

# Energy Security Safeguard Compliance Priorities

3 October 2024

The Independent Pricing and Regulatory Tribunal of NSW (**IPART**) is the Scheme Administrator and Scheme Regulator for the Energy Security Safeguard which currently comprises 2 certificate schemes, the Energy Savings Scheme (**ESS**) and the Peak Demand Reduction Scheme (**PDRS**) (**the Safeguard Schemes**).

The *Compliance Priorities* set out where IPART's Energy Sustainability Schemes team (**ESS Team**) will focus its compliance resources for the year. Being transparent about our *Compliance Priorities* can assist businesses to understand where compliance attention will be focused and to take steps to address identified risks.

By focusing on our *Compliance Priorities*, we can target our resources to the areas of greatest risk and help maintain the integrity of the Safeguard Schemes. This will help ensure the Safeguard Schemes meet their objectives to encourage activities that save energy or create peak demand reduction capacity, and in turn, realise positive sustainability outcomes for the people of NSW.

## Our 2024-25 Compliance Priorities

### Heat pump water heater installations

High levels of heat pump water heater (HPWH) activity carries a higher risk of non-compliance with relevant standards and legislation (including licensing requirements) and sub-standard installations. We will work with co-regulators, collect licence data and carry out random and targeted inspections, audits, and investigations to:

- achieve HPWH activities that are performed by a suitably licensed person in compliance with the relevant standards and legislation ([Notice 03/2024](#))
- achieve HPWH installations that are fit for purpose and aligned with the objectives of the Safeguard Schemes to incentivise energy savings and peak demand reduction activities
- identify and deter unintended consequences of HPWH activities.

Our objective is to support industry to improve installation standards and compliance with licensing requirements relating to HPWH implementations under the Safeguard Schemes to ensure the objectives of the schemes are met and consumers get good outcomes including safe, good quality installations.

### Battery activities

New battery activities commence on 1 November 2024.

The introduction of new activities, the accreditation of new Accredited Certificate Providers (**ACPs**) and the emergence of new business models can result in poor product or installation quality, or installations that do not meet standards or licensing requirements.

We will work with co-regulators, carry out random and targeted inspections and monitor emerging business models and risks so that:

- battery activities are conducted in accordance with the PDRS Rule

- battery installations are safe, fit for purpose and aligned with the objective of the scheme to reduce peak electricity demand in NSW
- any unintended consequences of the new activities are identified and analysed.

Our objective is to support industry to achieve compliance with the PDRS Rule, including relevant standards and legislation relating to battery implementations, to ensure the objectives of the PDRS are met and consumers get good outcomes including safe, good quality installations.

## Deceptive, fraudulent or seriously misleading conduct

Public confidence is imperative to the effective operation of the Safeguard Schemes. Deceptive and fraudulent conduct undermines public confidence and compromises scheme integrity.

We will target our compliance efforts to identify improper conduct through our complaints handling process, audits, site inspections and investigations. We will share intelligence and co-ordinate our responses with co-regulators such as the Greenhouse and Energy Minimum Standards (GEMS) Regulator, Building Commission NSW and NSW Fair Trading.

Where we identify serious wrongdoing, consistent with IPART's [Compliance and Enforcement Policy](#), we will escalate our enforcement response and consider enforcement actions including imposition of conditions of accreditation, penalties, prosecution, suspension/cancellation of accreditations and referral to other enforcement agencies.

Our objective is to deter misconduct, address financial gain from non-compliance and to protect the integrity of the Safeguard Schemes.

## Scheme Participant liability

The evolving nature of the Safeguard Schemes means there may be increased compliance risks as newer scheme participants may have limited awareness or understanding of their obligations. Changes implemented by the Australian Energy Market Operator (AEMO) to its settlement systems – the data used by scheme participants to meet their reporting obligations – has also impacted the way scheme participants need to report.

We will target our compliance activity at supporting newer scheme participants and those affected by AEMO system changes to help them understand and meet their compliance obligations. This may include information sessions and more targeted engagement.

Our objective is to ensure that entities that are required to participate in the schemes fulfil their obligations under the Safeguard Schemes to ensure certificate targets continue to be met.

## Consumer protection

We are continuing to see consumer complaints relating to activities conducted under the Safeguard Schemes. These complaints vary from products failing or not performing as expected to misleading information or advertising. While some of these issues do not relate directly to legislation we administer, it is important that we leverage the tools and networks that are available to us to ensure positive consumer experiences and successful, reputable, and compliant Safeguard Schemes.

We will target our compliance efforts to continue to:

- leverage existing Safeguard Scheme rules and requirements which have a consumer facing element (such as the [Minimum Requirements of Conduct](#))
- collaborate with other regulators such as the Building Commission NSW and NSW Fair Trading to better ensure consumer complaints are appropriately dealt with
- increase consumer awareness of the Safeguard Scheme activities by publishing consumer facing information on higher risk activities.

Our objective is to ensure that the integrity and good reputation of the Safeguard Schemes is maintained and that consumers are well informed so they can confidently interact with the Safeguard Schemes.

### How do we set our *Compliance Priorities*?

We take an intelligence led and risk-based approach to setting our *Compliance Priorities*. The *Compliance Priorities* are informed by assessment and analysis of our information holdings, our operational knowledge, research of existing and emerging issues, and interaction with industry, government stakeholders and consumers.

The *Compliance Priorities* are set on an annual basis. More frequent updates may be made if we identify other emerging issues throughout the year.

### What action will we take in our priority areas?

While we conduct a broad range of business-as-usual functions to administer the Safeguard Schemes, this document is intended to provide guidance to stakeholders on where proactive compliance activities will be focused over the 2024-25 period.

Focusing our resources on areas of higher risk allows us to make the best use of our limited resources and minimise costs to regulated entities. The compliance activities that we may use in our priority areas include:

- increased engagement with stakeholders to ensure they understand their obligations
- increased and targeted audit programs focusing on systemic and emerging issues
- inspecting sites where energy savings or peak demand reduction activities have occurred
- identification and investigation of suspected non-compliance
- enforcement action including issuing penalty notices, civil penalties, imposing conditions, suspending/cancelling accreditations or requiring the forfeit of certificates.