

AGL Energy fined \$3 million for failing to offset its emissions levels

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Details:

[Summary](#) | [Article](#) | [Current use](#) | [Related guidance](#)

About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: October 25, 2018.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

Well known energy retailer, AGL Energy has been hit with a fine of \$3 million for failing to offset their 2017 emission levels. The Victorian Essential Services Commission (ESC), announced AGL failed to meet its liability under the state's energy efficiency regulations.

Every Victorian energy retailer has an obligation to purchase and surrender a set amount of Victorian Energy Efficiency Certificates (VEECs) which act as a carbon emissions offset project, if this figure is not met, they are issued with a fine. In this instance, AGL failed to surrender 64,033 Victorian energy efficiency certificates, which incurred \$2,991,621 in penalties.

"AGL fully understood its responsibilities but failed to surrender the correct number of certificates - The legislation is very clear about retailers' obligations and the consequences of failing to meet those obligations" said ESC's Chairperson Dr Ron Ben-David.

The amount of certificates needed to be purchased by each retailer, is calculated in proportion to the volume of energy they sell to Victorian customers. Ben-David told Fairfax Media "It is extraordinary to think that AGL, the biggest retailer in the state, can't even tell us how many customers it has" and that it was particularly disappointing "for a business that has been in the scheme for its entire life".

This administrative blunder was explained by AGL's head of wholesale markets, Richard Wrightson, as "an oversight" and said the company had apologised.

Unfortunately for AGL, the fine comes only a week after the ESC threatened to revoke AGL's licence to sell gas and electricity in the state, unless they provided correct customer complaints information by the end of October. The ESC stated it was time for AGL "to get its house in order". AGL have until the end of the month to get all the details submitted correctly before the begin the process of reviewing the electricity retailer's licence to operate in Victoria.

For further details on AGL and all other news, read more here .

How to use this information now

For current use, confirm the applicable scheme rules, regulator notices, market date and reporting period. Keep historical prices or forecasts separate from present quotes and verified outcomes.

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 Victorian Energy Efficiency Certificates (VEECs) and how do they work in the energy market?

VEECs are certificates created by accredited providers for eligible energy-efficiency activities under Victoria's Energy Upgrades scheme. Energy retailers like AGL are obligated to purchase and surrender these certificates in proportion to the volume of energy they sell to Victorian customers. The scheme functions as a market-based mechanism where certificate creation supports eligible improvements—such as solar, cogeneration, heating projects, and prescribed activities—while retailers meet compliance obligations by acquiring and retiring certificates. The number of certificates a retailer must surrender is calculated directly from their customer energy sales volume, making compliance a quantifiable, auditable responsibility.

Why did the ESC fine AGL Energy \$3 million, and what does this reveal about retailer obligations?

The Essential Services Commission fined AGL approximately \$2.99 million for failing to surrender 64,033 required VEECs under Victoria's energy efficiency regulations. The fine demonstrates that retailer obligations under the scheme are mandatory and non-negotiable; retailers cannot treat certificate surrender as discretionary or defer compliance. AGL's failure was particularly significant because, as the largest retailer in Victoria and a participant since the scheme's inception, the company was expected to have established robust compliance systems. The ESC's position—that "the legislation is very clear about retailers' obligations and the consequences of failing to meet those obligations"—establishes that regulatory enforcement applies regardless of company size or historical participation.

What operational and compliance risks does the AGL case illustrate for energy retailers and large energy users?

The AGL case reveals critical compliance risks: inadequate customer data management, failure to translate sales volumes into certificate obligations, and gaps between stated understanding and operational execution. AGL's inability to accurately report its customer count despite being the largest retailer exposed a fundamental tracking failure. For large energy users subject to energy-management obligations in other jurisdictions—such as those under Singapore's Energy Conservation Act or Australia's mandatory energy-management frameworks—the case illustrates that regulators will enforce obligations strictly and that "oversight" excuses do not mitigate penalties. Organizations must establish documented systems to track regulated obligations, maintain accurate baseline data, and implement verification processes before regulatory deadlines.

How should organizations assess their compliance obligations under energy efficiency certificate schemes?

Organizations must first establish whether they are subject to scheme obligations—in Australia, this depends on jurisdiction, operational control, and activity type. For retailers, obligations are calculated from sales volume; for participants creating certificates, eligibility depends on specific activity, premises, equipment, and scheme conditions under the applicable rules. Our delivery approach emphasizes starting with accurate baseline data and documented boundaries before relying on any financial or compliance calculation. The AGL case demonstrates that even large, experienced participants must verify their obligation calculations and maintain auditable records. Organizations should commission specialist assessment of scheme applicability, obtain current rule documentation (not historical precedents), and establish internal verification processes to prevent compliance gaps.

What does the AGL fine reveal about the importance of accurate energy data and record-keeping?

The AGL failure highlights that energy data accuracy and record-keeping are not optional; they are foundational to regulatory compliance. AGL could not accurately state its customer count despite this being essential to calculating its VEEC obligation. Poor data governance created a compliance exposure that regulators enforced with a multi-million-dollar penalty. For any organization subject to energy-management obligations—whether under certificate schemes, emissions reporting (NGER, NPI, CCMAP), or renewable energy targets—maintaining verified, auditable records of energy consumption, customer numbers, facility boundaries, and operational data is critical. Our assessment approach begins with understanding what data exists, who owns it, and where gaps are, recognizing that data readiness directly affects compliance risk.

How do energy efficiency certificate schemes relate to broader Australian emissions and energy reporting obligations?

Certificate schemes like Victoria's Energy Upgrades operate alongside separate reporting frameworks including NGER (National Greenhouse and Energy Reporting), Safeguard Mechanism, NPI (National Pollutant Inventory), and state-based requirements like NSW CCMAPs. These frameworks have different applicability tests, thresholds, calculation methods, and reporting deadlines. A retailer's VEEC obligation is distinct from corporate sustainability reporting or facility-level emissions thresholds. Organizations must keep these assessments separate: a company's NGER obligations do not establish its VEEC liability, and vice versa. Our advisory approach separates each reporting requirement, establishes applicability through dedicated assessment, and builds a unified data map that feeds multiple outputs without conflating their different purposes or boundaries.

What regulatory and reputational implications did AGL face beyond the financial penalty?

Beyond the \$3 million fine, AGL faced additional regulatory pressure: the ESC threatened to revoke its Victoria operating licence for failing to provide accurate customer complaints data, requiring AGL to demonstrate compliance by month-end or face licence review. The timing—the VEEC fine followed licence-threat warnings by one week—created cumulative reputational and operational risk. ESC leadership publicly stated it was "extraordinary" that AGL could not manage basic compliance functions, describing the situation as particularly disappointing given AGL's market position and longevity in the scheme. For large energy users and utilities, regulatory credibility and licence status are essential assets; compliance failures create not only financial exposure but also operational risk (potential loss of market access) and reputational harm that can affect investor confidence and stakeholder relationships.

How can Northmore Gordon assist organizations in managing energy certificate and compliance obligations?

We provide assessment and advisory services across scheme eligibility, certificate creation, trading, and compliance. Our stated capabilities include project registration, evidence gathering, M&V; support, and funding assessment for energy-efficiency activities. For organizations facing certificate scheme obligations or multi-scheme compliance (NGER, NPI, CCMAP, state-based schemes), we can help establish applicability, document baseline data, identify compliance gaps, and prepare evidence files

that support regulatory reporting. The AGL case illustrates that even experienced participants benefit from specialist review: Our approach emphasizes starting with accurate data inventory, documenting decision ownership, and implementing verification processes before regulatory deadlines, reducing the compliance and financial risks demonstrated by the AGL penalty.