

ESC - Northmore Gordon

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ESC stands for Energy Savings Certificate. According to Northmore Gordon, an energy savings certificate (ESC) is a tradeable certificate created under Division 7 of Part 9 of the Electricity Supply Act 1995. Each ESC represents one notional megawatt hour (MWh) of energy savings. ESCs are created by Accredited Certificate Providers under the NSW Energy Savings Scheme for eligible energy-saving activities. As an environmental instrument belonging to its own programme, ESCs should not be compared directly with other certificate types such as ACCUs, VEECs, STCs, LGCs, or REGOs as though they were identical units of emissions reduction or financial value.

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What does ESC stand for and how is it defined?

ESC stands for Energy Savings Certificate. According to Northmore Gordon, an energy savings certificate (ESC) is a tradeable certificate created under Division 7 of Part 9 of the Electricity Supply Act 1995. Each ESC represents one notional megawatt hour (MWh) of energy savings. ESCs are created by Accredited Certificate Providers under the NSW Energy Savings Scheme for eligible energy-saving activities. As an environmental instrument belonging to its own programme, ESCs should not be compared directly with other certificate types such as ACCUs, VEECs, STCs, LGCs, or REGOs as though they were identical units of emissions reduction or financial value.

How do ESCs differ from other energy-efficiency certificates like VEECs?

ESCs and VEECs belong to different state-based schemes with distinct requirements and governance. ESCs are created under the NSW Energy Savings Scheme and follow NSW-specific methods and rules, while VEECs (Victorian Energy Efficiency Certificates) are created under Victoria's scheme. Although both represent energy savings, the calculation methodologies, eligible activities, evidence requirements and commercial treatment differ significantly. A project's technology alone does not establish eligibility; the scheme, jurisdiction, method, and applicable rule version must all be assessed separately. We provide guidance on both schemes to help clients identify the correct pathway for their location and project type.

What outputs must be kept separate when working with ESCs in an investment case?

When working with ESCs, four outputs must be kept as separate quantities: engineering savings (the modelled expectation of energy reduction before implementation), scheme-recognised savings (the quantity formally acknowledged by the NSW Energy Savings Scheme for the activity), created certificates (the actual ESCs issued under the scheme process), and customer proceeds (the financial revenue the project owner receives after certificate sale and any applicable charges). Failing to separate these quantities can obscure the true project economics and scheme compliance. We recommend showing certificate price and quantity assumptions separately in any preliminary estimate or investment case to support transparent decision-making.

What is a preliminary estimate of ESC creation, and what should it include?

A preliminary estimate is an initial projection of energy savings and certificate creation used for project screening. It should be labelled as preliminary until its assumptions and evidence have been verified. A useful preliminary estimate should state the activity, the applicable NSW Energy Savings Scheme rule version, the energy calculation method, certificate assumptions, the commercial price date and any outstanding conditions. This transparency allows management and advisers to understand which parts of the estimate are based on measured data, engineering analysis, or market assumptions. We recommend requesting the activity, rule version and calculation basis as standard information when evaluating any ESC quotation or feasibility assessment.

What evidence and process establish whether a project can create ESCs under NSW ESS?

ESC creation requires more than a technical upgrade; it requires meeting specific NSW Energy Savings Scheme requirements. Customer nomination and evidence are essential parts of the process; an installer invoice by itself does not establish a certificate entitlement. The project must choose its calculation method (prescribed or PIAM&V;) before building the evidence file, as this affects baseline procedures and measurement requirements. The baseline measurement procedures must be deemed appropriate by an approved independent M&V; professional before implementation. Accredited Certificate Providers must follow method-specific record-keeping guidance rather than generic checklists. We provide measurement and verification services to help clients establish credible project boundaries, baseline modelling, savings calculations and reporting to support ESC creation.

How do recent changes to the NSW Energy Savings Scheme Rule affect ESC eligibility?

The NSW Energy Savings Scheme Rule effective 7 September 2026 introduced important changes affecting eligibility. For example, listed new or replacement gas-fired steam boilers, water heaters, hot-water boilers and space heaters implemented on or after 1 July 2026 cannot create ESCs under PIAM&V.; However, this exclusion is specific to those activities and method; it does not claim that every gas-saving measure in every scheme is excluded. The applicable rule version and method guidance must be used together to establish current project requirements. Using an older case study or supplier brochure cannot establish today's requirements. We recommend checking the current Energy Savings Scheme Rule document and relevant method guidance before finalising any project assessment or investment decision.

What questions should a project team address before pursuing ESC creation?

Key questions to address early include: What equipment and energy-saving activity are proposed? What is the exact implementation date and why is it the correct date under the method? Who is the energy saver, and how will nomination be documented? Which baseline and operating variables are necessary? What equipment, installation, disposal and commissioning evidence is required? Which professional review and scheme audit steps apply? Recording answers in one project file and assigning clear ownership reduces the risk of missing evidence or eligibility conditions. We can support this screening through project assessment services that connect technical requirements with commercial feasibility.

How should certificate proceeds be treated in a project investment case?

Before relying on ESC proceeds in an investment case, several steps are essential. Request the governing activity and document version, the main eligibility assumptions, the calculation basis, evidence responsibilities and the commercial treatment of certificates. Show certificate price and quantity assumptions separately in financial projections. Confirm whether an amount is an indicative gross value or what the customer would actually receive after agreed charges. We recommend presenting the project with and without conditional ESC support so management understands the decision if certificates are delayed, reduced or unavailable. This approach ensures that the operating merits of the project remain visible and that funding eligibility does not become an unsupported promise in the business case.

What role does Northmore Gordon play in ESC projects and environmental certificate services?

We provide measurement and verification services that support ESC creation, including project-boundary selection, baseline modelling, savings calculation and reporting. We also offer engineering and commercial assessment for environmental certificates, including support for project registration and certificate creation. For clients considering ESC pathways, we conduct energy audits to identify opportunities, delivers feasibility assessments to evaluate scheme eligibility, and provides measurement planning to ensure that credible evidence can be gathered. We emphasise assessing activity eligibility, evidence quality, quantity, ownership and sale terms separately before assuming that certificates will contribute to project economics.

When should a project team engage measurement and verification planning for ESCs?

Measurement and verification planning should begin while the project is still being scoped, not after equipment is installed or commissioned. Early planning is essential because the baseline measurement procedures must be deemed appropriate by an M&V professional before the implementation date. Choosing the calculation method early—whether prescribed or PIAM&V—helps identify the evidence that must exist before equipment changes occur. The NSW Government's M&V guide separates responsibilities of energy users, service providers and practitioners, and provides a project sequence from planning through savings determination. We recommend raising funding and measurement questions before final investment commitments to preserve evidence options and scheme eligibility.