EEIS AUDIT REPORT

2019 Compliance Audit of ACT Tier 1 Retailer – ActewAGL Retail (AAR)

ENERGY EFFICIENCY (COST OF LIVING) IMPROVEMENT ACT 2012

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1. EXECUTIVE SUMMARY

The 2019 Audit Report presents the energy savings result (ESR) for the ACT Tier 1 Retailer under the Energy Efficiency Improvement Scheme (EEIS). Audit principles and procedures are detailed in the standard operating procedures *EEIS Retailer Auditing.*

ActewAGL Retail (AAR) submitted their *2019 Compliance Period Report* on time and the key results towards the energy savings result determination can be found in Table 1. AAR's total claim for activities delivered during the 2019 compliance year was [redacted] and after desktop auditing this was determined to be [redacted] herefore, the final abatement value achieved by ActewAGL is [redacted] or 2019. This overlcaim is due to the inclusion of additional previously unreported abatement for the 2018 period totalling [redacted] and some duplication of activities which has since been removed by AAR. The audit of the activities conducted in 2018 have been calculated and added to the 2018 surplus.

Table 1 details AAR's claimed abatement, Retailer Energy Savings Obligation (RESO) for Non-Priority Household Target (non-PHT)/Priority Household Target (PHT) along with 2018 Compliance Period surplus brought forward and the 2019 surplus that will be carried forward into 2020.

TABLE 1 - RESULTS FROM THE 2019 DESKTOP COMPLIANCE AUDIT

2019 Compliance Period Preliminary results	Non-Priority Household Target (tCO2-e)	Priority Household Target (tCO2-e)	Total (tCO2-e)
Net AAR position (2018 surplus)	[redacted]		
Additional 2018 surplus			
AAR 2019 RESO			
2019 RESO less 2018 surplus			
2019 Energy Saving Result Claim			
Energy Saving Result			
Final AAR position as of 31 December 2019			

For the 2019 compliance period AAR were requested to undertake an independent audit and provide the resulting report to the EEIS. The independent audit was conducted by RSM Australia Pty Ltd (RSM). The details of this audit are summarised in Section 4 and in the attached *ActewAGL Results of Independent Audit Report 2019* document.

The EEIS team was satisfied with the independent audits scope, thoroughness and findings and therefore it forms the majority of the works for this desktop audit. In addition, this audit report provides some pointers which can be used in continually improving the EEIS audit procedures.

A phone survey and on-line survey were also completed as well as a series of desktop audits to arrive at this result. Based on this set of audit activities, AAR can be deemed to have met their energy savings obligation for the 2019 compliance period.

2. BACKGROUND

The Energy Efficiency Improvement Scheme (EEIS) started on 1 January 2013 and has recently been extended until the end of 2030. The EEIS sets a Territory-wide energy savings target and includes obligations for ACT electricity retailers to meet an individual Retailer Energy Savings Obligation (RESO).

The *Energy Efficiency (Cost of Living) Improvement Act 2012* (the Act) provides the legal framework for the EEIS. The Act contains the legal obligations and options that electricity retailers have under the scheme to meet their RESO, one of which is to undertake eligible energy savings activities. These activities are determined by the Minister for Water, Energy and Emissions Reduction (the Minister) and must be carried out in accordance with codes of practice approved by the EEIS Administrator. Retailers incur penalties if they do not meet their targets. More information on the Act is available on the ACT Legislation Register.

3. 2019 OVERVIEW

The following graphs show the results of EEIS during the 2019 compliance year. The following list describes the Activity number and corresponding Activity Description

- 2.1 Install a high efficiency central air conditioning heat pump
- 2.2 Replace a ducted gas heater with a high efficiency ducted gas heater
- 2.3 Install a specified high efficiency electric room heater
- 2.4 Install insulated space conditioning ductwork
- 3.1 Install a specified high efficiency hot water heater
- 3.2 Decommission an electric resistance water heater and install a specified high efficiency water heater
- 4.2 Commercial Lighting Upgrade Activities
- 5.1 Decommissioning and disposal of refrigerator or freezer

Figure 1 shows the breakdown of the activities that have been delivered. Most energy savings have been achieved through while space heating and cooling activities, including ducted gas upgrades and upgrading flued gas heaters with reverse cycle air conditioner installations. Commercial lighting activities have also delivered strong energy savings. Appliance activities are limited to decommissioning and disposal of old refrigerators and freezers which are a small yet consistent addition to savings overall.

4. INDEPENDENT AUDIT REPORT

Section 19(3) (a) of the Act allows the Administrator to require an independent audit of some or all of the information provided in the compliance period report. To assist with AAR's business planning, the Administrator required an independent audit through the notification letter for the 2018 Energy Savings Result. The terms of reference required by the Administrator for the independent audit are summarised in Box 1.

BOX 1 TERMS OF REFERENCE FOR INDEPENDENT AUDIT

AAR appointed RSM for the independent audit, partly because they are on both the Victorian Energy Efficiency Target (VEET) and the NSW Energy Savings Scheme (ESS) lists of approved auditors. The methodology employed by RSM is shown in Box 2.

BOX 2 RSM METHODOLOGY FOR INDEPENDENT AUDIT

Audit procedures reviewed and evaluated the following:

- EEIS Control Environment;
- Systems used to capture data and value reported;
- Processes around commercial lighting activities;
- Processes around ducted gas heating and ductwork upgrade activities;
- Processes around hot water heater upgrade activities;
- Fridge buy back scheme;
- Education and training.

The audit report opinion from RSM is shown in Box 3.

BOX 3 RSM OPINION

In our [RSM] opinion, the 2019 Compliance Report presents fairly, in all material respects, for the period 1 January 2019 through 31 December 2019 in relation to:

- the number of activities completed;

- the amount of abatement claimed;
- the quantity of electricity sold;
- the achievement of the priority household target and retailer energy savings obligation; and
- confirmation that the delivery of on-ground activities were consistent with the EEIS code of practice.

5. RECONCILIATION OF SUPPLIED DATA

An assessment of the figures supplied in the compliance period report was conducted against the data supplied by AAR. This involved a recalculation of the totals for items such as PHT, claimed abatement etc. from the compliance period data supplied and ensuring these figures match those in the report.

All recalculations fall within ±5% the figures as reported in AAR's compliance period report however an adjustment to the ESR was required after auditing and is due to the inclusion of previously unreported activities conducted in 2018. The additional abatement for 2018 has been determined and included in the 2018 surplus amount. The total additional abatement is [redacted] abatement from activities conducted in priority households and [redacted] abatement in non-priority households.

Auditing revealed some duplicate entries in the dataset supplied. The duplicate entries were removed from the dataset for 2019 by AAR during auditing and the abatement has been determined to be [redacted]

6. EEIS AUDITING 2019

As part of all ESR determinations the EEIS conducts various auditing tasks consistent with the standard operating procedures *EEIS Retailer Auditing*. For the 2019 compliance period desktop and photographic audits were conducted by RSM, and phone/online surveys were conducted across stratified random samples for each activity by Jetty Research. An overview of the RSM audits is shown in Table 2. EEIS conducted auditing for both the 2019 activities and the additional 2018 activities. No on-site inspections were conducted due to Covid19.

TABLE 2 – RSM AUDITS PER ACTIVITY

Activity number	Activity Description	Total installations	Desktop audits	Photographic audits
2.1	Install a high efficiency central air conditioning heat pump	[redacted]	22	3

2.2	Replace a ducted gas heater with a high efficiency ducted gas heater		29	6
2.3	Install a specified high efficiency electric room heater		33	6
2.4	Install insulated space conditioning ductwork		29	0
3.1(c)	Install a specified high efficiency hot water heater		2	0
3.2(c)	Decommission an electric resistance water heater and install a specified high efficiency water heater		2	1
4.2	Commercial Lighting Upgrade Activities		276	56
5.1	Decommissioning and disposal of refrigerator or freezer		6	0
Total			399	80

ACTIVITY 2.2/2.4 - UPGRADING DUCTED GAS HEATERS TO EFFICIENT CENTRAL GAS HEATERS

EEIS auditing determined were [redacted] installations for activities 2.2 and 2.4.

RSM auditing determined there were eight (8) instances noted where the abatement was calculated using an incorrect heating capacity (29KW instead of 30KW) for the model [redacted] being installed, as agreed with VEET Product Register. This has been subsequently addressed by AAR where the abatement claimed in the 2019 Compliance Period Report had been corrected to reflect the 30kW heating capacity for all the affected items across the 2019 Compliance Period Report.

ACTIVITY 2.3 – REPLACING FLUED GAS WALL HEATERS WITH EFFICIENT ELECTRIC HEAT PUMPS

EEIS auditing determined [redacted] implementations of this activity were claimed by AAR in 2019, with [redacted] activities conducted in priority households and [redacted] activities conducted in non priority households. With the majority of priority households classed as Housing ACT

(HA) properties as part of a joint initiative between the EEIS, HA and AAR. No compliance issues were determined during EEIS auditing,

ACTIVITY 3.1/3.2 – UPGRADING WATER HEATER WITH HIGH EFFICIENCY

There were [redacted] activities conducted with no compliance issues found.

ACTIVITY 4.2 – COMMERCIAL LIGHTING UPGRADES

Commercial lighting activities continue to be a major part of AAR's abatement claim with a total of [redacted] records determined during EEIS auditing. No compliance issues were determined.

AAR did succeed in improving reporting over the course of the year however to further facilitate this the EEIS Administrator deemed that AAR would be required to undertake independent auditing of commercial lighting activities and also increased the frequency of reporting from quarterly to monthly for the 2019 compliance period. This proved successful for the first half of 2019 and the monthly frequency is currently under review to decide if it is still required for the later half of the year.

ACTIVITY 5.1 – REMOVAL OF REFRIGERATORS AND FREEZERS

AAR submitted a gas activity statement which is a cylinder activity statement for gas cylinders used in the degassing of fridges and freezers. The activity statement is consistent with the requirements of the activity.

RSM noted the Fridge Buy back forms have not been updated with the current abatement values stipulated in EEIS Code of Practice. RSM notified AAR of this and subsequent audit testing confirmed that abatement values claimed in the Compliance Period Report to be consistent with the values stipulated in the legislation.

7. ONSITE AUDITS

On site inspections were not conducted this year due to Covid19. The independent auditor, RSM, did not conduct onsite audits. ACT Government conduct compliance safety check where a breach or incident has been identified. No breaches or incidents have been identified or reported. No compliance issues have been determined in the past from onsite inspections and the associated risk is deemed to be low.

8. EMAIL AND PHONE SURVEYS

To fulfil the EEIS Standard Operating Procedure of conducting a form of higher target participation auditing, the EEIS contracted Jetty Research to conduct phone surveys of residential participants and an email survey of business participants.

By nature, both of these surveys lean mainly to providing customer satisfaction data, yet some audit-based criteria are also met. The results of both surveys were mostly positive and go to demonstrate the general quality of activities conducted and also the high opinion of the community toward the scheme.

Jetty Research's 'EEIS 2020 FINAL REPORT PDF' paper contains details and results of the surveys conducted.

9. RECORD KEEPING AND REPORTING CONSISTENT WITH THE CODE

Section 59 of the Energy Efficiency (Cost of Living) Improvement (Record Keeping and Reporting) Code of Practice 2018 (the Record Keeping and Reporting Code of Practice) lists the information which retailers are required to include in periodic activity reports to the Administrator.

The EEIS performed an assessment to determine that the compliance period report was complete and met the requirements of the Record Keeping and Reporting Code of Practice. The results of this assessment are shown in Table 3.

TABLE 3 – COMPLIANCE WITH RECORD KEEPING AND REPORTING REQUIREMENTS

Element	Result
Description of requirement	**The list in Appendix 1 shows reporting requirements.**
Audit procedures	**Each reporting requirement was checked in the compliance database.**
Findings	**All reporting requirements are met. The reporting standards meet all of the legal obligations and allow for auditing consistent with the audit principles.**
Conclusion	**Pass. All reporting requirements are met.**

10. CONCLUSION

Based on the auditing conducted, AAR can be deemed to have been compliant in their activities under the EEIS. Delivery and reporting have both been of a high quality overall and no systemic issues have been uncovered. AAR can therefore be deemed to have met their obligation under the EEIS for the 2019 compliance period.

APPENDIX 1 – RECORD KEEPING AND REPORTING REQUIREMENTS CHECKLIST

14/09/2020	Energy Efficiency Improvement Record Keeping & Reporting - Part 3 & 8 of the Code of Practice	Abbreviations	Abbreviations
	(Act Part 19)	We or "Us"	Administrator
Retailer	**ActewAGL**	R.	Retailer
8(74)(1)	If incomplete notify within 10 working days	Y	Yes (Complete)
8(74)(2)	If complete notify within 10 working days	N	Not Complete
		N/A	Not Applicable
Section	**Pre-requisites for reporting**	**Notes**	**Completed**
3(15) (1+2+3)	Retailer must nominate Record Keeping & Reporting Contact, & provide contact details; need not be w. Approval authority but needs to be Senior officer. If officer changes we must be notified within 5 business days.	This is done prior to reporting and on an ongoing basis	
3(19)(2)	Provide required info. to us via secured electronic link to epd-eeis@act.gov.au (more than 2 working days before due)	Request sent by R to inbox and link to Objective Connect provided to R	
3(17) (8)	Document named correctly < retailer prefix>_<issue date>_compliance period report_2019		
Section	**Element of Code**	**Notes**	
8(67)(1) (a)	Total sales in MWh		
8(67)(1) (b)	Eligible activities undertaken		
8(67)(1) (c)	Approved abatement factors aquired by retailer		
8(67)(1) (d)	Total abatement factors for eligible activities		
8(67)(1)(e)	Total abatement factors undertaken in priority households	Tier 1 only	
8(67)(1)(f)	Total obligation to be achieved by paying an energy saving contribution	Tier 2. Expressed as	
8(67)(2)	Carried forward surplus or shortfall from previous compliance period		
8(67)(3)	For each activity completed, include:		
(a)	activity record form identifier		
(b)	Activity ID		
(c)	Authorised contractor/seller/installer identifiers		
(d)	Relevant building classification		
(e)	New premises identification		
8(67)(3)(f)	For activity that requires authorised installer:		
i	block, section, devision/district		
ii	business name, unit/street number/name/suburb/postcode		
iii	occupancy status - public/comm housing, private rental, owner occupier, vacant commercial premises		
8(67)(3)(g)	For activity that does not require authorised installer, all of the above plus: year of construction, whether it is priority or not, class of priority, consumer's name & number, and all activity undertaken		
8(68)(1)	R. w sales & obligation greater than zero must also include:		
(a)	Calculation of total costs incurred in meeting obligations		
(b)	For a REC retailer - amount they are paying of their Energy Saving Contribution	Tier 2. Expressed in $	
(c)	calculation of costs undertaking eligible activities less any co-		
(d)	with CoP		
(e)	calculation of estimated administrations costs for preparing reports, etc		
(f)	total monetary value of all contributions & payments made by consumers		
(g)	total monetary value of all contributions & payments made by other		
8(69)	If we require Independent Audit, results must be lodged w. compliance report in accordance with part 9 of this code.		
8(71) (1)	R. report must be Approved by acting CEO or GM of the company, or person holding delegation to exercise the power at a level equivalent of the CEO.		
8(71) (2)	Report must include signed declaration	See Schedule 2 of Code	
8(72)(1)	Compliance report supplied in writing in .pdf & .doc/.docx		
8(72)(2)	Info. re: individual eligible activities must be supplied in CSV file(s).		
Section	**Element of Act**	**Notes**	
19	Information to be given to us no later than 31/3/17		
19 (2)(a)	Total Electricity Sales		
19 (2)(b)	Approved Eligible Activities		
19 (2)(c)	Approved Abatement Factors		
19 (2)(d)	Total Abatement Factors		
19 (2)(e)	Total Abatement Factor in Priority Households		
19 (2)(f)	The Extent to which the R's obligation will be achieved by paying		
19 (2)(g)	Anthing else that we'd like to request		