

Consultation: Combined audit process for Scheme Participants

7 September 2022

1 We are seeking feedback on our proposed combined audit process

The Peak Demand Reduction Scheme (PDRS) is a new certificate scheme to reduce peak electricity demand in NSW, starting in the summer of 2022–23.

The PDRS is a certificate-based scheme. It works by creating a market for Peak Reduction Certificates (PRCs) by requiring Scheme Participants (mainly electricity retailers) to meet their scheme obligations by surrendering a certain number of PRCs each year. Scheme Participants are required to participate in the PDRS.

The PDRS has the same Scheme Participants as the Energy Savings Scheme (ESS). Its introduction means that Scheme Participants will have more reporting and certificate surrender obligations including:

- Collection of demand data for 4 peak days nominated by the Scheme Regulator (IPART)
- Audit and submission of individual liable demand
- Submission of an annual statement setting out:
 - Individual certificate target
 - how obligations will be met
- Surrender of PRCs to meet PDRS obligations

Many of these obligations are like the obligations under the ESS, but because the PDRS has a different compliance period the reporting requirements fall at a different time of year.



If audit and reporting requirements are kept separate for the two schemes, Scheme Participants will have to engage an auditor to conduct two separate audits to meet their ESS and PDRS obligations.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

To reduce the burden on Scheme Participants and improve efficiency, we are proposing to combine the audit processes for PDRS and ESS.

2 Proposed Combined Process

The indicative timeline for the combined process is shown in the figure below. It is based on timings set out in the *Electricity Supply Act 1995* (Act), however we note that some activities may occur later as permitted in the Act.

It is anticipated that Scheme Participants will start engaging an auditor in May to undertake an audit of the:

- Annual Energy Savings Statement (AESS) for the ESS
- Individual liable demand for the PDRS

Market related data from the Australian Energy Market Operator (AEMO) will be supplied by IPART from mid-August, but this may happen later depending on when data is available. The combined audit report, AESS and the PDRS Individual Liable Demand are to be submitted to the Scheme Regulator by 30 September. Energy Savings Certificates and PRCs may be surrendered after the AESS and PDRS annual statements are submitted (30 September and 15 February respectively).

By combining the audit and reporting requirements, shortfall penalty payments will be payable in mid April of the following year for both the ESS and PDRS. This is later than is currently required for the ESS (30 June). In addition, more accurate data can be used to determine ESS liabilities because Scheme Participants will be able to use data from the 20 week revised statement which contains fewer estimates.



Consultation questions

No	Question
1	Is there anything about the combined audit approach that will impact (positively or negatively) your current processes? If so, what are the issues?
2	Does the timing of the combined audit approach adversely affect your business? If it does, please explain how.
3	Would you prefer to keep the audit and compliance processes separate? If so, why?
4	Are there any benefits to you to use the 20 week revised statement from AEMO for your ESS reporting? If so, what are they?

- 5 Given the timing set out above, could the audit of Individual Liable Demand and the AESS be completed by 30 September?
- 6 Are there any impacts on your business from deferring ESS shortfall penalty payments to March in the following year?
- 7 Does requiring shortfall penalty payments for both schemes at the same time have an impact on your business? If so, please explain what these impacts are

3 Next steps

Please send your submissions addressing the consultation questions and any other feedback on the combined process to ESS@ipart.nsw.gov.au by 28 September 2022.

We will review all submissions and publish a response on our website.