

ANNEX XXII

ENERGY EFFICIENCY PORTFOLIO STANDARDS

1 DESCRIPTION OF TECHNICAL SECTOR: DEFINITIONS

a) Description of Technical Sector

Increased Energy Efficiency is globally recognized as a very cost-effective strategy to reduce energy requirement and the related environmental impacts by reduction in GHG emissions. As a result, worldwide Energy Efficiency is continually being acknowledged through innovative market mechanisms and policies to address the issue of climate change. The fourth assessment report of IPCC Working Group III on Mitigation of Climate Change identified lowering the energy intensity of economic activity through increases in the efficiency of vehicles, buildings, appliances, and industrial processes as one of the three pillars of mitigation strategies. In this regard, many countries have set policy targets for reducing emissions and have identified energy efficiency as one of the measures along with coordinated efforts to secure funding for these programmes. For example, in 2008, the European Commission set a policy target of "20 20 by 2020". The policy sets the target reduction of at least 20% in greenhouse gases (GHG) by 2020. Energy efficiency is identified as one of the key pillar in achieving a 20% reduction in GHG emissions. Also, in the past few years, Australian Ministerial Council on Energy has announced a comprehensive set of energy efficiency measures comprising the National Framework for Energy Efficiency (NFEE). NFEE covers a range of policy measures, designed to overcome the barriers and challenges that prevent the market delivering the actual economic potential of energy efficiency.

To achieve these ambitious targets for energy efficiency, the countries have introduced various policies and programmes targeting different sectors such as appliances, buildings, industries, etc. These policies include wide range of instruments such as regulatory directives, voluntary agreements, incentives or subsidies, financing options, education and outreach, etc. However, these are being implemented through varied channels and collective impact of these measures is not known. Similarly, in many other countries, such programmes have evolved over a period of time to cater needs as and when these arise. As a result, these programmes tend to have their own objectives and implementation mechanisms. While a number of these programmes have been successful in realising their objectives, in the absence of unified approach, their full potential is often not realised. In order to overcome the existing barriers for energy efficiency programmes and realise their true potential, it is important that a coherent approach that encompasses all the efforts to implement these measures is developed.

In this regard, several states in the United States and a few European countries have adopted Energy Efficiency Portfolio Standards (EEPS) like programmes as part of their efforts to mobilise energy efficiency improvements. These programmes provide market based instrument to utilities to achieve defined target for energy savings. While these types of programmes have gained momentum globally in the recent past, wide differences exist in their design and implementation. As a result, these programmes have also met with varying degrees of success. Further, there exists tremendous potential for implementation of such programmes in many other countries. Taking into account these recent developments in EU and other parts of the world, the proposed task has been designed. The proposed task is expected to develop important policy instrument, which will enable all participating countries to monitor various energy efficiency policies and their impact on energy usage.

b) Definitions

Task Experts

Each Participant in Task XXII (i.e. Country) nominates one or more persons as its Task Expert. Task Experts contribute their knowledge to the progress of the Task and are responsible for carrying out any research work within their country which is required for the Task. A Participant may nominate more than one Task Expert, each with different knowledge and/or skills relevant to Task XXII.

Expert Meetings

All the Task Experts meet regularly at Expert Meetings to review and assess the progress of the work completed by the Operating Agent and by the group of Task Experts.

2 OBJECTIVES

The primary objective of this task is 'Development of Best Practices Guide for Design, Development, Implementation and Evaluation of Energy Efficiency Portfolio Standards'

3 MEANS

The Work plan for the 'Energy Efficiency Portfolio Standard Task' comprises of following three Subtasks:

- Sub Task I: Analysis of various approaches to promote EE and their relative efficacy
- Sub Task II: Development of best practices in design of EEPS
- Sub Task III: Communication and Outreach

3.1 Subtask I: Analysis of various approaches to promote EE and their relative efficacy

Subtask Objective

The objective of this task is to analyze various approaches including EEPS like approaches adopted to promote EE and assess their relative efficacy in achieving the desired objectives.

Activities to be carried out:

It is widely known that many countries have adopted various approaches for implementation of energy efficiency measures. The European Commission has given a series of directives on energy efficiency standards & labels on processes and appliances, performance of buildings, taxation of energy products and electricity, promotion of CHP, energy end use efficiency and energy services and others. The Commission has also put in place a number of policies to achieve their goal of reducing energy consumption. Members of EU, following these directives have formulated various approaches in residential, industrial & tertiary sectors. Some of the countries have placed mandatory commitments to achieve specific energy savings targets on part of suppliers. Similarly, a number of states in USA have adopted Energy Efficiency Resource Standards (EERS) wherein energy providers are required to meet quantitative targets for energy saving. Each of these approaches has evolved over a period of time. While some have achieved the desired objective, others need to be revisited. In this sub-task, an analysis of these approaches to promote EE will be carried out to establish relative efficacy of these approaches.

3.2 Subtask II: Development of Best Practices in design of EEPS

Subtask Objective

The objective of this sub-task is to analyse design parameters and to develop best practices in design of EEPS.

Activities to be carried out

EEPS is expected to ensure that cost effective energy efficiency opportunities are pursued to help manage electricity demand growth, lower overall and peak electricity prices, reduce emissions and address reliability concerns. Many states in the United States and a few countries such as UK, Italy, France, etc have implemented energy efficiency standards like programmes. Design parameters of EEPS in each of them vary depending on the specific goal the programme intends to achieve. To be able to design EEPS, decision is required to be taken on a number of key design issues and its associated parameters such as identification of various stakeholders, their roles and responsibilities, target settings, its coverage, timing, duration, potential funding arrangements, measurement and verification, implementation mechanism etc

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Measurement and verification is an important part of EEPS program as it helps ensure that saving targets are met and also provide feedback to oversight agencies, program administrators and other participants to adjust energy savings goals, as needed. The approach adopted for M&V is an important design parameter for EEPS like programmes. Further, it would be important to identify and analyse inter-linkages of EEPS schemes with the other energy efficiency schemes, renewable energy schemes or emission trading schemes e.g. EU's ETS scheme and the Effort Sharing Decision for the non-ETS sector to ensure effective operation of the schemes. In this subtask, these parameters would be analysed and best practices for design of EEPS will be developed.

3.3 *Communication and Outreach*

Subtask Objective

The objective of this sub task is to identify and engage various stakeholders to communicate and disseminate information on setting and development of EEPS.

Activities to be carried out

In this sub-task, the OA with the help of Country Experts will identify and engage various stakeholders in order to communicate information about best practices related to the Energy Efficiency Portfolio Standards. Information dissemination would be carried out by preparing two newsletters and by conducting one regional workshop to discuss various aspects of EEPS.

4 RESULTS

The following deliverables will be developed in the Task XXII. Further details about each of these deliverables will be made available as the work of the Task is progressively completed.

Subtask 1: Analysis of various approaches to promote EE and their relative efficacy

- A report on various approaches for promotion of energy efficiency measures.

Subtask 2: Development of Best Practices in Design of EEPS

- A report on 'Best Practices in Design of EEPS'

Subtask 3: Communication and Outreach

- Information dissemination would be carried out by preparing two newsletters and by conducting one regional workshop to discuss various aspects of EEPS.

5 TIME SCHEDULE

This task has commenced on March 01, 2010 and will remain in force until February 28, 2011. This Annex will remain in force during the same period.

6 RESPONSIBILITIES OF THE OPERATING AGENT

The Responsibility of the Operating Agent shall be as under:

- Manage and coordinate the successful completion of the Task XXII Subtasks and the work of the different Task Experts in accordance with the Task XXII Work Plan;
- Provide semi-annual reports to the Executive Committee on the progress and results of the Work performed under the Task XXII Work Plan;
- Provide to the Executive Committee within three months after completion of all work under the Task XXII Work Plan, a Final Management Report for its approval;
- Use its best efforts, in collaboration with the Participants, to avoid duplication with activities of other related programmes and projects implemented by, or under the auspices of the Agency of by other bodies;
- Market and disseminate information about Task XXII to raise and maintain interest in , and understanding of, the Task and the IEA DSM Programme;

7 RESPONSIBILITIES OF THE TASK EXPERTS

Each Task Expert shall:

- Undertake one person months of work during 12 months duration of Task XXII;
- Contribute their knowledge to the progress of Task XXII;
- Carry out any research work within their country which is required for Task XXII;
- Where participation in Task XXII involves several organisations in their country, coordinate contribution by these organisations to the work of Task XXII;
- Attend up to two Experts Meeting and participate actively in these meetings;
- Analyse and comment on draft versions of work carried out by the Operating Agent and other Task Experts;
- Comment on draft version of Task Status Reports and the Final Management Report;
- Contribute to organising regional workshop held in their region, including organising an appropriate venue and inviting potential workshop participants;
- At the conclusion of Task XXII, write a memorandum to the Operating Agent describing and analysing lessons from their country's participation in Task XXII;

8 MEETINGS

Two Expert Meetings are envisaged during the 12 months duration of Task XXII on rotational basis in one of the countries participating in Task XXII. One Expert Meeting was conducted successfully in the month of April 2010. Second Expert Meeting is likely to be held in the month of October 2010.

9 FUNDING

The Task XXII Budget is set at **120000 €**. Each Participant in Task XXII will contribute an equal share of the Task XXII Budget. Currently, three participants are participating in the task. If the number of Participants changes, the value of each Participants' share of the Task XXII Budget will be adjusted accordingly by the Executive Committee, acting by unanimity of the Participants in Task XXII. New Participants shall pay a full equal share of the Task XXII Budget.

The Operating Agent shall send only one invoice to the Participants 6 months after the commencement of the Task. Payment from each Participant must be received by the Operating Agent no later than 60 days after the Participant's receipt of the invoice.

If necessary, an increase in Task XXII Budget may be agreed upon by the Executive Committee, acting by unanimity of the Participants in Task XXII.

In addition to its share of the Task XXII Budget, each Participant shall bear all the costs of its own participation in Task XXII, and the costs it incurs in carrying out its obligations under this Annex, including necessary travel costs.

10 INFORMATION AND INTELLECTUAL PROPERTY

The Participants and the Operating Agent shall have the right to publish all information provided to, or arising from Task XXII, except for proprietary information. This right will commence 12 months after the completion of Task XXII.

11 OPERATING AGENT

Mr. Balawant Joshi, Director, ABPS Infrastructure Private Limited is designated as an Operating Agent.

12 CONTRACTING PARTIES WHICH ARE PARTICIPANTS

The contracting parties in Task XX are the following:

India

Bureau of Energy Efficiency, Ministry of Power, Government of India

Spain

Red Electrica de Espana

Regulatory Assistant Project (RAP) in United States of America