

Information bulletin – Schedule 34 discount factor changes

29 January 2018



Discount factors will be applied to some Schedule 34 lighting upgrade activities.



Requirements apply to building based lighting upgrade activities and some non-building based lighting upgrade activities.



You will need to be aware of these changes which apply from 1 February 2018 and 1 May 2018.

Schedule 34 discount factors are effective from 1 February 2018 and 1 May 2018

Overview

The [notice of declaration of discount factors](#) published in the Government Gazette on 1 December 2017 outlines discount factors to be applied to certain types of Schedule 34 lighting upgrade activities¹.

From 1 February 2018, discount factors will apply to the certain types of Schedule 34 lighting upgrade activities. The discount factors, which are applied to the carbon dioxide equivalent of greenhouse gas emissions of a prescribed activity, will reduce the VEEC quantity for specific Schedule 34 lighting upgrade activities.

¹ Further to Section 19 of the *Victorian Energy Efficiency Target Act 2007* and Section 10A of the *Victorian Energy Efficiency Target Regulations 2008* (the Principal Regulations)

Who is impacted by these changes

Accredited persons that undertake, or intend to undertake, prescribed activities under Schedule 34 lighting upgrades.

Types of Schedule 34 activities the discount factors apply to

The discount factors will apply to activities where:

1. the upgrade activity undertaken does not need to comply with Part J6 of the BCA under building based lighting, and
2. where the lamps to be replaced (incumbent lamps) are either:
 - T8 or T12 fluorescent lamps (in both building based and non-building based environments), or
 - high intensity discharge lamps (metal halide, mercury vapour and high pressure sodium lamps) (only in building based environments).

Types of Schedule 34 activities the discount factors do not apply to

The discount factors will not apply to:

- J6 upgrade activities which are required to comply with Part J6 of the Building Code of Australia
- high intensity discharge lamps (metal halide, mercury vapour and high pressure sodium lamps) in non-building based lighting environments
- all other activities which do not involve the replacement of any of the above stated incumbent lamps.

Outline of discount factor changes

Discount factor values and when they will apply

The discount factor will be applied via a staged approach. See Table 1 below for details of the discount factors to be applied over two different periods.

Table 1: Schedule 34 discount factor changes

Item number (in Table 1 of Schedule 34 Part B)	Type of incumbent lamp	Discount factor applicable from 1 February 2018–30 April 2018	Discount factor applicable from 1 May 2018 onwards
Items 1–9	T8 or T12 linear fluorescent	0.9	0.8

Items 27–29	Metal halide ²	0.85	0.7
Item 30	Mercury vapour ²	0.85	0.7
Item 31	High pressure sodium ²	0.85	0.7

You should note that the higher discount factors will apply to Schedule 34 upgrade activities completed with an **activity date**³ of 1 February to 30 April 2018; whilst the lower discount factors will apply to activities completed with an **activity date**⁴ of 1 May 2018 onwards.

How the discount factors are applied to Schedule 34 lighting upgrade activities depending on the type of activity

Under Schedule 34, a single activity may include multiple baseline and upgrade zones and multiple types of incumbent lamps. Given different discount factors may apply to multiple types of incumbent lamps within a single upgrade activity, the below scenarios have been provided to illustrate how the discount factors will be calculated depending on the type of Schedule 34 activity you submit for Victorian energy efficiency certificate (VEEC) creation.

Scenario 1 – No discount factor applied (no change in VEEC calculation)

Abatement (VEECs) = abatement factor x regional factor

Where,

abatement factor = energy savings x 1.095

energy savings = baseline energy consumption – upgrade energy consumption

Under this scenario, your Schedule 34 activity does not attract a discount factor as it does not involve the replacement of any of the incumbent lamp types listed in Table 1 in the prescribed situations.

The regional factors that apply are 0.98 for upgrades undertaken in metropolitan Victoria and 1.04 for upgrades undertaken in regional Victoria. Energy savings are multiplied by the marginal greenhouse gas intensity factor, 1.095.

² Discount factors do not apply to these types of incumbent lamps under Schedule 34 non-building based lighting.

³ An activity is defined to be undertaken on the day the lighting upgrade is completed as per Part C of the Principal Regulations. That is, at the beginning of the day on which the lighting upgrade is completed (the activity date).

⁴ See preceding note.

Scenario 2 – Simple activity with one discount factor applied

Abatement (VEECs) = abatement factor x regional factor x discount factor

Where,

abatement factor = energy savings x 1.095

energy savings = baseline energy consumption – upgrade energy consumption

Under this scenario, your Schedule 34 activity attracts a discount factor, and it involves the replacement of only one type of lamp, where the lamp is one of incumbent lamp types listed in Table 1. Here, the discount factor applies to the final amount of CO₂-e calculated for the activity⁵, as only one discount factor applies.

Scenario 3 – Complex activity with multiple discount factors applied

Abatement (VEECs) = abatement factor x regional factor x adjusted discount factor

Where,

abatement factor = energy savings x 1.095

energy savings = baseline energy consumption – upgrade energy consumption

adjusted discount factor =

((energy consumption baseline zone 1 x discount factor baseline zone 1)

+ (energy consumption baseline zone 2 x discount factor baseline zone 2)

+ ...

+ (energy consumption baseline zone n x discount factor baseline zone n))

÷ total baseline energy consumption.

Note: zone n refers to additional zones (where applicable)

Under this scenario, your Schedule 34 activity attracts a discount factor, and it involves the replacement of more than one type of incumbent lamp (where at least one of the incumbent lamps is a lamp listed in Table 1). Such an upgrade will consist of multiple zones and multiple incumbent product types, thereby requiring the application of more than one discount factor.⁶

⁵ As per Regulation 10A of the Principal Regulations.

⁶ A default value of 1 is applied where the incumbent products are not lamps listed in Table 1 above.

Here, the discount factors are applied to the proportion of total baseline energy consumption which is attributable to the incumbent lamps affected by the discount factors.

What does this mean for stakeholders

When the staged Schedule 34 discount factors come into effect from **1 February 2018** and **1 May 2018**, you must ensure that:

- you understand the impacts of the discount factors to your business and how the reduction in VEECs are calculated for a Schedule 34 lighting upgrade activity (where the a discount factor applies)
- the 'upgrade project completion (activity) date' written on the VEEC assignment form is the date when the lighting upgrade activity is completed
- the activity date entered on the online record is the date when the lighting upgrade activity is completed.

To further understand how VEECs are calculated for each Schedule 34 lighting upgrade activity where the discount factor applies, you should review the following explanatory notes, available on the VEET website:

- [Explanatory note – building based lighting upgrade - part 1: activity guidance](#)
- [Explanatory note – non-building based lighting upgrade - part 1: activity guidance](#)

You can also use the [VEEC calculator](#) to determine the number of VEECs awarded for a Schedule 34 lighting upgrade activity where the discount factor applies (applicable for simple upgrades only).

Where to get help

If you have any questions with respect to matters set out in this information bulletin, please contact VEET support on (03) 9032 1310 or veet@esc.vic.gov.au.

Legal context for this document

This document should not be relied upon as a substitute for legal advice and should be read in conjunction with the *Victorian Energy Efficiency Target Regulations 2008* (the Principal Regulations). In the event of inconsistency between this document and the Principal Regulations, the content in the Principal Regulations takes precedence.



The Department of Environment, Land, Water and Planning develops policy for the [Victorian Energy Upgrades](#) program. The program provides incentives for Victorian households and organisations to make energy efficiency improvements that save money on their energy bills and reduce Victoria's greenhouse gas emissions

The Essential Services Commission administers the program as the 'Victorian Energy Efficiency Target scheme' under the *Victorian Energy Efficiency Target Act 2007*.

For more information, visit veet.vic.gov.au.