

## Property Council of Australia (Victoria)

### Project-based assessments in the Victorian Energy Efficiency Target (VEET) Scheme

The Property Council of Australia welcomes the opportunity to make a submission to the Victorian Department of Economic Development, Jobs, Transport and Resources on project based assessments in the Victorian Energy Efficiency Target Scheme (VEET) consultation.

#### Background

The Property Council of Australia is the peak representative of the property industry. Our 2,200 members are Australia's major investors, developers and owners of commercial, residential, industrial, retail, retirement living and hotel assets worth over \$600 billion.

The Property Council commends the Government on its work to introduce project based assessments to VEET. We believe that any new assessment methods should be accompanied by an auditing and compliance process that is both efficient and cost-effective. Reducing the administrative burden around participation will be key to actively engaging a full range of energy users.

In line with our recommendations below, we believe the State Government, through the Essential Services Commission, should play an ongoing role in facilitating the VEET market. To overcome the limited knowledge of VEET within the commercial buildings sector, we call on the Government to improve the marketing of the scheme, by providing tools and resources showing how potential participants can engage with the scheme. Some examples include providing greater visibility in reporting aspects, and case studies to assist with decision making, along with a more user-friendly website.

#### Proposed M&V method

*Do you envisage a market for the proposed M&V method? Why/why not?*

The Property Council supports the use of the proposed M&V method approach, and at face value the approach taken by the NSW Energy Saver Scheme (ESS), as well as the concept of forward creating certificates. However, this should be subject to:

- The recognition of industry's ability and interest in forward funding investments in energy efficiency improvements; and,
- The recognition that some improvements are more 'set and forget' than others. For instance, lighting upgrades are relatively 'set and forget' compared to HVAC upgrades which may depend on good operating and maintenance practices to maintain savings and justify enduring certificates.

The discussion paper rightly recognises that cost may be a barrier when using the M&V method. Ideally, the maximum amount of the financing should go to the investment in the improvement works and a minimum towards management and verification.

## Other proposed M&V methods

*Do you envisage a market for these proposed methods? Why/why not?*

*Are there any other project-based assessment methods which the Department should consider as a priority? (note please make calls for new deemed methods separately)*

The Property Council supports a method that recognises improvements to an accredited NABERS rating. As mentioned in our previous feedback to the Department, we believe the key benefit of this method is its ease of use, which is likely to appeal to building owners / managers who are already familiar with this rating system. The property industry is well equipped to engage with NABERS, which is driven by the Commercial Building Disclosure scheme. It is worth noting that Federal Government has also expressed a commitment to promote commercial building ratings and disclosure, as well as the wider use of ratings schemes such as NABERS in the National Energy Productivity Plan.

The Property Council understands that use of the NABERS baseline method in the NSW ESS is conditional on a number of criteria that seek to normalise variations in the building configuration (e.g. metering arrangements and on-site energy generation). We seek further information on how a potential NABERS baseline method in the VEET scheme would seek to demonstrate additionality, as well as address the potential impacts of large-scale variations in occupancy levels across rating periods.

We urge the Government not to introduce thresholds for engaging with the NABERS baseline method. In particular, the requirement that NABERS ratings must be one star above the historical baseline or default benchmark, a feature of the NSW ESS scheme, would not be supported. We would also be opposed to a requirement for commercial buildings to achieve an ongoing reduction in baseline emissions each year, similar to the Emissions Reduction Fund methodology for NABERS rated commercial buildings (which stipulates a 0.15 star annual 'business as usual' reduction in baseline emissions). Introducing such thresholds fails to take into account the cost benefit equation for delivering a higher star-rated commercial building. This could be prohibitive for mid-tier buildings in the commercial office sector (generally defined as B, C, and D grade assets which generally are lagging in energy efficient performance and have lower NABERS energy ratings).

We are prepared to support a smaller scale M&V method for energy savings projects with equipment and/or maintenance upgrades as outlined in the "Best Practice Guide to Measurement and Verification of Energy Savings" companion document, developed by the Australasian Energy Performance Contracting Association.

## APS

*What minimum qualifications and/or experience should an AP need in order to deliver the M&V method?*

The Property Council believes that the Certified Measurement & Verification Professional (CMVP) program would provide Accredited Professionals (APs) training to deliver the M&V method. However, to ensure demonstrable experience, the use of PIAM&V method should also be a suitable alternative.

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## **PBA Assessors**

*What minimum qualifications and/or experience should a PBA Assessor possess in order to demonstrate capacity to provide assessments?*

*How can the independence of the PBA Assessor be assured?*

*Should APs be able to act as PBA Assessors if they are able demonstrate they don't have a conflict of interest?*

*Should an AP be able to choose their own PBA Assessor, or should PBA Assessors be assigned by the ESC?*

While the CEEL qualification would enable a PBA assessor to demonstrate their capacity to provide assessments, as a broader qualification, it would be too restrictive if applied as a mandatory requirement. We believe that the CMVP or CEES, plus experience would be suitable.

The AP should be able to choose their own PBA as long as they are certified with an accreditation scheme that has strict probity and/or ethics element and as long as there is no conflict of interest. While established businesses are more likely to have the knowledge to engage with certificate providers, the risk of a joint role leading to unscrupulous or unprofessional practices is more likely to occur on sites with owners who have less industry knowledge (compared to institutional owners) particularly if there are no minimum qualifications or experience criteria applied to APS. In cases where the businesses and the AP are separate entities, the task of choosing a PBA Assessor should rest with the participating business in the first instance, as they will be liable for any reputational risk incurred from a breach in regulatory compliance. The AP should only be able to select the PBA Assessor by default.

## **Eligibility**

*Is it preferable that this information is provided later at the M&V Plan step?*

*Are there any potential issues at this step with commercially confidential information, e.g. budget information? How could this be managed?*

We believe it is preferable to have information submitted at an earlier stage for better program operation and surety in the market.

## **M&V Plan**

*What information should be required in the M&V Plan, and what should be able to be provided later? Please refer to the proposed content listed in this section, as well as the PIAM&V method and IPMVP framework.*

The information outlined is satisfactory.

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### **Operational verification**

*How can proponents demonstrate that the implementation has been installed correctly and is operating as intended?*

The M&V Plan should set out how ongoing verification is to be addressed. There may also be an ongoing role for the PBA assessor in providing and verifying a statement at the completion of installation and commissioning.

### **Reporting energy savings**

*Is 10 years an appropriate length of time to allow top-up or annual certificate creation to continue? Why/why not?*

While ten years is reasonable for some improvement projects (e.g. a chiller replacement), for others like lighting upgrades it maybe too long as these systems have shorter economic or technical or practical life-cycles. The proposal for PBAs to review the energy savings report prepared by the AP annually also seems excessive and is likely to result in increased program costs, as well as pose continuity issues for PBAs over such a long period. We recommend that a review of the savings report by a PBA in the first year following project implementation or where there are significant variations in the actual versus estimated savings.

### **Skills and capacity development**

*What training or capacity development needs are needed to support businesses using the M&V Method in Victoria?*

While the appropriate training and certification arrangements (CMVP, CEEL, CEES) are in place, the capacity (number of people trained / certified) is low because there is currently a low demand for these certifications. We anticipate the need for additional funding to run more courses as demand for VEET increases.

### **Further Information**

The Property Council welcomes the State Government's commitment to energy efficiency and productivity growth. We look forward to further dialogue with the Department on improving energy efficiency in the built environment, and any of the recommendations outlined above.

### **For further information please contact:**

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