

ESS NOTICE 05/2016

Expanded Audit Scope – Commercial Lighting Formula

This notice is applicable to auditors and Accredited Certificate Providers with accreditations under the Commercial Lighting Energy Savings Formula

29 July 2016

The purpose of this notice is to inform auditors and Accredited Certificate Providers (ACPs) of revisions to the scope of works associated with audits of energy savings certificate (ESC) creation (including proposed ESC creation) under the Commercial Lighting Energy Savings Formula.

\$5 per MWh payment requirement

Under clause 9.4.1(e) of the *Energy Savings Scheme Rule 2009 (Rule)*, Energy Savings may only be calculated for an Implementation under the Commercial Lighting Energy Savings Formula if:

the Purchaser pays a net amount of at least \$5 (excluding GST) per MWh of Electricity Savings, which must not be reimbursed, for the goods or services making up the Implementation, as evidenced by a tax invoice and/or other evidence acceptable to the Scheme Administrator...

This means the Purchaser must pay an amount equivalent to at least \$5 per MWh of electricity saved in respect of every Implementation. IPART has obtained information indicating that some ACPs and/or their representatives are offering rebates or credits which reduce the amount paid by the Purchaser below \$5 per MWh. We are also aware of circumstances in which it appears that no payment has been required.

Reimbursements or credits, by anyone at any time, that result in this net amount falling below the \$5 per MWh co-payment requirement are not acceptable for the purpose of ESC creation under the Energy Savings Scheme.

In response to these concerns, we are requiring auditors to expand checks to ensure that all ESCs created by ACPs have been created in accordance with the requirements of the *Electricity Supply Act 1995 (NSW)*, *Electricity Supply (General) Regulation 2014 (NSW)* and the Rule.

Scope Changes

The following **minimum** scope items are to be included in all ESC creation audits (including pre-registration) of commercial lighting formula accreditations. These requirements are additional to all existing audit requirements:

1. The auditor must check a certified copy or extract from a sales ledger clearly showing that the Purchaser paid for the lighting upgrade. This check must be performed for all implementations within the tier 2 sample.
2. The auditor must obtain confirmation from the Purchaser that:
 - a) they have made, or are legally required to make, a co-payment; and
 - b) where a reimbursement or credit of any kind was made or offered, that this did not, or will not, reduce the net amount paid by the Purchaser below the \$5 per MWh minimum net co-payment.

This check must be performed over a reasonable sample of implementations within the tier two sample. At a minimum, it must include at least one implementation undertaken by each installer, lighting supplier or contractor (but may require more, for example if a single contractor has undertaken a large portion of Implementations covered by the audit).


Note: For the purpose of this item verbal or email confirmation of payment from the Purchaser is sufficient. However, where the Purchaser advises that no payment was made or that a credit or rebate was offered, the auditor should request documentation or any additional information necessary to establish the net amount of any reimbursement or credit made or offered. If the auditor is unable to obtain the necessary verification, the auditor will need to note the circumstance and expand the sample to ensure the coverage is consistent with the requirement above.

If an ACP asserts that the \$5 per MWh co-payment has been met by the purchaser by means other than by immediate payment of funds (such as by lease or payment in kind), auditors will need to:

- ▼ be satisfied that the purchaser has made or is required to make a payment for the goods or services making up the Lighting Upgrade
- ▼ be satisfied that the value of the payment in kind was actually sufficient to meet the minimum co-payment requirement, and
- ▼ obtain evidence to verify that the payment has been or is required to be made.

We note that such transactions occur in the context of taxable business activities, and records should be readily available.

In any case, where non-compliance is identified, auditors are expected to expand their checks to the extent necessary to establish how representative the non-compliance is within the sample. We again note that the information should be readily available as businesses would generally be expected to retain such records (for tax purposes, for example).



If we have been provided with specific information regarding non-compliance, broader scope items may be required. If relevant, this will be communicated at the Detailed Scope of Works (**DSW**) stage of an audit.

Where we consider the above requirements are not appropriate or unreasonable for a given audit, we will work with the auditor to determine an alternative requirement. For example, we would consider alternatives where an audit has a large number of implementations by a single party, or many small implementations from different parties.

Nomination date

We would also like to take this opportunity to remind ACPs that are nominated Energy Savers that under clause 5.2 of the Rule, ACPs must be nominated with respect to Energy Savings arising from any implementations as at the Implementation Date. This may be verified at audit.

Future Changes

We are currently considering revisions to requirements and guidance related to the Purchaser co-payment. This is expected to include further changes to audit requirements and changes to minimum evidence requirements outlined in the *Commercial Lighting Evidence Manual*. In the interim this notice is to be used as the current guidance material on this issue.