



Australian Government

Department of Resources, Energy and Tourism

## Energy Efficiency Opportunities

### FACT SHEET

# VERIFICATION

#### The objective of the Energy Efficiency Opportunities (EEO) legislation is:

"...to improve the identification and evaluation of energy efficiency opportunities by large energy using businesses and, as a result, to encourage implementation of cost effective energy efficiency opportunities".<sup>1</sup>

The Department seeks to promote a positive approach to the EEO Program amongst companies by encouraging active participation in the program and facilitating learning that assists companies to identify the business improvement benefits, in terms of lower costs and increased productivity that flow from more efficient energy use.

The note to Regulation 9.1 of the *Energy Efficiency Opportunities Regulations 2006* states that:

"Verification incorporates a range of approaches designed to encourage willing compliance by providing assistance to controlling corporations to meet program requirements, while balancing the need for the Minister to review businesses actions regarding Energy Efficiency Opportunities."

#### COMPLIANCE FRAMEWORK

The Department of Resources, Energy and Tourism is responsible for administering the Energy Efficiency Opportunities legislation. It is developing and implementing mechanisms to monitor and verify company compliance with program requirements and to assist companies to identify and apply better practices in energy improvement activities.

The Department recognises that the Energy Efficiency Opportunities program is a relatively new requirement for Australian industry, and proposes a co-operative approach to verification that will encourage learning and best practice. Importantly, the Department proposes to use the lessons learned from the verification process to improve the program.

Verification sits within a broader compliance framework whereby the Department obtains assurance that companies are participating and meeting the requirements of the legislation. This is done through the following activities:

- Identify and inform potential companies that may use >0.5 PJ energy use per year that they need to assess their energy use and register with the program if beyond the threshold.

<sup>1</sup> *Energy Efficiency Opportunities Act 2006*

- Provision of easy to understand information and guidance on how companies can comply with the program. This guidance includes Industry Guidelines, workshops, website, handbooks, guides and case studies.
- Requirements for senior management and the board of participating companies to sign off that information provided to the public and Government is correct and in accordance with the requirements of the EEO legislation.
- Use of Client Liaison Officers in the Department to:
  - handle company and stakeholder enquiries including providing guidance and advice,
  - assess registrations and assessment and reporting schedules against legislative requirements,
  - review reports for completeness and consistency, and
  - provide compliance advice to companies.
- Company visits by the Department to verify that assessments and reports meet legislative requirements and to identify better practice and leaders.
- Compliance reviews initiated by the Department to investigate wilful non-compliance with the key steps of the Program.
- Possible prosecution of companies for non-compliance.

## OBJECTIVE OF EEO VERIFICATION

The aims of the Energy Efficiency Opportunities Program's (EEO) Verification Model are to verify whether:

- registered companies have conducted a rigorous and comprehensive assessment of their energy use and energy efficiency opportunities (i.e. they meet the intent and key requirements of the legislated assessment requirements); and
- registered companies have reported accurately to the public and to government on their energy use and energy efficiency opportunities.

## AUTHORITY TO CONDUCT VERIFICATION

The authority for the Department's verification model is contained in:

- Energy Efficiency Opportunities Act 2006, Sections 27-29 – Powers of Authorised Officer. This Section details the powers for authorised officers to enter premises by consent or under monitoring warrant for the purposes of substantiating information provided under the Act or of determining whether the Act has been complied with.
- Energy Efficiency Opportunities Regulations 2006, Part 9, Division 1 – Verification of Compliance with the Energy Efficiency Opportunities Program. This part of the Regulations details how a controlling corporation must make and keep records of its compliance with the Regulations and Act for at least 7 years and make its records available for inspection.

## WHAT WILL BE VERIFIED?

EEO Verification will seek to obtain evidence from companies that they have:

- complied with all the requirements of the Assessment Framework,
- carried out their assessment as set out in the approved ARS,
- ensured the information within government and public reports is complete and accurate,
- ensured the coverage requirements have been met over the full period of the cycle – has 80% of total energy use and all sites over 0.5 PJ been assessed?, and
- if appropriate, conducted an adequate representative assessment.

The Assessment Framework in schedule 7 to the EEO Regulations is the key tool available to companies and the Department to verify how a company has performed in meeting its requirement to undertake a rigorous and comprehensive assessment. The Assessment Framework identifies six Key Elements with nineteen supporting Key Requirements, and provides examples of the type of documentary evidence that companies must address in detail when undertaking an energy efficiency opportunities assessment.

In 2006, the Department published Industry Guidelines. These are out of date and must be read together with the July 2008 Industry Guidelines Update. In 2006 the Department also published and disseminated an Assessment Handbook providing detailed guidance on how to conduct an energy efficiency opportunities assessment. Subsequent information on representative assessments, energy mass balances and the Energy Savings Measurement Guide is being developed to provide further guidance on key assessment requirements. Note these are guides only to assist companies, the requirements are specified in the legislation. It is ultimately up to each company to demonstrate how it has met the requirements to undertake a rigorous and comprehensive assessment.

## HOW WILL THE DEPARTMENT UNDERTAKE EEO VERIFICATION?

Verification involves conducting a program of company visits and providing draft and final reports to companies concerning the extent of company compliance with EEO legislation.

In conducting company visits, the Department seeks to engage the key personnel involved in the assessment in open discussion on the evidence the company is providing to demonstrate compliance with the requirements of the Assessment Framework and reporting processes.

The main steps in the Department's verification processes are:

- Desktop verification each year of all companies' public and government reports.
- A risk analysis will be conducted of all the registered companies to assess the level of risk of the company being non-compliant with the requirements of the Assessment Framework. This risk analysis will be based on information provided to the Department such as the Assessment and Reporting Schedules and public and government reports.
- 10 to 20 companies will then be selected for verification. 75% of the verifications will be selected from the high and moderate risk of non-compliance categories, with priority given to higher energy users within the category and the spread of industry sectors that will be verified. The remaining 25% of companies chosen for verification will be randomly selected across the full population of registered companies, irrespective of their risk rating.
- Once a company has been informed that they are subject to a verification visit, a letter will be sent to the company representative outlining the verification process together with a form that details the Assessment Framework and provides space for the company to detail document names. The company will be asked to provide a list of the documentation and non-documentary evidence that demonstrates compliance against each of the Key Requirements of the Assessment

Framework. The verification will not proceed until this list of document/database names is provided to the Department.

- The verification team, consisting of a departmental officer and an external energy expert, will visit a nominated site (as agreed between the Department and the company) for one full day<sup>2</sup>. The site visit will be a combination of the company representatives outlining the assessment they have undertaken and providing documentary and verbal evidence to the team on how the company has met the requirements of the Assessment Framework, and the verification team seeking information on apparent gaps.
- Follow up liaison to clarify information provided or to seek further information will occur after the visit.
- A draft verification report will be sent to the company presenting the findings of the verification process, and requesting comment and a proposed action plan to remedy identified areas of non-compliance.
- The verification report will be finalised in light of the comments and action plan provided.
- The report of findings and the action plan addressing areas of non-compliance will be reviewed by an external third party engaged by the Department who will provide an independent review of all verification reports prior to being sent to the company. The reviewer will be reviewing the reports to ensure a consistent approach has been applied to the evidence and the findings across all companies verified.
- The Department will provide the final report and action plan to the company CEO.

- Follow up with the company will take place to monitor the actions taken to achieve full compliance.
- On a regular basis, the key learnings and outcomes from the verifications will be communicated back to all participating companies, via the EEO e-newsletter and at the national workshops, to raise the awareness of areas for improvement.

The intention is to complete a company verification process with the issuing of a report to the CEO within eight to twelve weeks of initial contact with the company, subject to timely responses to departmental correspondence.

## HOW DO COMPANIES PREPARE?

There are a number of actions a company can take to prepare for and participate in the verification process so that it takes place as efficiently as possible and with minimal disruption to company personnel and activities.

First, in carrying out its assessment, the company must ensure that it is keeping evidence of its compliance. The Assessment Framework provides examples of the types of evidence that will be required.

Secondly, if notified of a verification visit, the company should review the Assessment Framework and use it as a checklist to prepare for verification. Use the Assessment Framework to ask “what evidence do we have to demonstrate we have met each of the key requirements?”

<sup>2</sup> For very large companies with numerous sites, up to a 2 day visit may be warranted whereby one day is spent at a site and the other at the corporate head office.

Other suggested steps for company representatives to take are:

- Respond seriously to the initial departmental contact in relation to an EEO verification activity of the company and arrange for timely and detailed completion of the list of document names which demonstrate compliance with the Assessment Framework:
  - It is particularly important that this list of document names against each Key Requirement of the Assessment Framework be completed in as much detail as possible so that the Department receives a complete picture of the steps the company has undertaken in meeting the requirements of the EEO Assessment Framework prior to the company site visit.
- Co-ordinate and facilitate the subsequent company site visit liaising with the departmental verifier on a suitable program for the visit. This would include scheduling meetings for the day of the visit with key personnel engaged in the EEO program and activities.
- Respond to any additional requests for clarification or further information from the Department.
- Co-ordinate the timely provision of a company response to the draft departmental report on the verification as well as a proposed action plan to address any areas of non-compliance.
- Co-ordinate any follow up activities identified in the action plan and respond to departmental requests for advice on progress or, if necessary, further departmental review.

## NEXT STEPS IN IMPLEMENTING EEO VERIFICATION

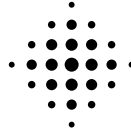
Arrangements for the conduct of verification processes are now being finalised in light of the results of trials conducted with a number of companies over the last 2 years.

The Department intends to commence verification in late 2009. Prior to that the Department will release a *Verification Handbook for Companies* providing detailed guidance on how companies should prepare for EEO verification processes.

Meanwhile, companies are encouraged to review the key departmental guidance documents previously released, principally, the *EEO Assessment Handbook* and the *EEO Industry Guidelines*. Companies should particularly review the Assessment Framework at Schedule 7 to the *Energy Efficiency Opportunities Regulations 2006*.



**Australian Government**  
**Department of Resources,  
Energy and Tourism**



**National Framework  
for Energy Efficiency**

## **ENHANCING AUSTRALIA'S ECONOMIC PROSPERITY**

### **DEPARTMENTAL CONTACT FOR EEO VERIFICATION**

If you have any queries or would like further information on the EEO Verification, please contact:

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Department of Resources, Energy and Tourism, May 2009

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The aim of the Energy Efficiency Opportunities program is to increase the uptake of cost effective energy efficiency opportunities by Australian industry through improving the identification, evaluation and public reporting of energy efficiency opportunities by large energy using corporations.