



Victorian Energy Upgrades: Home energy rating assessment

Response to Consultation

December 2022



Acknowledgment

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.



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Executive Summary

On 31 March 2022, the Department of Environment, Land, Water and Planning (the department) opened a public consultation on the proposed introduction of a home energy rating assessment activity (the activity) into the Victorian Energy Upgrades (VEU) program.

An issues paper was provided as part of the consultation which contained key information about the activity as well as draft Regulations and Specifications. The consultation was open for 30 days and can be viewed on the Engage Victoria website:

[Home Energy Rating Assessment | Engage Victoria](#)

The purpose of this consultation was to seek stakeholder feedback on the department's proposed policy design and potential additions to the activity such as the inclusion of other tools or incentivised reassessments.

A total of 68 responses were received from a range of stakeholders including members of the public, energy assessors, community groups, accredited providers, industry bodies and an energy retailer. The department would like to thank the organisations and individuals who took the time to provide feedback.

Stakeholders overwhelmingly supported the introduction of a home energy rating assessment activity into the VEU program.

Key decisions

After reviewing all the consultation submissions, key decisions made by the department include:

1. The department will proceed with introducing a home energy rating assessment activity into the VEU program.
2. The department will not expand the activity to include any other tools beyond the Residential Efficiency Scorecard (the Scorecard) at this stage, as no other tool currently meets the criteria for the activity. However, the department will continue to explore and assess other relevant tools to determine if these can be added to the VEU program in the future.
3. The department will proceed with its proposed approach of providing up-front incentives for undertaking an assessment based on the average energy savings that occur as the result of receiving an assessment. The activity will not, at this stage, include an option for incentives to be based on measurable energy savings following an assessment due to the complexities of such an approach.
4. The greenhouse gas (GHG) abatement for the activity will be deemed as an average 7.5 per cent reduction in the annual energy usage of a household following an assessment.
5. The department will set the lifetime of the activity at five years.
6. The department will limit households to one VEU-incentivised home energy rating assessment during the five-year activity lifetime, unless the owner or tenant at the property changes in that period, in which case the limit will reset.

Maintaining activity integrity

A primary theme of stakeholder submissions was the need to maintain the integrity of the activity.

The department and the Essential Services Commission (ESC) will continually monitor the activity once it is introduced to ensure the highest standard of integrity is being maintained.

Assessors are accredited by government, are regularly audited and must comply with a Scorecard code of conduct and Scorecard Assessor Agreement requirements. Assessors must work with or become an accredited provider under the VEU program to create Victorian Energy Efficiency Certificates (VEECs). Accredited providers are regulated by the ESC and all VEU program participants must follow the enforceable VEU Code of Conduct which provides consumer protections and promotes good conduct by VEU program participants.

If tools other than Scorecard are included in the future, they will be required to meet strict integrity, oversight and quality control requirements.

Other considerations

The department also made the following considerations:

- It is not currently within the scope of the activity to offer additional incentives to low-income households or renters. The department will continue to review assessment cost, uptake and accessibility once the activity is established.
- Dwellings that are located on retirement village land, are Class 1b buildings or have shared heating, ventilation and air conditioning (HVAC) facilities will be excluded from the activity.

Next steps

- The department will finalise the Regulations and Specifications to introduce the home energy rating assessment activity into the VEU program. Accredited providers will be able to create VEECs from the commencement date of the new activity. The commencement date will be set out in the final Specifications which are expected to be published before 31 May 2023.
- The department will work with stakeholders and the ESC to monitor uptake of this new activity and ensure it is meeting the objectives of the VEU program as well as consumer needs.
- The department will continue to review the activity (once established) to consider the scope of the activity and if it is fit-for-purpose, for example through consideration of the inclusion of other assessment tools or the introduction of a reassessment option.
- **Please note that the proposed introduction of this activity into the VEU program (including the draft regulations and specifications attached to this paper) are subject to further consideration and final approval.** Stakeholders are advised not to make any decisions related to home energy rating assessment under the VEU program until final regulations and specifications have been approved and published.

1. Introduction

1.1 About the Victorian Energy Upgrades program

The Victorian Energy Upgrades (VEU) program is a market-based program that helps Victorians to cut their power bills and reduce GHG emissions by encouraging energy consumers to upgrade to energy efficiency technologies.

The VEU program is governed by the *Victorian Energy Efficiency Target Act 2007* and has three objectives:

- reduce greenhouse gas emissions
- encourage the efficient use of electricity and gas
- encourage investment, employment and technology development in industries that supply goods and services which reduce the use of electricity and gas by consumers.

The program is making a significant contribution to Victoria's climate change and energy affordability goals. More than 2 million households and 150,000 business premises have participated in the VEU program since it commenced in 2009. The program has reduced Victoria's GHG emissions by over 75 million tonnes to date with average annual bill savings of \$110 for participating households and \$3,700 for participating businesses.



Reduced GHG emissions by over **75** million tonnes.



Approximately **2 million** households and **150,000** businesses have participated.



Participating households and businesses have saved **\$110** and **\$3,700** respectively on their annual energy bills.



Benefits all Victorians through savings made **across the system** when energy demand is reduced.

The VEU program currently includes 37 activities that can be undertaken in eligible Victorian residential and non-residential premises. Accredited providers who undertake these energy efficiency activities create VEECs. Each VEEC represents one tonne of GHG emissions saved over the lifetime of the activity or product installed. VEECs can then be sold to energy retailers, who must meet an emissions reduction target each year.

For more information on the VEU program, please see the website below or contact the VEU team on energy.upgrades@delwp.vic.gov.au.

VEU website: <https://www.energy.vic.gov.au/energy-efficiency/victorian-energy-upgrades>.

The department is working on several new and revised activities for the VEU program to ensure Victorians have access to the latest energy efficient technologies and to increase the pool of opportunity to deliver the program's targets. More information can be found at [Victorian Energy Upgrades \(VEU\) Market update and work program](#).

1.2 Activity overview

The Victorian Government is working to improve the energy efficiency of new and existing homes. Energy efficient homes are more comfortable, cost less to heat and cool and help reduce greenhouse gas emissions.

Currently, residential energy use accounts for approximately 18 Mt CO₂-e, around 20 per cent of Victoria's total GHG emissions or 42 per cent of Victoria's energy related GHG emissions.¹ Average annual residential electricity bills in Victoria are approximately \$1,055.² For households using gas, average annual gas bills are approximately \$1,150 per year.³ Currently, the average existing Victorian home is only three-star rated out of ten stars on the Scorecard rating scale so there are significant opportunities for households to increase the rating of their home and spend less on their energy bills.⁴

A home energy rating assessment is an assessment of the energy performance of a house and the fixed appliances within, carried out by a suitably qualified professional. The result of the assessment is a rating which details the energy performance of the home and its features and advice which informs homeowners of possible actions they can then complete to improve performance and reduce energy bills.

1.3 Consultation background

On 31 March 2022, the department opened a public consultation on the proposed introduction of a home energy rating assessment activity under the VEU program.

An issues paper was provided as part of the consultation which contained key information about the proposed activity as well as draft Regulations and Specifications.

The consultation and issues paper are available on the Engage Victoria website:

[Home Energy Rating Assessment | Engage Victoria](#)

Stakeholder feedback provided in the consultation has been used to guide and inform the final design of the home energy rating assessment activity. This response to consultation outlines the feedback received by stakeholders and the decisions by the department on how this feedback will be implemented.

1.4 Stakeholder submissions

A total of 68 submissions were received from a range of stakeholders including members of the public, energy assessors, VEU accredited providers, community groups, industry bodies and a retailer. Of the submissions received, a majority were supportive of the introduction of the activity, with positive submissions received from a range of stakeholder types.

Where applicable, actions or responses from the department have been provided to address the points made from stakeholders.

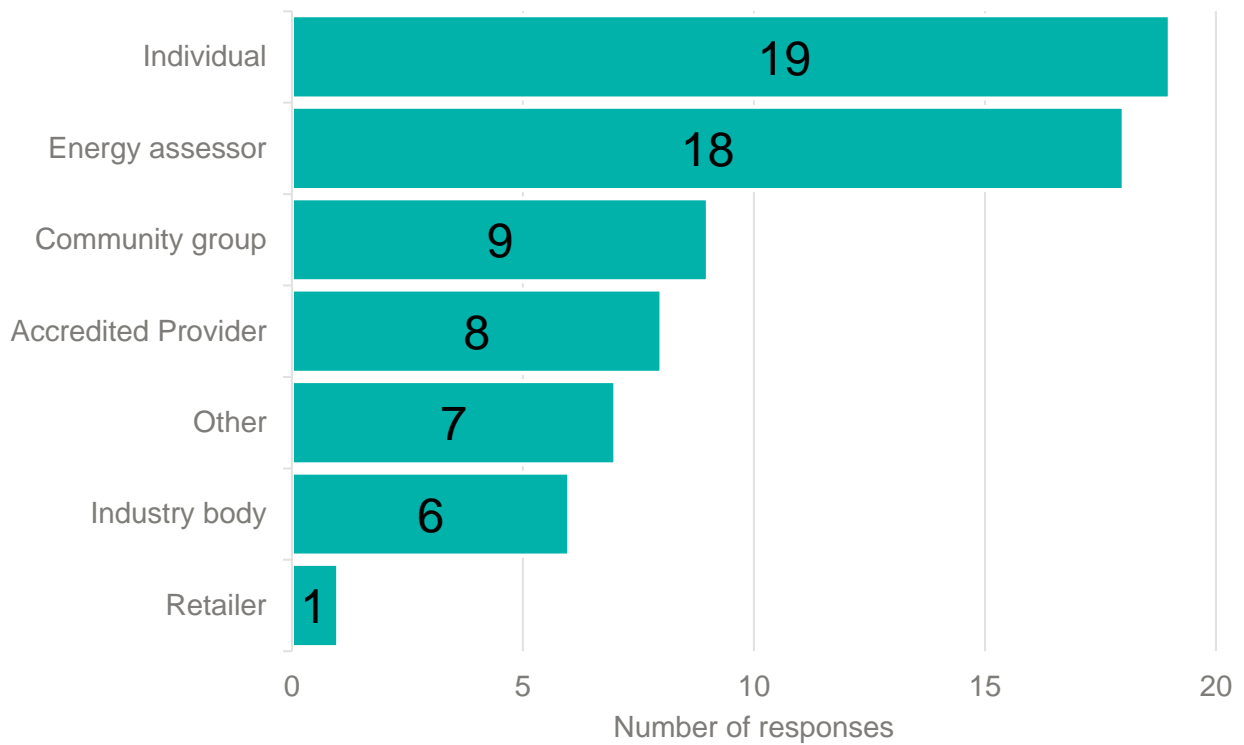
¹ Sustainability Victoria, Victorian Energy Consumption Update – to 2018/19, November 2020.

² Figures for AEMC Residential electricity price trends 2020 – December 2020 <https://www.aemc.gov.au/market-reviews-advice/residential-electricity-price-trends-2020>

³ Using a typical market offer and a consumption of approximately 47,000 MJ per year.

⁴ [What is a Scorecard assessment? \(victorianenergysaver.vic.gov.au\)](#)

Figure 1: Consultation responses by stakeholder type



The department would like to thank all the organisations and individuals who took the time to review the material available on the Engage Victoria website and provide submissions. The department has carefully considered all stakeholder feedback. Responses and revisions to the proposed home energy rating assessment activity, reflecting this feedback, are detailed in the following sections.

2. Response to stakeholder feedback

The following sections present a summary of the stakeholder submissions received for each of the consultation questions and the department's responses and key policy decisions for the activity.

2.1 Support for introducing a home energy rating assessment activity

The department considers that introducing a home energy rating assessment activity into the VEU program would create the following benefits:

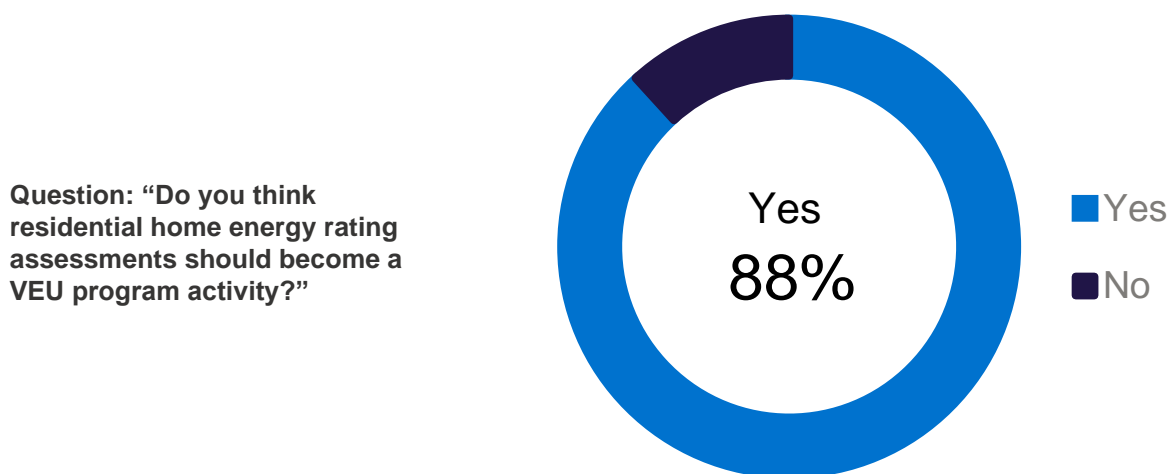
- reducing greenhouse gas emissions and promoting the efficient use of electricity and gas, as a result of households changing behaviour and undertaking energy efficiency upgrades following an assessment;
- encouraging the growth and development of a home energy assessment industry in Victoria, supporting employment and investment in energy efficiency;
- creating opportunities for households to increase their awareness of activities available under the VEU program that are appropriate for their homes and that will enable them to save on energy bills; and
- providing a greater pool of opportunities for accredited providers to create VEECs and for program targets to be met.

A majority of submissions (88 per cent) supported the introduction of a home energy rating assessment activity into the VEU program. A majority of each stakeholder type supported the introduction of the activity.

The overall number of submissions was also very high, indicating widespread community and industry interest in the proposed activity.

Of the eight stakeholders that opposed introducing the activity, most were not opposed to the activity itself, but raised concerns that are being addressed through the design of the activity. These concerns are detailed and addressed in later sections of this paper.

Figure 2: Stakeholder support for introducing a home energy rating assessment activity



The department will proceed with introducing a home energy rating assessment activity into the VEU program.

2.2 Assessment tools

Criteria for inclusion in the activity

The department considered a range of tools when developing the activity and remains open to including any tools which have the required features (outlined below) and can drive genuine emissions reductions.

Required features for tools in the activity

Tools included in the home energy rating assessment activity must have features which strongly influence household energy use and ensure the integrity of the program. These features include:

- assessment information is provided in a way that supports action and is customised to the individual house, comparable (between houses and before and after upgrades) and reputable;
- the assessment tool has a valid and published technical basis which enables it to provide accurate results about the overall energy performance of a home and any recommended upgrades;
- reputable assessment approach, utilising skilled, trained and accredited assessors to ensure assessments are of appropriate quality and accuracy;
- robust quality control and oversight of assessors; and
- technology and administration systems that co-ordinate and maintain these functions, including uniquely identifying assessments and holding validation data (such as photographic evidence).

Residential Efficiency Scorecard

In considering the criteria for inclusion in the activity, the department proposed the use of the Residential Efficiency Scorecard (the Scorecard) as the first home energy rating assessment tool to be incentivised by this activity (features of Scorecard are detailed in Table 1).

Other tools

The department remains open to including additional tools besides the Scorecard in the HERA activity. Under the proposed specifications, the department will be able to expand incentives to cover additional tools so long as they have the required features (outlined above) and are appropriate for inclusion in the VEU program. In the issues paper, stakeholders were asked to put forward any additional tools they supported and to provide data to support their inclusion in the activity. Half of the submissions (51 per cent) supported introducing incentives for home energy rating assessment tools besides the Scorecard into the VEU program. However, these respondents were strongly divided on the type of tools and the specifics of how they could be incentivised.

Of those who supported the introduction of tools other than Scorecard, nearly half (45 per cent) did not identify any specific tool. The most common tools proposed were the Nationwide House Energy Rating Scheme (NatHERS) accredited ratings in five submissions and 'air tightness tests' in three submissions.

The department considers that these tools do not currently meet all the criteria outlined above for introduction into the activity.

Air tightness tests identify air gaps in a building envelope and are conducted using a range of tools and methods. However, they do not possess the required features for inclusion in the activity, as they only assess one aspect of thermal performance and do not consider overall energy efficiency.

Work is underway to expand NatHERS to assess and rate the energy performance of the whole home.⁵ NatHERS Whole of Home will provide information and a star rating of a home's thermal performance and will also provide information about the energy performance of fixed appliances. These changes will support the anticipated introduction of increased energy efficiency requirements in the Building Code of Australia, coming into effect from 31 May 2023.

⁵ <https://www.nathers.gov.au/WholeofHome>

The department will consider introducing NatHERS Whole of Home into the VEU program once this tool is finalised, provided the department is satisfied it has the required features and there are genuine opportunities for energy abatement.

Figure 3: Stakeholder support for introducing other home energy rating assessment tools besides the Scorecard

Question: “Are there other home energy rating assessment tools that you would like to see incentivised by the VEU program?”

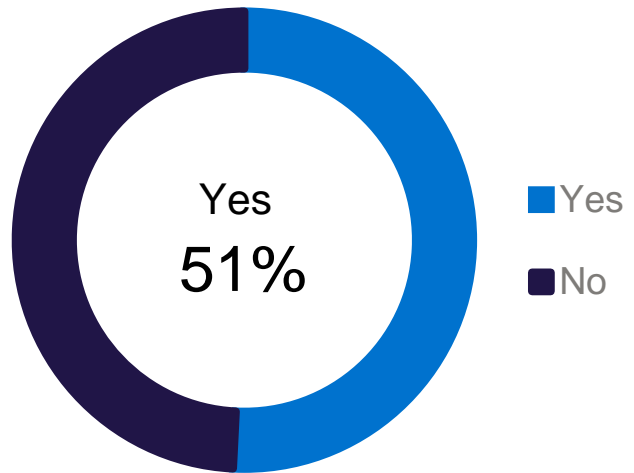


Table 1: Scorecard assessment features

Assessment feature	Scorecard
Customised	Provides information on the benefit of upgrades specific to the building fabric and fixed appliance mix of the house assessed.
Comparable	Provides a comparable overall house energy performance 'star' rating. It avoids grouping large numbers of houses at the lowest rating as this disengages householders; where justified, it should be feasible to achieve a higher rating by undertaking upgrades. This approach is supported through lessons from international schemes and the Low Carbon Living CRC.
Reputable	A range of experts were engaged to develop and test the tool (Tony Isaacs of Tony Isaacs Consulting principal consultant, expert contributors: Alan Pears, Sustainable Solutions; Robert Foster, Energy Efficient Strategies; RMIT Centre for Design; George Wilkenfeld, G Wilkenfeld and Associates). For more detail: Technical basis of the Scorecard (victorianenergysaver.vic.gov.au)
Government endorsed	Endorsed as 'In Home' under the Nationwide House Energy Rating Scheme (NatHERS)
Published on a technical basis and assesses the main drivers of home energy costs	For details: Technical basis of the Scorecard (victorianenergysaver.vic.gov.au)
Uses skilled, trained and accredited assessors	Scorecard assessors are accredited by government and are required to demonstrate a high level of home assessment skills, complete training and pass an exam to become accredited. For more detail: Becoming an assessor (victorianenergysaver.vic.gov.au)
Maintains quality control and oversight of assessors	Scorecard assessors are accredited by government, are regularly audited and must comply with a code of conduct and Scorecard Assessor Agreement requirements. For more detail: Your privacy and the assessor code of conduct (victorianenergysaver.vic.gov.au)
Technology and administration systems uniquely identify assessments and hold validation data	All data is held on a privacy protected database, including assessment validation data and all assessments are uniquely identified. For more detail: The Scorecard Certificate (victorianenergysaver.vic.gov.au)

The department **will not** expand the activity to include any other tools beyond the Scorecard at this stage. However, the department will continue to explore and assess other relevant tools to determine if these can be added to the VEU program in the future (including the NatHERS Whole of Home tool). The department encourages stakeholders to continue to provide the department with suggestions for tools to be considered as well as data to support their inclusion.

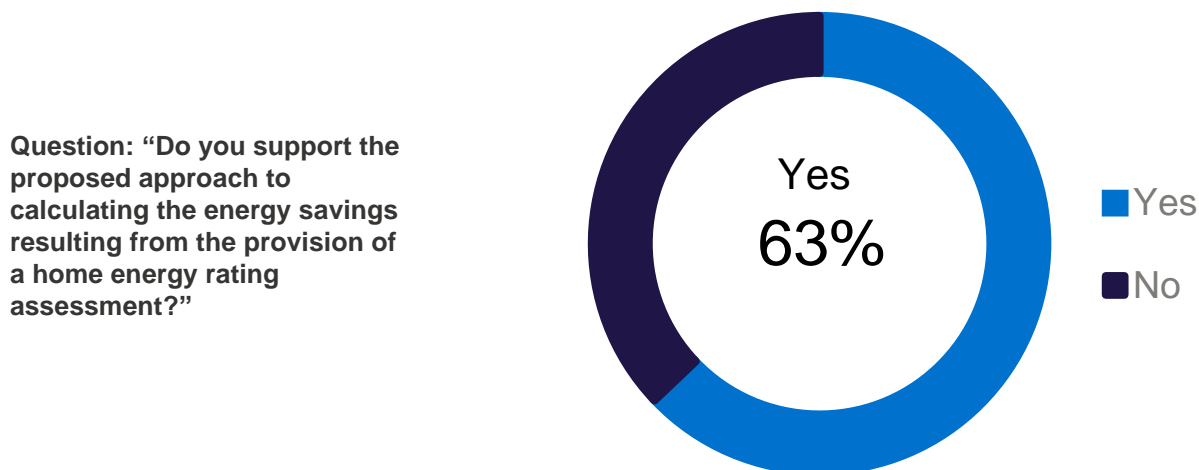
The department will not expand the activity to include any other home energy rating assessment tools beyond the Scorecard at this stage. However, the department will continue to explore and assess other relevant tools to determine if these can be added to the VEU program in the future.

2.3 Approach to incentivising assessments

The department's proposed approach to incentivising the home energy rating assessment activity was to provide up-front incentives for undertaking an assessment based on the average energy savings that occur as a result of receiving an assessment.

Most respondents (63 per cent, Figure 4) supported the department's proposed approach to calculating the energy savings resulting from the provision of a home energy rating assessment.

Figure 4: Support for proposed approach to calculating emissions reductions



Stakeholders agreed and some provided supporting information that the deemed emissions reductions are likely to eventuate for the average household after an assessment due to:

- behavioural changes resulting from greater awareness of household energy consumption; and
- implementation of energy efficiency upgrades recommended by assessors as part of tailored advice.

Stakeholders noted other additional benefits of the department's proposed approach, including:

- lower up-front cost of assessments, making them more affordable and accessible for low-income households;
- it does not require costly and time-consuming reassessments or measurement and verification;
- the upfront approach provides incentives immediately following an assessment, rather than waiting for a re-assessment to access incentives; and
- certainty around the level of incentive expected by industry and consumers.

Alternative approaches to incentivising assessments

About one third (37 per cent) of submissions opposed the department's proposed approach. This figure includes responses supporting an approach to incentives based on 'measurable' emissions reductions following an assessment. It also includes stakeholders opposed to the home energy rating assessment activity altogether.

Submissions supporting an alternative approach were divided about how the alternative approach could be implemented. Some supported this being the only method, while others supported it being an option alongside or in addition to up-front incentives.

Stakeholders also acknowledged the financial and practical barriers and risks to basing incentives on measurable energy savings post-assessment, including making assessments:

- unaffordable by adding extra costs in the form of follow-up assessments;
- inaccessible to many households by limiting them to households with in-home displays, a full year of energy bills or other means of data collection;
- unreliable for assessors and consumers, as assessors quoting based on assumed energy reductions might bear the cost of households which failed to reduce energy use;
- excessively complex by adding requirements to collect and analyse data before and after the assessment; and
- inaccurate due to changing household energy use between assessments (e.g., a change in the number of occupants in a household).

Various means for measuring savings were proposed, including (but not limited to) follow-up Scorecard assessments or data analysis from energy bills or in-home displays.

The use of in-home displays was popular as a proposed method for measuring energy reduction. However, in-home displays only capture electricity consumption and do not capture gas consumption, therefore cannot be used to measure total GHG savings. Additionally, in response to electricity consumption data, low-income households with inefficient homes may switch off heating or cooling entirely due to cost and perceived ineffectiveness.⁶ Despite this lowering consumption, this scenario reflects an inefficient home with potential negative consequences on health and wellbeing.⁷

Based on stakeholder feedback, the department will proceed with its proposed approach of providing up-front incentives for home energy rating assessments. At this stage, the activity will not include an option for incentives to be based on measurable energy savings due to the complexities of such an approach. However, the department will continue to explore options to expand the scope and type of assessments and methods for data collection to determine if these can be added to the activity in the future. Once the activity has been established and more data on outcomes is available, the department will explore the potential inclusion of follow-up assessment incentives.

The department will proceed with its proposed approach of providing up-front incentives for undertaking an assessment based on the average energy savings that occur as the result of receiving an assessment. The activity will not, at this stage, include an option for incentives to be based on measurable energy savings following an assessment due to the complexities of such an approach.

2.4 Approach to calculating energy savings

For the issues paper which formed the basis of the consultation, the department estimated an average nine per cent reduction in a household's annual energy usage (electricity, gas and other fuels) would eventuate from the undertaking of an assessment. Most respondents (63 per cent) supported the department's proposed approach (Figure 4), however stakeholders noted some uncertainty about the level of energy savings that would be achieved by the average household.

Responses included a mix of views about savings:

- nine submissions expressed uncertainty about the department's estimate;
- five responses stated that incentives were too low;
- nine stakeholders advocated higher incentives specifically for low-income or renter households;
- five responses advocated for higher incentives for larger houses; and
- two submissions considered incentives to be too generous.

6. Australian Council of Social Services report: https://www.acoss.org.au/images/uploads/ACOSS_ENERGY_EFFICIENCY_PAPER_FINAL.pdf

7. CSIRO report: https://nccarf.edu.au/wp-content/uploads/2019/03/Barnett_2013_Climate_adapted_low_income_housing.pdf

One respondent submitted data showing the average energy use of households decreased by 17 per cent due to behavioural changes following personalised home energy audits. However, this figure is likely overstated due to the sample being comprised of households experiencing bill stress.

Several members of the public stated that assessments had reduced their energy use by driving behavioural change and encouraging them to undertake energy efficiency upgrades.

A total of 17 submissions identified activity integrity and assessment quality as a key concern to stakeholders. The department sees a potential risk to activity integrity if incentives are higher than actual savings and assessments become free for consumers. This may result in assessors prioritising high volumes of free assessments at the expense of assessment quality, exacerbating the gap between deemed savings and actual savings.

Due to the uncertainty around the nine per cent figure and risks to activity integrity, the department will adopt a more conservative estimate of an average 7.5 per cent reduction in a household’s annual energy usage following an assessment.

After the activity has been established and as new data emerges on household energy savings following an assessment, the department will reconsider the emissions savings awarded to this activity.

This change translates to a 17 per cent reduction in deemed GHG abatement (Table 2). This does not always result in a reduction in VEECs due to the rounding of VEEC incentives.

Table 2: VEECs generated by an assessment by year, region and building class

	2023		2024		2025	
	Metro	Regional	Metro	Regional	Metro	Regional
Rounded VEECs from 9% savings proposed in consultation paper	3	3	2	3	2	2
Rounded VEECs from 7.5% savings to be used in the final activity	2	3	2	2	2	2

Incentives related to building features

Stakeholders raised concerns that the department’s estimate did not vary based on factors which may impact the expected energy savings, including building age and size.

The department considers that the age and size of dwellings would have mixed and complex effects on average energy reductions resulting from an assessment and would add administrative barriers to assessments if included in estimates. For example, many people are unaware of the exact age or size of their dwelling and this would be difficult to verify before an assessment takes place. The difference between conditioned and unconditioned spaces in a dwelling is also difficult to verify. If these factors impacted the level of incentive, it would make it difficult for assessors to accurately quote for their services without visiting the property and assessing its size, which would introduce the administrative hurdle of assessors being unable to quote accurately without first visiting a dwelling. The interactions between dwelling size and age can have mixed effects on energy savings – for example, smaller houses are generally older and often less energy efficient, but conversely there is less space to heat and cool.

Overall, the department considers that dwelling age and size would not be viable to include in calculations at this stage.

Ineligible premises

Stakeholders opposed incentivised assessments being undertaken in households where upgrades are not feasible and consumers will not benefit. In response, the department has restricted incentives in certain cases.

Dwellings located on retirement village land (as defined by the *Retirement Villages Act 1986*) will be excluded from the activity. This is due to the complexity of their ownership structure, restrictions on upgrades and different mixes of building classes.

Boarding houses, guest houses, hostels or the like will not be eligible for incentivised assessments under this activity. These are defined as Class 1b buildings under Part A6 of Volume One of the Building Code of Australia (the Building Code or BCA) within the meaning of section 3(1) of the *Building Act 1993*. This is due to the complexities of their tenancy structure, potential lack of access to private rooms and the generally short-term nature of tenancies which limits opportunities for energy savings through behavioural changes.

Dwellings with shared HVAC are unable to be assessed at all as part of a Scorecard assessment and are therefore ineligible for VEECs.

The GHG abatement for the activity will be deemed as an average 7.5 per cent reduction in the annual energy usage of a household following an assessment.

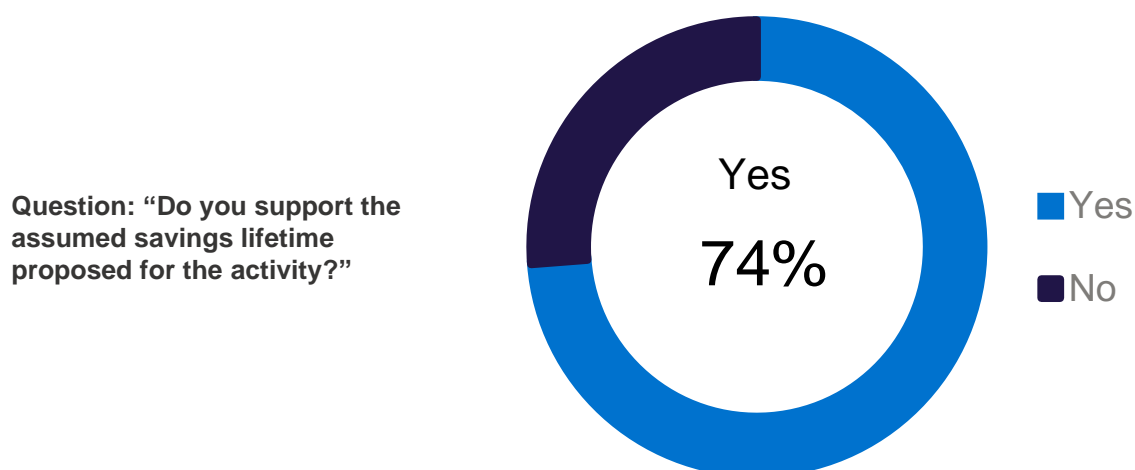
Dwellings that are located on retirement village land, are Class 1b buildings or have shared HVAC facilities will be excluded from the activity.

2.5 Lifetime of the activity

The annual energy savings resulting from undertaking a home energy rating assessment are multiplied by the lifetime of the activity in order to estimate the total energy reduced, which determines the number of VEECs generated by the activity. The department proposed the lifetime of the activity be set at five years.

Most responses (74 per cent) supported the department's proposed five-year lifetime of the activity, with many agreeing that this was a conservative but appropriate figure.

Figure 5: Support for proposed lifetime of the activity of five years



Of those who disagreed with this approach, opinions were mixed:

- three stakeholders disagreed with the activity in its entirety;
- three stakeholders contended that there was too much uncertainty with the lifetime figure;
- seven submissions made the case that the approach was too conservative;
- one submission made the case that the approach was too generous; and

- one respondent noted that five years was an appropriate timeframe because after that period, many household changes are likely to have occurred, such as renovations, upgrades to appliances and household composition.

Based on this feedback, the department maintains that five years is an appropriate lifetime of the activity and aligns with other similar behaviour-based activities.

The department will set the lifetime of the activity at five years.

2.6 Limiting premises to a single assessment every five years

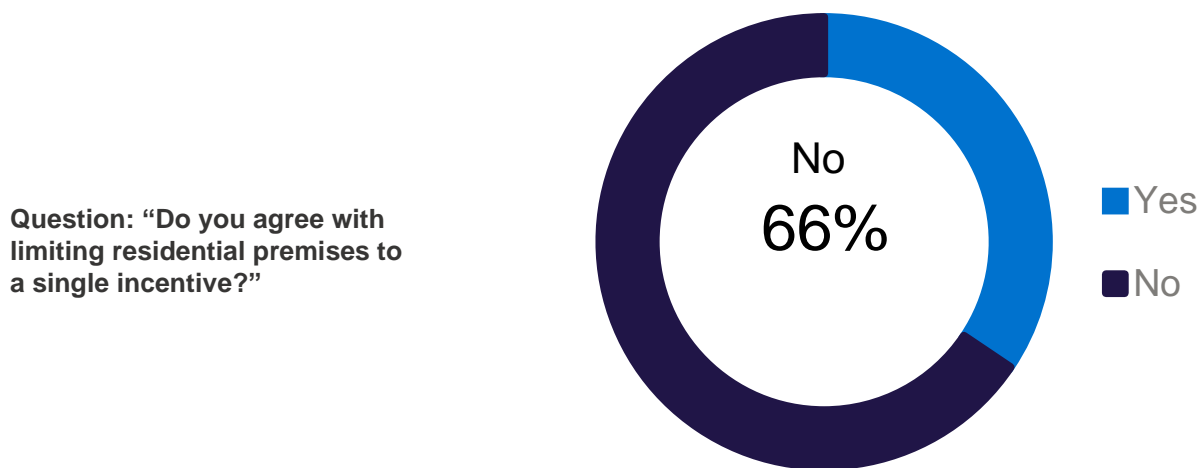
The department proposed that dwellings be limited to one incentivised assessment during the five-year activity lifetime, unless the owner or tenant at the property changes in that period.

Stakeholders were asked the following question: “Do you agree with limiting residential premises to a single incentive?” Most responses (66 per cent) answered “no” to this question.

To the majority of respondents answering “no”, this question was interpreted as asking whether a household should ever be able to receive another incentivised assessment, rather than asking whether respondents agreed or disagreed with the department’s proposed restriction period of five years.

As a result, the most common theme of those who answered “no” was that households should be able to receive more than one incentive, but these responses often did not include consideration around what – if any – time limits should exist to receiving a second incentivised assessment.

Figure 6: Support for limiting residential premises to a single incentive



Stakeholders overwhelmingly supported households being able to receive more than one incentivised assessment over the lifespan of their dwelling. Stakeholders also supported households being free to pursue non-incentivised Scorecard assessments (i.e. assessments conducted outside the VEU program). Responses outlined several scenarios where subsequent assessments would provide value, including changes to:

- the owner or tenant of the dwelling;
- the structure of the dwelling (e.g. renovations or extensions);
- the energy profile of the dwelling (e.g. transition to a fully electrified house); and

- the makeup of household members.

Stakeholders also outlined the following benefits of subsequent assessments:

- measurement and verification of energy savings for individual households;
- data collection on the efficacy of the activity; and
- support for households to understand their progress in reducing energy use.

A few stakeholders argued that there should be no limits at all on incentivised reassessments.

The department acknowledges that there would be benefits to receiving a follow-up assessment *after* the five-year activity lifetime when changes to building fabric, fixed appliance mix and behaviour are most likely to have occurred. Subsequent incentivised assessments will be available to households *only* after the five years has elapsed, unless the tenant or owner of the dwelling changes, in which case the limit will reset.

The department also recognises that there could be benefits to receiving a follow-up assessment *within* the five-year activity lifetime but maintains that incentivising assessments within this window would result in 'double counting' estimated energy reductions, which would conflict with the goals of the VEU program. Households will still be able to pursue a subsequent assessment during this timeframe, however it would not be incentivised under the VEU program. Once the activity is established, the department will explore options for follow-up assessments within the five-year window which may award additional incentives based on measurable energy reductions above those initially awarded by the activity.

The department will maintain the restriction that dwellings be limited to one incentivised assessment during the five-year activity lifetime, unless the owner or tenant at the property changes in that period.

The department will limit households to one VEU home energy rating assessment during the five-year activity lifetime, unless the owner or tenant at the property changes in that period, in which case the limit will reset.

2.7 Incentives for renters and low-income households

Nine stakeholders raised concerns that activity would not be accessible or affordable for renters or low-income households. These stakeholders proposed increased incentives for these households to encourage uptake.

The department agrees on the need to ensure there are low-cost opportunities for low-income households and renters to participate in the VEU program. The introduction of the home energy rating assessment activity in the VEU program will reduce the cost of assessments through incentives and developing a more robust market for assessments. As the activity becomes established and the number of assessors increases, the department expects that the average price of an assessment will decline.

Landlords will also be able to arrange home energy rating assessments for their rental properties, provided they go through all necessary consent requirements with their tenants.

As incentives are based on estimated emissions reductions for the average household, it is not currently within the scope of the activity to offer additional incentives to low-income households or renters. The department also considers that income-based thresholds would increase administrative complexity for assessors which would hinder activity growth.

The department will continue to review assessment cost, uptake and accessibility of the activity once it is established.

It is not currently within the scope of the activity to offer additional incentives to low-income households or renters. The department will continue to review assessment cost, uptake and accessibility once the activity is established.

2.8 Maintaining activity integrity

A primary theme of stakeholder submissions was the need to maintain the integrity of the activity. This feedback and the department's responses are provided in Table 3.

All activities are designed to meet the objectives of the VEU program and ensure activity integrity while minimising barriers to activity uptake. The ESC actively monitors activity compliance and conducts regular audits to ensure these standards are met and that accredited providers comply with activity requirements and the VEU Code of Conduct. Where any safety and consumer law issues are identified, the ESC will also refer these matters to the relevant authorities.

For Scorecard assessments, an established audit and compliance framework is already in place. Scorecard assessors are accredited by government, are regularly audited by the department and must comply with a Scorecard code of conduct and Scorecard Assessor Agreement requirements.

Assessors participating in the VEU program must be listed on the Scorecard website, www.homescorecard.gov.au, so that consumers can verify their accreditation.

Table 3: Stakeholder feedback and departmental response

Stakeholder feedback on features required to maintain activity integrity	Departmental response
The system cannot be 'gamed' to create high levels of incentives without delivering energy savings (for example, through high volume 'low effort' assessments).	The department will adopt a more conservative estimate of the average reduction in a household's annual energy usage following an assessment. The department originally proposed nine per cent, but to protect activity integrity will use 7.5 per cent instead. This translates to an approximate 17 per cent reduction in deemed GHG abatement and limits opportunities for incentives to be 'gamed' (refer to Section 2.4 for more detail).
Assessors are qualified, credible, experienced and reliable.	Scorecard assessors are accredited by government and are required to demonstrate a high level of home assessment skills, complete training and pass an exam to become accredited. Assessors are accredited by government, are regularly audited and must comply with a code of conduct and Scorecard Assessor Agreement requirements. More detail on Scorecard features can be found in Table 1.
Assessors provide high quality and tailored advice to households so that real energy savings eventuate.	Assessors must work with or become an accredited provider under the VEU program to create VEECs. Accredited providers are regulated by the ESC and all VEU program participants must follow the enforceable VEU Code of Conduct which provides consumer protections and promotes good conduct by VEU program participants.
Strict regulatory standards are applied, including appropriate scrutiny of assessors and audits of irregular assessments.	The department considers that the requirements placed on Scorecard assessors and accredited providers are appropriate to ensure the integrity of the activity and the VEU program without placing excessive administrative burdens on participants.
Assessors are focused on delivering value to customers and not just maximising quantity of assessments for profit.	
Conflicts of interests are avoided in scenarios where assessors are also able to offer energy efficiency upgrades.	
Requirements placed on assessors do not create excessive administrative burdens which would make undertaking assessments financially unviable.	

3. Summary of key changes post consultation

Key decisions made by the department include:

1. The department will proceed with introducing a home energy rating assessment activity into the VEU program.
2. The department will not expand the activity to include any other tools beyond the Scorecard at this stage.
3. The department will proceed with its proposed approach of providing up-front incentives for undertaking an assessment based on the average energy savings that occur as the result of receiving an assessment.
4. The GHG abatement for the activity will be deemed as an average 7.5 per cent reduction in the annual energy usage of a household following an assessment.
5. Dwellings that are located on retirement village land, are Class 1b buildings or have shared HVAC facilities will be excluded from the activity.
6. The department will set the lifetime of the activity at five years.
7. The department will limit households to one VEU-incentivised assessment during the five-year activity lifetime, unless the owner or tenant at the property changes in that period, in which case the limit will reset.
8. It is not currently within the scope of the activity to offer additional incentives to low-income households or renters. The department will continue to review assessment cost, uptake and accessibility once the activity is established.

4. Next Steps

- The department will finalise the Regulations and Specifications to introduce the home energy rating assessment activity into the VEU program. The commencement date will be set out in the final Specifications which are expected to be published before 31 May 2023.
- The department will continue to work with stakeholders and review the activity (once established) to consider the scope of the activity and any appropriate changes. For example, through consideration of the inclusion of other assessment tools or the introduction of a reassessment option.
- Please note that the proposed introduction of this activity into the VEU program (including **the draft regulations and specifications attached to this paper**) **is subject to further consideration and final approval**. Stakeholders are advised not to make any decisions related to home energy rating assessment under the VEU program until final regulations and specifications have been approved and published.

Appendix A Draft Regulations and Specifications

PLEASE NOTE, these draft amendments to the VEU regulations and specifications (Draft Regulations and Specifications) are in draft form only and are subject to further consideration and final approval. Stakeholders are advised not to make any decisions related to home energy rating assessment under the VEU program until final regulations and specifications have been made and published.

The Department does not make any express or implied representation or warranty that the Draft Regulations and Specifications: (i) will take effect; (ii) will take effect on or by a particular date; or (iii) will take effect in the form proposed in this paper. Neither the department, nor any other person, is or may be liable to any other person in connection with the department's decision to include the Draft Regulations and Specifications in this consultation document.

The *Victorian Energy Efficiency Target Regulations 2018* commenced on 10 December 2018 and provide for deemed activities in the program. Details of the technical requirements for these regulations are contained in the publication *Victorian Energy Upgrades – Specifications*.

The Regulations set out the activities that attract incentives and the methodologies for calculating greenhouse gas (GHG) emissions reductions, while the Specifications document provides further technical details of the GHG emissions calculations. The technical elements in the Specifications can be more responsive to changing circumstances and be updated more frequently, while going through the appropriate consultation processes.

The proposed home energy rating assessment activity has been defined in the draft Regulations and Specifications. Please see the following sections for:

- Draft Victorian Energy Efficiency Target Regulations 2018 – Home Energy Rating Assessment.
- Draft Victorian Energy Upgrades – Specifications - Part 45 – Home Energy Rating Assessment.

The draft Regulations and Specifications released for consultation on 31 March 2022 have been updated based on stakeholder feedback submitted to the department. These updates reflect policy design decisions outlined in this response to consultation.

Draft regulations

Definitions

In regulation 5 of the Principal Regulations **insert** the following definitions—

Home energy rating assessment means an assessment and rating of the energy efficiency of a residential premises;

Nationwide House Energy Rating Scheme (NatHERS) means the rating scheme of that name that:

- a. assesses the energy efficiency of a residential premises; and
- b. is administered by the Commonwealth Government on behalf of each State and Territory.

Prescribed activities

After regulation 10(6) of the Principal Regulations **insert**—

(7) For the purposes of section 15(1) of the Act, an activity set out in Part 45 of Schedule 2 is a prescribed activity if it is undertaken in compliance with that Part in a building that is classified under Part A6 of Volume One of the Building Code as a Class 1a or Class 2 building, and which is not situated on retirement village land within the meaning of the *Retirement Villages Act 1986*.

Certificate cannot be created unless installed product listed on ESC register

After regulation 16(4) of the Principal Regulations **insert**—

- (5) Sub regulation (1) does not apply in relation to a prescribed activity referred to in Part 45 of Schedule 2.

Certificate cannot be created in relation to certain prescribed activities if maximum exceeded

In the note at the foot of regulation 24 of the Principal Regulations, after "created." **insert** "Schedule 4 also sets out the maximum number of home energy rating assessments for which certificates can be created."

New part 45 of Schedule 2 inserted

After Part 44 of Schedule 2 to the Principal Regulations **insert**—

Part 45—Home energy rating assessment

36 Prescribed activity

The prescribed activity is—

- a. providing a home energy rating assessment that—
 - i. is endorsed or accredited by the Nationwide House Energy Rating Scheme (NatHERS); and
 - ii. meets the requirements of the Secretary's specifications for an activity provided under this paragraph; and
 - iii. is undertaken by an assessor who meets the requirements of the Secretary's specifications to be an assessor for that home energy rating assessment; or
- b. providing a home energy rating assessment that—
 - i. meets the requirements of the Secretary's specifications for an activity provided under this paragraph; and
 - ii. is undertaken by an assessor who meets the requirements of the Secretary's specifications to be an assessor for that home energy rating assessment.

New clause 45 of Schedule 3 inserted

After clause 44 of Schedule 3 to the Principal Regulations **insert**—

45 Home energy rating assessment—Schedule 2, Part 45

The time specified for the purposes of regulation 11(1) and (2) for a prescribed activity set out in Part 45 of Schedule 2 is the day on which a copy of the results of the home energy rating assessment is provided to the energy consumer.

Heading to Schedule 4 amended

In the heading to Schedule 4 to the Principal Regulations, after "products" **insert** "and provision of home energy rating assessments".

Definitions—Schedule 4

In clause 1 of Schedule 4 to the Principal Regulations, in the definition of *relevant period*—

- a. in paragraph (e)(ii), for "activity." **substitute** "activity; and";
- b. after paragraph (e) **insert**—

"(f) in respect of a prescribed activity referred to in clause 12, a period of five years ending immediately before the home energy rating assessment is provided as part of the prescribed activity."

New clause 12 of Schedule 4 inserted

After clause 11 of Schedule 4 to the Principal Regulations insert—

12 Home energy rating assessment

A certificate cannot be created in relation to a prescribed activity that involves providing a home energy rating assessment specified in clause 36(a) of Part 45 of Schedule 2 to an energy consumer in relation to a residential premises if, during the relevant period, one or more home energy rating assessments specified in clause 36(a) of Part 45 of Schedule 2 have been provided to that energy consumer in relation to that residential premises as part of a prescribed activity (whether or not a certificate was created for that activity)."

Draft Specifications

Part 45 Activity – Home Energy Rating Assessment

Activity Description

Part 45 of Schedule 2 of the Regulations prescribes the provision of a home energy rating assessment as an eligible activity for the purposes of the Victorian Energy Upgrades program.

Table 45.1 lists the types of home energy rating assessment that may occur.

Over time, the department may determine that there are other home energy rating assessment activities that reduce GHG equivalent emissions. In such a case, assessment requirements for these changes will be listed by the department as scenario number 45B once specified.

Table 45.1 – Home energy rating assessment scenarios

Activity category number	Scenario number	Decommissioning requirements	Activity to be completed	Historical schedule number
45A	45A ⁸	None	A Residential Efficiency Scorecard assessment, being the home energy rating assessment of that name that is: a) endorsed or accredited by the Nationwide House Energy Rating Scheme (NatHERS) as an In Home assessment; and b) validly undertaken in compliance with: (i) the 'Residential Efficiency Scorecard Software Manual for Scorecard Assessors'; and (ii) the Residential Efficiency Scorecard Assessor Manual for Scorecard Assessors'.	N/A

Specified Minimum Energy Efficiency

There are no further requirements that must be specified for the assessment.

Other specified matters

An assessor conducting a home energy rating assessment belonging to the scenario number listed in column 2 must meet the requirements set out in column 3 in respect of that home energy rating assessment.

8. Home energy rating assessments under this scenario number are taken to be an activity referred to at Schedule 2, Part 45, clause 45(a) of the Regulations. The Secretary has the power to specify additional home energy rating assessments as being eligible for inclusion under this activity (provided they are NatHERS-endorsed). If the Secretary exercises this power, any additional tools will be included in future updates to these specifications.

Activity category numbers	Scenario number	Assessor requirements
45A	45A	An assessor conducting a Residential Efficiency Scorecard assessment must be an accredited Scorecard assessor and be listed on the public Scorecard website

Method for Determining GHG Equivalent Reduction

Scenario 45A: Home Energy Rating Assessment

The GHG equivalent emissions reduction for scenario 45A is given by Equation 45.1, using the variables listed in Table 45.2.

Equation 45.1 – GHG equivalent emissions reduction calculation for Scenario 45A

$$GHG\ Eq.\ Reduction = GHG\ Savings \times Lifetime$$

Table 45.2 – GHG equivalent emissions reduction variables for Scenario 45A

Input type	Condition	Input value
GHG Savings	For upgrades in Metropolitan Victoria	$(0.34 \times EEF \times 0.98) + 0.23$
	For upgrades in Regional Victoria	$(0.47 \times EEF \times 1.04) + 0.22$
Lifetime	In every instance	5