as the ***baseline rating*** into the calculator.

Deducting business-as-usual improvements

As with VEET generally, energy efficiency activities that are required by law cannot be credited. The method includes a factor, known as the ***benchmark factor***, to account for any improvements that are a legal requirement. This factor also accounts for any improvements in energy efficiency over time that would have happened anyway for other reasons such as improvements in technology.

This benchmark factor reduces the baseline energy consumption by three per cent for every year after the baseline rating is completed. This means that the energy savings that can be claimed are reduced by three per cent per year unless additional activities are undertaken.

There are similar benchmark rating methods used in the New South Wales Energy Saver Scheme (ESS) and in the Commonwealth Emissions Reduction Fund (ERF). These deduct business-as-usual improvements by increasing the baseline rating for the building by 0.15 stars per year. However, this may be less accurate for buildings with higher benchmark ratings, therefore the proposed method uses a percentage improvement instead.

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| **Question:**  The proposed approach is different to NSW ESS and Commonwealth ERF schemes. Is this preferable to aligning these schemes? |

Accounting for changes to metering

There may be some parts of a building which are not included in the benchmark rating as they are not reflective of the building’s general energy performance. For example, for an office building with a café on one floor, the café’s energy use may be excluded. Benchmark rating schemes require evidence in order to exclude this energy consumption, typically using sub-meters.

Where a sub-meter is installed after the baseline rating or the metering at the site is changed in some other way this may change the parts of the building which are covered by the benchmark rating. In order to account for this, Equation 2 in Division 1 of the proposed new Schedule 38 of the VEET Regulations requires that energy consumption for a part of the building that was excluded from the reporting period rating but was included in the baseline rating should be added into the energy consumption for the reporting period.

Excluding savings claimed under the RET

Credits can be claimed for generation from on-site renewable energy systems either under the Commonwealth Renewable Energy Target (RET) or under VEET but not both, with the exception of solar water heaters.

Likewise, any reduction in energy metered at a building due to on-site renewable energy generation that has been claimed under the RET must not be claimed under VEET. Any energy generated by an on-site renewable energy system must be included in the reported energy consumption shown in Equation 2 in Division 1 of the proposed new Schedule 38 of the VEET Regulations.

No proposed crediting hurdle

The ESS and ERF benchmark rating methods both include a ***crediting hurdle***. This is where credits under those schemes are only awarded for energy improvements over and above a particular level. There is no required crediting hurdle in the proposed Victorian method.

*Please note: NABERS rounds the star rating to the nearest half a star. A project which does not result in a change in rating will not be eligible for VEECs.*

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| **Question:**  The proposed approach is different to NSW ESS and Commonwealth ERF schemes. Is this preferable to aligning these schemes? |

Building variations and expansions

When a building undergoes a major renovation or expansion, the planning requirements may trigger the building code, which requires certain energy efficiency activities. Energy efficiency improvements undertaken for compliance reasons cannot be credited under VEET.

To account for this, buildings which require planning approval during the project have different baseline ratings.

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| Building type | Baseline rating |
| Office buildings | 4 |
| Hotels | 4 |
| Shopping centres | 4 |
| Data centres | 5 |

These baselines apply from the year the planning approval is granted and supersede the normal baseline rating. Some local planning schemes require buildings seeking development approval to meet a certain NABERS star rating. In locations where a local council has such a requirement for planning approval purposes, any locally required rating will be considered the baseline rating.

For example, the City of Melbourne requires office buildings larger than 2000m2 to meet a NABERS energy rating of five stars. The baseline star rating for any office building undergoing a major renovation requiring planning approval would therefore be five stars.

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| **Question:**  Are the proposed baselines appropriate?  The proposed approach is different to NSW ESS and Commonwealth ERF schemes. Is this preferable to aligning these schemes? |

Administrative requirements

Project plan

All projects must submit a project plan to the ESC before the project activities are undertaken. It must include:

* the benchmarking rating scheme and reverse calculator that will be used
* the address of the building
* details of the baseline rating
* a brief description of the project activities
* services that will be affected
* a risk management plan.

The ESC must approve the project plan. It can only approve projects which it deems ‘reasonably likely’ to reduce greenhouse gas emissions. This gives the ESC the power to reject illegitimate projects.

It is not permitted to have more than one benchmark rating project taking place at the same site. To help APs identify whether another project is taking place at a given site, it is possible that the ESC might maintain a public register of benchmark rating projects, to be listed from the project plan stage. However, there are concerns that this could compromise commercial confidentiality.

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| **Question:**  Should a public register be maintained? If so, what information (e.g. project type, site address, name of AP, or other information) should be placed on such a register? |

Project variations

It is possible to change the activities undertaken after the project has started. However, a project variation must be submitted to the ESC. This variation must be accompanied by an updated risk management plan and must be received by the ESC before any new treatment activities are undertaken.

The method specifies some aspects of the project which cannot be varied, including the address of the building, the benchmark rating scheme and services affected by the project.

The use of approved products

Where products installed as part of a benchmark rating project happen to be products that are already registered under VEET, these products must meet the existing VEET product standards. For example, if the treatment involves installing LED lights which are a registered product under schedule 34, these lights must meet the existing schedule 34 product requirements.

Disposal of products removed

It is proposed that certain products must be decommissioned if removed as part of a benchmark rating project. The proposed changes to the Regulations would give the ESC the power to maintain a register of such products under new Regulation 9A. It is also proposed that if a product is removed and if that type and size of product is normally required to be decommissioned under another VEET activity, the same decommissioning requirements would apply.

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| **Question:**  Do you have any comments on this proposed method? |

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

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](mailto:energysaver.incentive@ecodev.vic.gov.au).

Please use the subject:   
*VEET Benchmark rating method*

Submitting by post

Responses may also be provided in writing to:

*VEET Benchmark rating method*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 for the closing date:  
[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 contain sensitive information that is not for publication.

Authorisation

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