

Victorian Energy Upgrades: Game-Changing Update

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What this article reported

The Victorian Energy Upgrades (VEU) Project-Based Activities just got a major overhaul - and it's good news for anyone planning (or already delivering) large energy-saving projects in Victoria. What's new? The Measurement & Verification (M&V;) Specifications now include five Specified Measurement Methods (SMMs) designed to fast-track certificate creation and slash project admin: 1. SMM 1 - Weather-normalised whole-of-site electricity: fixed approach for projects where electricity use swings with the seasons. 2. SMM 2 - Weather-normalised whole-of-site gas: the gas equivalent of SMM 1, letting winter-heavy gas users unlock VEECs faster. 3. SMM 3 - Retrofit isolation for non-seasonal motors & rotating equipment: a streamlined path for drives, pumps, compressors and similar kit that run year-round. 4. SMM 4 - Direct measurement of behind-the-meter solar PV: finally, a purpose-built route for solar projects to claim VEECs without complex modelling. 5. SMM 5 - Electrification direct measurement: simplifies fuel-switching projects (e.g. gas-to-electric heat pumps) by focusing on the new electric load rather than old gas data. Together, these SMMs align PBA even closer with NABERS and international best practice while keeping enough rigour to satisfy auditors. Why act now? VEEC prices remain well above long-term averages - trading in the mid-\$90s after peaking above \$110 late last year. Even with recent volatility, projects are still realising record incentives. What this means for you

Existing projects: you may be able to switch to an SMM and cut submission times.

Planned upgrades: simpler methods reduce risk and bring forward cashflow.

Solar & electrification: brand-new, purpose-built methods remove historical headaches.

Need help navigating the changes? Northmore Gordon's M&V; and certificate trading specialists can be accessed via the AMPC Grants Helpline to assist you to:

Map your project to the optimal SMM,

Model VEEC revenue under current market pricing, and

Manage end-to-end compliance and trading.

How to use this information now

Before relying on a grant, confirm the current round, applicant and project eligibility, eligible expenditure, co-contribution, assessment process, closing date and evidence obligations. Build the technical case so the project remains understandable with grant support shown separately.

Separate source-reported facts from forecasts, targets and commentary. For a current project, retain the official source, version, effective date, assumptions and decision record in the evidence file.

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What are the five Specified Measurement Methods (SMMs) in the updated VEU Project-Based Activities, and why do they matter?

The five SMMs—weather-normalised whole-of-site electricity (SMM 1), weather-normalised whole-of-site gas (SMM 2), retrofit isolation for non-seasonal equipment (SMM 3), direct measurement of behind-the-meter solar PV (SMM 4), and electrification direct measurement (SMM 5)—streamline VEEC creation by offering purpose-built routes for different project types. They reduce administrative complexity and submission timelines while maintaining rigour aligned with NABERS and international standards. For businesses, SMMs mean faster certificate pathways, lower verification costs, and clearer evidence requirements compared to custom project-based approaches. We can assess which SMM fits your upgrade, verify measurement readiness, and manage baseline establishment and reporting.

How do SMM 1 and SMM 2 work, and which businesses benefit most?

SMM 1 (weather-normalised whole-of-site electricity) and SMM 2 (weather-normalised whole-of-site gas) use fixed methodologies for projects where energy use varies seasonally. SMM 1 suits buildings and facilities with temperature-sensitive electricity loads (cooling, heating); SMM 2 targets winter-heavy gas users such as manufacturers with process heating or facilities with seasonal demand. Both methods normalise historical data to account for weather variation, establishing a clear baseline for post-upgrade comparison. By eliminating custom modelling for these common scenarios, they accelerate certificate issue and reduce project costs. We can help you gather the required historical data, establish baselines meeting SMM specifications, and prepare submission evidence.

What makes SMM 3 (Retrofit Isolation) relevant for motor and equipment upgrades?

SMM 3 provides a streamlined measurement route for non-seasonal equipment such as drives, pumps, compressors, and rotating machinery that operate consistently year-round. Rather than tracking whole-of-site consumption changes, retrofit isolation focuses measurement directly on the upgraded equipment and its immediate operating conditions. This approach eliminates the complexity of separating one equipment change from seasonal variations or production changes elsewhere on site. Businesses upgrading motors, compressors, or similar equipment can now claim VEECs faster with simpler evidence requirements. We can help identify which equipment qualifies, design the measurement boundary, and verify that baseline and post-installation data meet SMM 3 specifications.

How does SMM 4 simplify solar PV projects compared to traditional VEU measurement approaches?

SMM 4 (Direct measurement of behind-the-meter solar PV) eliminates complex modelling by measuring solar generation directly at the point of use. Instead of estimating avoided grid consumption through complicated baseline adjustments, the method quantifies actual solar output, making eligibility assessment and VEEC calculation more transparent and auditable. This removes historical barriers that discouraged solar projects from pursuing VEU support. Businesses installing rooftop or ground-mounted solar can now access VEECs with clearer evidence requirements and faster submission timelines. We can design the metering and data collection approach, ensure monitoring specifications align with SMM 4, and manage certificate application and trading.

What advantage does SMM 5 offer for electrification projects like gas-to-heat-pump conversions?

SMM 5 (Electrification direct measurement) simplifies fuel-switching projects by focusing measurement directly on the new electric load rather than requiring detailed historical gas-consumption baselines. This approach suits heat-pump replacements, electric process heating, and other conversions where the new electric equipment's consumption is more straightforward to measure than adjusting for historical fuel use. It addresses a longstanding challenge: establishing and verifying baseline data for fuel sources being phased out. For businesses pursuing decarbonisation through electrification, SMM 5 makes VEEC eligibility more achievable and reduces project documentation burden. We can assess electrification feasibility, plan the electrical metering approach, and guide VEEC submission under SMM 5.

How should businesses evaluate whether to switch existing VEU projects to an SMM or continue with custom measurement approaches?

Switching to an SMM makes sense if your project aligns with one of the five specified categories and your upgrade is still in early implementation stages. SMMs reduce submission time, lower verification costs, and simplify evidence gathering—delivering faster VEEC creation with lower risk. However, switching requires restarting baseline establishment and measurement planning, which may not be practical if installation is imminent. Evaluate the stage of your project, the complexity of your existing measurement plan, current VEEC prices (which support stronger investment returns), and your timeline for cash recovery. We can conduct a rapid SMM suitability assessment, compare the cost and timeline of switching versus continuing, and advise on whether your existing data can support an SMM baseline.

Why does current VEEC pricing make this update particularly valuable for new and existing projects?

VEECs are trading in the mid-\$90s following recent highs above \$110, well above long-term historical averages. This elevated pricing significantly improves project economics: the same energy savings now generate higher certificate revenue, shortening payback periods and improving return on investment. For new projects, stronger economics justify investment in measurement and baseline establishment. For existing projects nearing implementation, the improved pricing can make the case for reconsidering scope or timing. The combination of simpler measurement methods (SMMs) and strong market prices creates a near-term window for businesses to unlock energy-upgrade value. We can quantify certificate contribution under current pricing, model payback scenarios, and help prioritise projects across your portfolio.

What practical steps should a business take if it has an existing VEU project and wants to understand SMM applicability?

Start by preparing a project brief identifying your site, proposed upgrade (equipment, capacity, operating profile), current project stage, and any existing measurement or baseline work. Document available energy data—at least 12 months of consumption history—and clarify whether your upgrade is

large-scale electricity, gas, equipment-specific, solar, or electrification-based. Share this with Northmore Gordon for a preliminary SMM assessment. If your project aligns with an SMM and remains in early stages, you can evaluate the business case for switching. If you are already in detailed measurement planning or nearing commissioning, continuing your existing approach may be more practical. We can conduct this assessment rapidly, identify any data gaps, and guide your next decision.

How do the five SMMs balance simplification with the rigour needed to satisfy VEEC auditors and the Victorian Government?

The SMMs are purpose-built methods published as part of VEU specifications by the Victorian Government, aligned with NABERS methodology and international best practice standards. Rather than reducing rigour, they standardise evidence requirements for common project types, making audits more predictable and faster. By defining exactly what data, intervals, quality checks, and adjustment procedures each SMM requires, the Victorian Government reduces scope for interpretation or dispute—actually strengthening audit confidence. Businesses benefit from clearer eligibility certainty; auditors face more consistent documentation. Our measurement and verification services ensure your data collection, baseline establishment, and calculation reporting align precisely with the relevant SMM specification, reducing audit risk and submission delays.

What should businesses know about measurement planning and baseline establishment when starting a new VEU project under an SMM?

Early measurement planning is critical. Each SMM has specific requirements for data intervals, quality checks, baseline period, and how operating variables (such as weather or production) are handled. Measurement planning should occur before equipment changes, ensuring you can establish a representative baseline under the method you intend to use. For SMM 1 and 2 (weather-normalised methods), you need at least 12 months of historical consumption data covering a complete seasonal cycle; for SMM 3 (equipment isolation), you need baseline readings of the specific equipment being replaced; for SMM 4 (solar) and SMM 5 (electrification), you need clear definition of the measurement boundary and commissioning sequence. Delaying measurement planning or starting work before baselines are established can eliminate or delay VEEC eligibility. We recommend preparing a measurement plan and submitting your project brief early to confirm which SMM applies and what evidence you must retain.