

Energy Efficiency Obligation Scheme-Ireland

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1. Executive Summary

The purpose of this Guidance document is to inform obligated energy suppliers of their requirements pursuant to the Energy Efficiency Obligation Scheme ('EEOS') which has commenced operation from 1st January 2014.

The EEOS is being implemented pursuant to the Energy Efficiency Directive 2012, Article 7. The Directive imposes a legal obligation on Member States to achieve new savings each year from 1 January 2014 to 31 December 2020 of 1.5% of the annual energy sales to final customers of all energy distributors and all retail energy sales companies by volume, averaged over the most recent three-year period prior to 1 January 2013. The target is cumulative, which means that it is based on incremental annual savings that deliver a total volume of savings at the end of the obligation period in 2020.

Ireland has chosen to effect the provisions of Article 7(9) of the Directive, opting to combine alternative policy measures and an energy efficiency obligation scheme to meet the national target. Obligated parties under the EEOS are energy distributors and retail energy sales companies that have market sales in Ireland of greater than 600 GWh final sales in any relevant year, regardless of the sector they supply.

Obligated parties' targets are allocated according to their proportion of energy market sales volume in Ireland. Member States are obliged to put in place measurement, control and verification systems to verify savings by obligated parties. The positions against targets for each year are to be achieved, audited and finalised by 31 March of the following year. The target allocated to obligated parties is 550 GWh PPE, which is sub-sectoralised as 75% non-residential, 20% residential and 5% fuel poverty residential. The minimum achievement for the period 2014-2016 is Year 1 60%, Year 2 75% cumulative and Year 3 90% cumulative. From Year 4 onwards, the minimum cumulative achievement will be 95% cumulative.

Obligated parties can choose to achieve energy savings independently or through partnerships with service providers in the market. The scheme permits the exchange of validated savings between obligated parties in certain circumstances. Obligated parties can buyout up to a maximum of 30% of their total cumulative target, whether or not they have achieved their minimum cumulative target. For any portion of the minimum annual target not achieved, exchanged or bought out, a penalty will be imposed. The price of buyout and penalty will be set and published by the Minister and reviewed as appropriate.

2. Definitions

2.1 For the purposes of this Guidance document, the following definitions shall apply:

‘buyout’ means the facility for obligated parties to pay monies at a specified price per kWh into a fund in lieu of unachieved savings;

‘credits’ means energy savings in terms of kWh;

‘Directive’ means Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012;

‘Directive of 2006’ means Directive 2006/32/EC of the European Parliament and of the Council of 5 April 2006;

‘distribution system operator’ means ‘distribution system operator’ as defined in Directive 2009/72/EC and Directive 2009/73/EC respectively;

‘EEOS’ means energy efficiency obligation scheme;

‘energy’ means all forms of commercially available energy, including energy in the form of electricity, natural gas (including liquefied natural gas), liquefied petroleum gas, fuel for heating and cooling (including district heating and cooling), coal and lignite, peat, transport fuels (excluding aviation and maritime bunker fuels) and biomass;

‘energy audit’ means a systematic procedure with the purpose of obtaining knowledge of the existing energy consumption profile of a building or group of buildings, an industrial or commercial operation or installation or a private or public service, identifying and quantifying cost-effective energy savings opportunities, and reporting the findings;

‘energy distributor’ means a natural or legal person, including a distribution system operator, responsible for transporting energy with a view to its delivery to final customers or to distribution stations that sell energy to final customers;

‘energy efficiency’ means the ratio between an output of performance, service, goods or energy and an input of energy;

‘energy efficiency improvement’ means an increase in energy efficiency as a result of technological, behavioural and/or economic changes;

‘energy efficiency improvement measure’ means any action, including provision of information that leads to verifiable and measurable or estimable energy efficiency improvement;

‘Energy Efficiency Notice’ means a Notice under Section 9 of the 2014 Regulations.

‘energy savings’ means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption;

‘energy service’ means the physical benefit, utility or good derived from a combination of energy with energy-efficient technology or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract and in normal circumstances has proven to result in verifiable and measurable or estimable energy efficiency improvement or primary energy savings, or both;

‘energy supplier’ means an energy distributor, distribution system operator or retail energy sales company;

‘energy poverty’ refers to a household which is unable to attain an acceptable standard of warmth and energy services in the home at an affordable cost.

‘energy service provider’ means a natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer’s facility or premises;

‘exchange’ means any transfer of credits between obligated parties in order to meet their respective targets;

‘final customer’ means a natural or legal person who purchases energy for own end use;

‘Fund’ means Energy Efficiency National Fund established under Regulation 10 of the 2014 Regulations;

‘GWh’ means gigawatt hour, a measure of energy usage;

‘Minister’ means Minister for Communications, Energy and Natural Resources;

‘non-residential’ means buildings, facilities and transport in the public, commercial, industrial and community sectors;

‘non-validated credits’ means savings which have not yet been reviewed by SEAI and are not yet countable against an obligated party’s targets;

‘obligated party’ means an energy distributor or retail energy sales company that has a market sales volume in Ireland of greater than 600 GWh per annum. Obligated parties

are bound by the national energy efficiency obligation schemes referred to in Article 7 of the Directive;

'PEE' means primary energy equivalent which means the process for making units of different energy streams more comparable by adjusting units of electrical energy use to take account of the conversion losses in electricity generation;

'PEP' means Project Evaluation Platform for Non-Residential projects;

'policy measure' means a regulatory, financial, fiscal, voluntary or information provision instrument formally established and implemented in a Member State to create a supportive framework, requirement or incentive for market actors to provide and purchase energy services and to undertake other energy efficiency improvement measures;

'premises' means any building or any structure, vehicle or vessel (whether mobile or not) or part of it occupied as a separate dwelling or place of business and includes any garden or portion of grounds attached to and usually occupied with the dwelling or place of business or otherwise required for the amenity or convenience of the dwelling;

'primary energy consumption' means gross inland consumption, excluding non-energy uses;

'2009 Regulations' means S.I. 542 of 2009, European Communities (Energy end-use efficiency and energy services) Regulations 2009

'2014 Regulations' means S.I. No 131 OF 2014, European Union (Energy Efficiency Obligation) Regulations 2014;

'residential' means buildings such as houses and apartments used for domestic purposes;

'retail energy sales company' means a natural or legal person who sells energy to final customers;

'small energy supplier' means an energy distributor or retail energy sales company that distributes or sells less than 600 GWh of energy per annum, or the equivalent;

'validated credits' means savings which have been reviewed by SEAI and are countable against the obligated party's annual targets;

'voluntary agreement' currently means an agreement established under Regulation 11 of the 2014 Regulations; previously defined under SI 542 of 2009 and Regulation 12 of the 2012 Act and includes such agreement as have expired;

'SEAI' means Sustainable Energy Authority of Ireland;

- 2.2 A word or expression that is used in this Guidance document and is also used in the Directive has, unless otherwise stated, the same meaning as it has in the Directive.

3. Introduction

- 3.1 This Energy Efficiency Obligation Scheme is a new obligation scheme for the energy suppliers in Ireland established by Statutory Instrument No. 131, 2014. The Scheme aims to assist in the delivery of Ireland's legal obligation to achieve new savings each year from 1 January 2014 to 31 December 2020 of 1.5% of the annual energy sales to final customers of all energy distributors and retail energy sales companies by volume.
- 3.2 The Energy Services Directive (ESD) 2009 was the precursor to the 2012 Energy Efficiency Directive. The ESD sought to promote end-use energy efficiency in EU Member States through support measures and the removal of institutional, financial and legal barriers. It encompassed Government, energy suppliers and final energy users, and was intended to increase the focus on cost-effective energy efficiency measures and the development of new activities in the energy services area.
- 3.3 Ireland transposed the ESD through the 2009 Regulations, which provided for national energy efficiency saving targets; energy services - including the availability of energy audits to final customers; the exemplary role of the public sector and the promotion of energy efficiency by energy suppliers.
- 3.4 On foot of the 2009 Regulations, a Voluntary Agreement was put in place for the period 2011 to 2013 between participating energy suppliers and Sustainable Energy Authority of Ireland ("SEAI"). This Agreement sought to achieve energy efficiency savings of 878 GWh across the three years.
- 3.5 The Energy Efficiency Directive (2012/27/EU) repealed Directives 2006/32/EC and 2009/28/EC and emphasised the need to increase energy efficiency in the European Union to achieve the objective of saving 20% of the Union's primary energy consumption by 2020. Ireland has chosen to effect the provisions of Article 7(9) of the Directive, opting to combine alternative policy measures and an energy efficiency obligation scheme to meet the national target.
- 3.6 The 2014 Regulations transpose the relevant provisions of the 2012 Directive into Irish law.

- 3.7 This Guidance document provides an explanation of the new Energy Efficiency Obligation Scheme. It explains which obligated parties will be obligated under the EEOS and how this will be determined. The document explains how targets will be set for each obligated party. It provides a breakdown of the energy efficiency sub-sectoral targets: non-residential, residential and homes experiencing energy poverty.
- 3.8 The Guidance document describes the activities that obligated parties may carry out in order to achieve their obligations, including the options available where an obligated party fails to meet its minimum target. The scheme permits buyout of up to 30% of the total cumulative target as well as inter-obligated party exchange of targets. The document also details the penalty that will apply when an obligated party fails to meet its minimum annual target.
- 3.9 This Guidance document outlines the role of SEAI as Administrator under the EEOS. It details the approach that will be taken to monitoring and verification of energy efficiency initiatives. It outlines the reporting requirements for obligated parties and also SEAI's role in reporting to the Minister on the progress obligated parties have made in achieving their target.
- 3.10 This version of this Guidance document takes immediate effect.
- 3.11 As the EEOS progresses, SEAI will continue to refine its processes and may review and update the content of this Guidance document from time to time. All obligated parties will be notified on the issue of an updated version of the Guidance document and will be afforded appropriate time to respond to any proposed updated requirements.

The Role of the Minister

- 3.12 The Minister will:
- Set the rules of the Energy Efficiency Obligation Scheme.
 - Enact any necessary legislation in relation to the Energy Efficiency Obligation Scheme.
 - By means of Energy Efficiency Notices:
 - (i) Assign an annual energy savings target for each obligated party.
 - Decide the buyout and, by extension, the penalty price and publish any changes (existing prices are listed in Appendix 1).
 - Decide on use of funds collected under buyout and penalty.
 - Continue to chair the Energy Supplier Governance Group.

- Continue to be available and open to consultation on the Energy Efficiency Obligation Scheme.

SEAI as Administrator of EEOS

3.13 The Minister has appointed SEAI to administer the scheme under the 2014 Regulations.

3.14 SEAI will administer the Energy Efficiency Obligation Scheme for the duration of the obligation period, which is anticipated to end on 31st December 2020, subject to future national and European policy developments.

3.15 SEAI as Administrator of the Energy Efficiency Obligation Scheme will:

- (i) provide a published list of measures, and energy savings credits data for the Programme,
- (ii) evaluate and approve new measures for inclusion under the Scheme,
- (iii) where appropriate and available, publish calculation methodologies and guidelines for recording, measuring, verifying and monitoring energy savings for the Programme,
- (iv) monitor, verify and audit the quality of a percentage of reported energy efficiency improvement measures carried out by each obligated party,
- (v) review and validate the calculations of a percentage of reported energy credits which must be independently audited by the obligated party prior to submission to SEAI,
- (vi) record all energy initiatives and credits on the SEAI IT system within a reasonable time of their being submitted for approval,
- (vii) monitor obligated party compliance with requirements and report to the Minister,
- (viii) approve, where appropriate, the exchange of validated credits from one obligated party to another,
- (ix) approve and enable, where appropriate, buyout of credits by an obligated party at year end,
- (x) report to the Minister on situations where penalties may be appropriate,
- (xi) submit a report to the Minister in April of each year detailing the progress which obligated parties have made towards achieving their obligations to December of the previous year,
- (xii) submit a report at the end of the programme detailing the progress which obligated parties have made towards achieving their obligations,
- (xiii) facilitate quarterly Governance Group meetings.

SEAI reserves the right to update and amend this document at any point, including at short notice as circumstances require.

Information gathering powers

3.16 Pursuant to the 2014 Regulations, SEAI may request:

- (a) such information that will allow for the monitoring of energy services and that will facilitate the design and implementation of energy efficiency improvement programmes or other such measures, and;
- (b) current information on final customer consumption, including, where applicable, load profiles, customer segmentation and geographical location of customers.

3.17 In accordance with regulation SI 131 2014 section 8 (3), SEAI shall preserve the integrity and confidentiality of private or commercially sensitive information provided pursuant to a request under paragraphs (a) and (b).

3.18 Where an obligated party, or a particular class of obligated party, fails to comply in full with such a request within a period of 6 weeks, or such longer period as the SEAI may specify in the request, SEAI may apply to the High Court for an order directing the obligated party, or a particular class of obligated party concerned to comply with the request.

Queries

3.19 Any queries in relation to the EEOS and its administration should be emailed to: eeos@seai.ie

4. National Target for Energy Efficiency

Calculating National Target

4.1 The Directive imposes a legal obligation on Member States to achieve new savings each year from 1 January 2014 to 31 December 2020 of 1.5% of the annual energy sales to final customers of all energy distributors or all retail energy sales companies by volume, averaged over the most recent three-year period prior to 1 January 2013.

4.2 Table 1 below shows how Ireland has calculated the annual savings required to meet the requirements of Article 7. Row 1 shows the Total Final Consumption by volume of all retail energy sales averaged over the most recent three year period for which data is available (2010 - 2012). Transport Total Final Consumption (TFC) is shown in Row 2 and deducted from eligible sales in Row 3. Row 4 shows the total unadjusted savings required per annum, which is reduced in Row 5 by application of reduction factors allowable under Article 7(2) (see Table 2 below for the calculation methodology). The resulting average annual savings is shown in Row 6, with the cumulative energy savings required over the period 2014 - 2020 presented in Row 7.

Table 1: Calculating Ireland's Energy Saving Target

	2010	2011	2012	Total
1 Total Final Consumption (GWh)	139,223	129,721	125,150	
2 Transport TFC (GWh)	53,777	51,730	48,788	
3 Adjusted TFC (TFC-Transport TFC) (GWh)	85,446	77,991	76,363	79,933 ²
4 Per annum target (1.5%) (GWh PEE) ³				1,469
5 Application of reduction factors (GWh PEE)				367
6 Net (average) annual savings to be achieved GWh (PEE)				1,102
7 Total cumulative energy savings (2014 – 2020) GWh (PEE)				30,844

Notes:

^[1] Average of 2010 - 2012

^[2] Target converted to Primary Energy Equivalent for consistence with savings estimates presented below. Based on electricity savings representing 15% of total savings and a primary energy conversion factor of 2.5.

Table 2: Application of Reduction Factors

	Annual (GWh) TFC	Cumulative savings (GWh) TFC	Cumulative savings reduction (%)
1. Annual Energy savings (as per Table 1, Row 4)	1,469	41,126	-
2. Applying 2(a)		32,558	21%
3. Applying 2(a) and (b)		27,906	32%
5. Maximum allowable reduction		10,281	25%
6. Target	1,102	30,844	25%

- 4.3 Thus, Ireland has calculated that the annual final target, for the purposes of Article 7 compliance, equates to 1,102GWh PEE. The 7 year cumulative target amounts to 30,844 GWh (PEE).
- 4.4 The Directive allows Member States to count savings from alternative measures towards the 1.5% target. Ireland has chosen to adopt this approach.
- 4.5 Ireland has imposed a target of 550GWh PEE on obligated parties. This will be combined with other alternative policy measures in order to meet the 1,102 GWh PEE annual target. An indicative list of alternative measures is contained in Ireland's submission to the EU Commission, which is available on the Commission website.

5. Overview of Energy Efficiency Obligation Scheme 2014 – 2020

Who is obligated under the Scheme?

5.1 Ireland has chosen to combine an Energy Efficiency Obligation Scheme with alternative measures in order to meet the national target as the Minister believes that to impose the full 1.5% obligation on energy suppliers would result in operational and cost challenges for the industry. Therefore, a reduced target obligation is being implemented on designated energy suppliers as set out below.

Obligated Party Threshold

5.2 The obligated parties are bound by their respective obligations pursuant to the Scheme which takes effect from 1st January 2014 and will remain in place until 31st December 2020. Obligated party targets will be set every three years during this period unless an Obligated Energy Supplier experiences a consistent change in market sales volume of greater than 10% during the three year period. Should this occur, targets for all obligated parties may be revised if the impact on national savings is considered material.

5.3 Obligated parties' targets will be based on the annual sales volume of each obligated party as a percentage of the total sales volume of all obligated parties. The calculation method is depicted in Figure 1 below.

Figure 1. Obligated Party's obligation target calculation

$$\frac{\text{Supplier Annual Sales}}{\text{Total Eligible Supplier Sales Volume}} \times 550 \text{ GWh per annum}$$

5.4 Obligated parties are energy suppliers that have a market sales volume in Ireland of greater than 600 GWh per annum. This will be determined using Energy Balance Data and analysis, Commission for Energy Regulation (CER) Quarterly Sales reports and National Oil Reserves Agency (NORA) Returns sales volume data for the year 2012.

5.5 Energy suppliers that exceed the threshold of 600 GWh by more than 10% in any year will become obligated for the following year. Alternatively, an energy supplier who exceeds the threshold by less than 10% for two consecutive years

will also become obligated pursuant to the Scheme. Should this occur, targets for all obligated parties may be revised if the impact is considered material.

- 5.6 Obligated parties who experience a reduction in market sales such that they fall below the threshold of 600GWh by more than 10% in any year, or who fall below the threshold for two consecutive years will no longer be obligated pursuant to the Scheme. Should this occur, targets for all obligated parties may be revised if the impact is considered material.
- 5.7 The overall period will be divided into two three year periods and one final year. The first three year period commences 1 January 2014 and ends on 31 December 2016. Supplier’s targets will be determined independently for each of these periods based on most recently available sales volume data.

Calculating Annual Targets

- 5.8 Obligated parties will be entitled to credits in respect of all energy efficiency improvement measures put in place and agreed with SEAI from 1 January 2014.
- 5.9 The target savings to be achieved will be set on an annual basis and will be taken as cumulative in nature. The achieved savings and associated credits will be cumulative across the seven year period. The minimum delivery required in each year of the first cycle (2014-2016) is as follows:
- Year 1 - 60% cumulative
 - Year 2 - 75% cumulative
 - Year 3 - 90% cumulative
- 5.10 From year 4 onwards the cumulative target will be 95%
- 5.11 Table 3 shows the corresponding calculations on a sample annual target of 100GWh.

Table 3: Cumulative Minimum Savings Target – Sample target of 100GWh

	Target per Annum (GWh)			Cumulative Target (GWh)			Minimum Cumulative Target (GWh)			Cumulative
	Non-Residential	Residential	Energy Poverty	Non-Residential	Residential	Energy Poverty	Non-Residential	Residential	Energy Poverty	
Year 1	75	20	5	75	20	5	45	12	3	60%
Year 2	75	20	5	150	40	10	112.5	30	7.5	75%
Year 3	75	20	5	225	60	15	202.5	54	13.5	90%
Year 4	75	20	5	300	80	20	285	76	19	95%

- 5.12 Once the minimum cumulative target has been achieved, a penalty will not be imposed. The remaining unachieved target will be carried over to the following

year and will be part of the cumulative target for that year. This carryover will continue for the 7 year period.

Eligible Measures/Actions

5.13 In fulfilment of its obligations, an obligated party may undertake any of the following:

- Deliver its target savings through energy efficiency improvement measures.
- Agree with counterparties for delivery of energy efficiency improvement measures.
- Exchange credits with another obligated party. The Scheme permits obligated parties to exchange credits once they have been validated by SEAI. SEAI has no involvement in, or visibility of, the agreement of any commercial terms of an exchange or bilateral agreement between two obligated parties. Exchange of validated credits can occur down to zero, in any sector, at any time throughout the year, subject to buyout and penalty credits not being allowed for exchange.
- Buyout a portion of its target. An obligated party that has not reached its total cumulative target in any sector, is permitted to buyout up to 30% of its assigned annual savings target to a limit of 100% of its total cumulative target in each sector. Buyout can only occur in March, once the obligated party's annual achievement has been finalised.
- If an obligated party fails to achieve its overall or sub-sectoral targets, and fails to buyout or exchange, a penalty will be imposed.
- To see a more detailed model of the above example see http://www.seai.ie/governance_group. This model is available to obligated parties only.

Demonstrably material

5.14 Pursuant to the Directive the activities of the obligated party must be demonstrably material to the achievement of the claimed savings.

5.15 Per the Directive documentation, the term 'material' means that the party in question must have contributed to the realisation of the specific individual action in question, and that the subsidy or involvement of the obligated, participating or entrusted party must not have had what is clearly only a minimal effect in the end user's decision to undertake the energy efficiency investment. The term 'demonstrably' means that the Member State must be able to show that this is so. (See Commission staff working document – Draft Interpretative note on Directive 2012, 6th November 2013)

- 5.16 For Residential projects obligated parties and their service partners will be required to complete a joint declaration, specifying the type of works they will carry out and detailing the associated savings, to demonstrate materiality.
- 5.17 For Non-Residential projects the obligated party will be required to submit data on projects to the SEAI system, the Project Evaluation Platform (PEP). This will automatically generate a Demonstrably Material form which will be pre-populated with the relevant project data as entered to the PEP by the obligated party. This form should be used to secure client agreement to the assignment of project savings to the obligated party. It is a requirement that the project client complete a declaration confirming that the obligated party has been involved in the execution of the project and has been material to the achievement of the claimed savings. If two or more obligated parties are involved in a project, the client will be required to declare the percentage contribution of each. The obligated party will be required to send the Demonstrably Material form to its clients for completion and to then submit same to SEAI as an attachment to the project submission on the PEP. The obligated party will also need to complete their own Demonstrably Material declaration as part of their online submission on the PEP.
- 5.18 SEAI will provide the Demonstrably Material form for non-Residential projects. A template for this form is attached in Appendix 4. The form will be updated in format and structure to allow for the PEP system to auto-generate and auto-populate the form.
- 5.19 For certain smaller projects in the SME sector, SEAI may consider an alternative format for submission of energy savings projects, which may allow for some form of combined project submission. This will be further discussed with the obligated parties. However, the need for separate declarations of materiality by each SME client will remain.
- 5.20 SEAI will review evidence of materiality by obligated parties as part of audit procedures.

Additionality

- 5.21 An obligated party must also be able to demonstrate that the savings achieved were additional.

The requirement of 'additionality' requires that savings delivered by the programme measures would not otherwise have been achieved, i.e. the energy savings are additional to any savings achieved through other energy efficiency initiatives/programmes.

Requirement to achieve sub-sector targets

5.22 In order to ensure the delivery of the energy savings across all sectors, as well as to protect the most vulnerable members in society, obligated parties are required to achieve targets across three sub-sectors. These are established for the period 2014 to 2016 as follows:

- Non Residential 75%
- Residential 20%
- Energy Poverty 5%

5.23 There is no requirement for obligated parties to promote energy savings to their own customers. Savings can be secured across all energy users.

Energy Poverty Definition

5.24 The Energy Poverty target is set to ensure that the energy initiatives undertaken benefit the sectors of society with the greatest need. As per the Affordable Energy Strategy 2011 the definition of energy poverty is as follows:

'A household is considered to be energy poor if it is unable to attain an acceptable standard of warmth and energy services in the home at an affordable cost'.

5.25 For the purposes of this Scheme each of the following are defined as meeting the threshold of energy poverty:

- Any household in receipt of Fuel Allowance;
- Any household in receipt of Family Income Supplement;
- Any household in receipt of Job Seekers Allowance for over six months and with children under 7 years of age;
- Any household which is part of a social housing scheme;
- Any household located in a RAPID or Clár area;
- Any household in designated areas specified by SEAI.

6. Credit allocation

Methods for calculating savings

6.1 There are four approaches outlined in the Directive for calculating savings. These are:

Deemed Savings

deemed savings, by reference to the results of previous independently monitored energy improvements in similar installations. The generic approach is termed 'ex-ante' (Directive, Annex V, 1(a))

6.2 Irish Approach to deemed savings:

Deemed savings are used in the Standard Credit Allocation table which primarily corresponds with residential initiatives. These deemed savings will continue in line with those for the Voluntary Agreement Phase. Obligated parties and others can apply to have a measure assessed for inclusion in the Standard Credit Allocation Table. It is therefore envisaged that this list of allowable measures will expand over time. The current Standard Credit Allocation list is available at Appendix 2.

6.3 SEAI will periodically undertake an analysis of standard savings to ensure that savings are in line with estimates.

Metered Savings

metered savings, whereby the savings from the installation of a measure, or package of measures, is determined by recording the actual reduction in energy use, taking due account of factors such as additionality, occupancy, production levels and the weather which may affect consumption. The generic approach is termed 'ex-post' (Directive, Annex V, 1(b))

6.4 Irish Approach to Metered Savings

Metered savings will primarily correspond with non-residential new and innovative initiatives, where it is not clear in advance what savings will result from their installation.

Scaled Savings

scaled savings, whereby engineering estimates of savings are used. This approach may only be used where establishing robust measured data for a specific installation is difficult or disproportionately expensive, e.g. replacing a compressor or electric motor with a different kWh rating than that for which independent information on savings has been measured, or where they are carried out on the basis of nationally established methodologies and benchmarks by qualified or accredited experts that are independent of the obligated, participating or entrusted parties involved (Directive, Annex V, 1(c))

6.5 Irish Approach to scaled savings:

A number of calculation engines are available through the SEAI website to calculate scaled savings, which will be added to over time. Details of currently

available calculation engines are available at Appendix 3. It is also the intention of SEAI to explore and develop a table of standard credits based on independent engineering estimates for smaller non-residential projects where proven technologies are being deployed in certain set circumstances. Any such estimates will be calculated having considered any supporting evidence from the proposer of such technology.

It will be the responsibility of the obligated parties to calculate the scaled savings through the use of the SEAI calculation engines and engineering estimates based on previous case studies and experience.

- 6.6 All projects may be subject to verification by SEAI to secure and retain credits.
- 6.7 Where an obligated party embarks on a large project, the implementation of which is to be carried out over a number of years, allocation of the savings from the project will be based on a phased approach as outlined in Table 4 below. Allocation of savings will be based on the obligated party's estimates of achievements of the project at year end based on milestones laid out in table 4 below. It is for the obligated party to demonstrate progress made.
- 6.8 Where a project spans two years, three options are available for energy suppliers to claim credits, subject to a maximum of 75% in year 1. These options are outlined in Table 4 below.

Table 4: Allocation of savings for two year projects

	Option 1	Option 2	Option 3
Year 1	25%	50%	75%
Year 2	75%	50%	25%

- 6.9 In order for savings to be recorded in the first year of completion of a project, the obligated party must be in a position to demonstrate substantial completion of the works in line with the obligated party's estimate of achievement. In such cases, the maximum amount of savings which can be allocated in year 1 is 75%.
- 6.10 For projects exceeding two years in duration the allocation of savings is to be agreed on a project by project basis with SEAI.
- 6.11 For projects not completed as envisaged, SEAI reserves the right to revoke any credits associated with the project that were not achieved.

Surveyed Savings

surveyed savings, where consumers' response to advice, information campaigns, labelling or certification schemes, or smart metering is determined. This approach may only be used for savings resulting from changes in consumer behaviour. It may not be used for savings resulting from the installation of physical measures (Directive, Annex V, 1(d))

6.12 Irish Approach to surveyed savings

Surveyed savings will apply where appropriate to residential projects and other behavioural based savings on foot of a pre-agreement with SEAI.

7. Project data submission and credit allocation timelines

Timelines for submission

- 7.1 Each obligated party will be required to regularly submit details of works carried out through the SEAI credits management system. SEAI recommends at least a monthly submission of projects but requires, at a minimum, a quarterly submission even if it is to report no updates on project progress.
- 7.2 Where batches are uploaded, each batch should have an element of Quality Assurance undertaken by the obligated party by volume, savings and sub-category.
- 7.3 SEAI will provide to each obligated party a report of their validated submissions on a quarterly basis for their information.
- 7.4 The extended submission deadline, by which time all final submissions for the year must be made, is the end of the second full week of January of the following year, but no later than 15 January. This is to enable the finalisation of reports and submissions of projects completed in December.
- 7.5 A maximum of 30% of projects in any one year, in terms of both energy savings and numbers of projects, can be submitted in the month of December for evaluation and inclusion against that year's target. Any projects in excess of the 30% limit will automatically go towards the following year's target.
- 7.6 By 1 March of the following year, SEAI will issue to each obligated party an account of the final position against targets for the previous year.
- 7.7 Obligated parties can buyout credits during the month of March; exchanges of credits between energy suppliers can take place throughout the year (See below). However the buyout of energy savings must be the final transaction of the year. Any exchanges taking place after the buyout will be rejected by SEAI.
- 7.8 At the end of each year obligated parties will be required to make a declaration confirming their position in relation to credits achieved, re-allocated credits, exchanged credits and bought-out credits.
- 7.9 Obligated parties should satisfy themselves that any transactions they undertake under the programme are fully tax compliant.

- 7.10 In April of the following year, SEAI will reconcile final positions for each obligated party for the year and apprise the obligated parties and the Minister of same.
- 7.11 Any penalty due will be reflected in the obligated party's credit account once the year-end position is finalised.
- 7.12 The Minister will review each obligated party's progress against targets and issue penalties where appropriate.

SEAI Systems and Data

- 7.13 SEAI will facilitate access by obligated parties to the Scheme IT systems.
- 7.14 An obligated party is permitted to use these systems for the specific purpose intended and in a manner that respects good governance.
- 7.15 SEAI and the obligated party undertake to comply with their obligations under the Data Protection Acts 1988 and 2003 and especially in relation to their obligations arising out of or relating to this Scheme.

Timelines for allocation of credits

- 7.16 Non-Residential project submissions must be made via the PEP system only. They will be validated within that system by SEAI before being counted as validated credits against an obligated party's target. Timelines will be set for project evaluation.
- 7.17 For Residential projects the default position will be 30 days maximum for validation unless a project is marked for audit; however SEAI may validate projects at any time earlier than this period.

SEAI/Member State annual reporting

- 7.18 The Directive provides:

Once a year, Member States shall publish the energy savings achieved by each obligated party, or each sub-category of obligated party, and in total under the scheme. (Directive, Article 7, Paragraph 8)

- 7.19 Pursuant to the Directive SEAI will publish an annual report on the Scheme and reserves the right to commission and publish independent research to evaluate its success towards fulfilment of the requirements of the Directive. Publication of

such a report or research will be by sub-sector of savings (Non-Residential, Residential and Energy Poverty).

- 7.20 Publication of any such research shall not impinge on the rights of obligated parties to maintain confidential any commercially sensitive data made known to SEAI pursuant to this Scheme.

8. Auditing, Monitoring and Verification of energy savings

Requirement for Member State to audit

- 8.1 Article 7 paragraph 6 of the Directive describes the obligation of the Member States in relation to monitoring and verification as follows:

‘They shall put in place measurement, control and verification systems under which at least a statistically significant proportion and representative sample of the energy efficiency improvement measures put in place by the obligated parties is verified. That measurement, control and verification shall be conducted independently of the obligated parties.’ (Directive, Article 7, Paragraph 6))

- 8.2 Article 7 paragraph 10 of the Directive provides that the criteria for policy measures includes (amongst other things):

i. monitoring of the results is ensured and appropriate measures are envisaged if the progress is not satisfactory;
ii. a control system is put in place that also includes independent verification of a statistically significant proportion of the energy efficiency improvement measures. (Directive, Article 7, Paragraph 10))

SEAI approach to audit

- 8.3 SEAI will audit a statistically significant sample of credits, ranging between 5% and 10% of all works submitted by obligated parties. The works audited must approximate 20% of the obligated party’s savings and must include a representative sample of project types, size, sub-sector and location, as well as considering any risk factors. SEAI will audit the quality of works for all projects and the savings achieved for those involving non-deemed measures.
- 8.4 For the purposes of administration, all projects submitted by sector, by an obligated party, in any one day, will be treated as a batch and will be audited as such.

- 8.5 If there is a failure rate of greater than 20% across a batch of projects, as audited by SEAI, it will be regarded as an endemic failure and all credits associated with that batch of projects will be withdrawn until the issues are rectified.
- 8.6 An endemic failure of this nature may result in a request for the removal of the overseeing auditor and may also result in all credits associated with that obligated party being examined and/or suspended pending rectification.
- 8.7 Any batch determined to have an endemic failure will require a clearly outlined rectification process and remediation plan. All such batches will need to be resubmitted to SEAI for audit and approval.
- 8.8 Responsibility for any initiatives attracting credits will remain with the initial obligated party, even if subsequently exchanged. Should quality issues later arise, the following steps must be followed:
1. A remediation plan is to be submitted by the responsible obligated party to be approved by SEAI;
 2. The responsible obligated party will be afforded the opportunity to address any deficit;
 3. Energy credits equal to those under investigation will be withdrawn from the originating obligated party if the matter is not satisfactorily dealt with;
 4. If a deficit remains a penalty will apply as appropriate.
- 8.9 Each obligated party will measure and verify the energy savings of projects using an agreed internationally recognised measurement and verification protocol as agreed with SEAI, and will report them to SEAI in the manner and at the frequency required by SEAI. The reports will include, but are not limited to, the number and description of each energy saving action and energy efficiency improvement measure offered to, and adopted by, final customers including appropriate customer data.
- 8.10 For certain larger/complex projects, the obligated party will need to agree in advance with SEAI which method is to be utilised.

Obligated Parties' audit responsibility

- 8.11 Obligated parties must have a robust Quality Assurance (Q/A) scheme.
- 8.12 Obligated parties are required to audit 20% of works done as part of a Q/A regime. The works audited must approximate 20% of the obligated party's savings and must include a representative sample of project types, size, sub-sector and location, as well as considering any risk factors.
- 8.13 All audits are to be conducted by an auditor or competent person who is independent of the works done, for example, if Company A is commissioned to

carry out the works, Company A should not audit the works. However the energy supplier themselves or another independently commissioned Company B may audit the works of Company A.

- 8.14 Any endemic failure (>20%) or major issue discovered by the obligated party Q/A regimes should be reported to SEAI to agree on a remediation plan and any other actions that need to be taken.
- 8.15 All issues discovered by obligated party audits should be addressed and rectified.

9. Exchange of Credits between Obligated Parties

Permitted Exchanges

- 9.1 An obligated party is permitted to exchange achieved credits for each sub-sector once they have been validated by SEAI. Obligated parties are not permitted to exchange bought-out credits or credits obtained through penalties. Exchanges can occur throughout the year, including before an obligated party has achieved its own targets. However it is the responsibility of the obligated party to ensure that by each year end they have achieved their minimum cumulative target. Each obligated party can only exchange credits in the same category.
- 9.2 Any obligated party can decide to reallocate excess credits against another category within their target in line with the rules of exchange as follows:
- Energy poverty credits can be reallocated to meet a target in residential or non-residential.
 - Residential credits can only be reallocated to meet a target in non-residential.
- 9.3 No other exchanges are permitted.
- 9.4 Both obligated parties involved in an exchange are required to inform SEAI of such a transfer. The exchange will not be considered complete until recorded by SEAI.
- 9.5 SEAI will have no involvement in the agreement of the commercial terms of any exchange or bilateral agreement between two obligated parties. Neither is there a requirement to disclose the commercials of any such transfer to SEAI.
- 9.6 Exchanges can happen down to a level of zero credits, subject to buyout and penalty credits being impermissible for exchange. However, it is the responsibility of the obligated party to ensure its own target is met and any shortfall in the achievement of targets, whether as a result of exchange or otherwise, may result in a penalty for the supplier in deficit.

- 9.7 Bought-out credits and credits obtained by means of penalty cannot be exchanged between obligated parties in either the year of buyout or any subsequent year.
- 9.8 Initiatives which have been undertaken by one obligated party will remain the responsibility of that Supplier should quality issues arise at a later point. This is regardless of the fact that the credits related to the initiative may have been exchanged with another obligated party.
- 9.9 Within the obligated party's own credits, once validated by SEAI and in keeping with the rules of exchange as outlined above, exchanges can be made between sectors at any time. Within the obligated party's own credits, bought out credits can be reallocated across sectors at any time, in keeping with the rules of exchange as outlined above.
- 9.10 SEAI and DCENR will continually monitor exchange transactional behaviour for any market distortion or perverse market behaviours.

10. Buyout of Energy Efficiency Credits

Buyout of Credits

- 10.1 Obligated parties will be entitled to buyout up to a maximum of 30%, of any or all of their sub-sectoral targets, to a maximum of 100% of their total cumulative targets.
- 10.2 Buyout can occur during the month of March of the following year only. The 30% limit applies to each sub-sector cumulative target. Buyout can occur up to the level of the full cumulative target. Once a buyout transaction has occurred, in any sector, no further exchanges are permitted in that sector for that period.
- 10.3 Where an obligated party avails of buyout, that portion of the obligation is deemed to be met.
- 10.4 Any credits gained through buyout are not exchangeable with other obligated parties either in the year of buyout or any subsequent year. Within an obligated party's own credits, bought out credits can be reallocated across sectors, in keeping with the rules as outlined above at any time.
- 10.5 The Minister will decide how any monies received under buyout will be used to realise equivalent energy savings in each sub-sector. Obligated parties will not be eligible to participate in initiatives which receive monies from this fund.
- 10.6 Table 5 provides example scenarios of permitted buyout transactions.

Table 5: Example scenarios of permitted buyout transactions

Year	Annual Target	Cumulative Target	Target Achieved	Cumulative Target Achieved	Possible Buyout Scenario 1	Possible Buyout Scenario 2	Possible Buyout Scenario 3
Year 1	100	100	90	90	10	0	0
Year 2	100	200	100	190	0	10	0
Year 3	100	300	20	210	80	80	90
Cumulative Position	300	300	210	210	90	90	90

Setting the Buyout Price

10.7 The Buyout price is set to ensure that Ireland can meet the target not achieved by the Energy Supplier and will take account of:

- Cost of locating works
- Cost of implementation
- Cost of managing the achievement of the target

10.8 Without prejudice to the 2014 Regulations, the process involved in setting the buyout price will take the following into account:

- 1) The estimated cost of achieving equivalent savings to those not achieved by the obligated parties
- 2) Submissions from the Energy Suppliers' Governance Group in quarter 3 of the year preceding the year for which the buyout price will apply
- 3) Market factors

10.9 On receipt of a submission from SEAI, the Minister will decide on a buyout price which will be published in Iris Oifigiúil during quarter 4 of the preceding year.

10.10 Except for exceptional circumstances, the buyout price will only be amended once a year.

10.11 Current buyout prices are available in Appendix 1, Table 7.

When Buyout can occur

10.12 Buyout can only occur in March of the following year after the position of the obligated party has been finalised. Buyout must be the last transaction of the year.

10.13 Where an obligated party has not achieved its minimum cumulative target, it must exchange, buyout the balance (up to 30% maximum) and/or pay the requisite penalty.

11. Penalties for failure to achieve Targets

How will a Penalty arise?

11.1 An obligated party that fails to achieve the minimum cumulative target savings assigned to it by end of March of the following year will be subject to a financial penalty.

11.2 The penalty imposed will be levied on any portion of the minimum cumulative savings not achieved in any one sub-sector. For example, an obligated party may deliver more than 60% of the overall target but still be subject to a penalty if a minimum sub-sectoral target is not achieved. See Table 6 for examples.

Table 6: Sample calculation of deficit to which a penalty will apply

	Target per Annum (GWh)	Non-Residential	Residential	Energy Poverty
Total	100	75	20	5
Cum Min 60%	60	45	12	3
Achieve/Buyout/Exchange	67	60	7	0
Deficit to which Penalty will be applied	8	0	5	3

Setting the Penalty Price

11.3 Article 13 of the Directive provides:

'Member States shall lay down the rules on penalties applicable in case of non-compliance with the national provisions adopted pursuant to Articles 7 to 11 and Article 18(3) and shall take the necessary measures to ensure that they are implemented. The penalties provided for shall be effective, proportionate and dissuasive.' (Directive, Article 13, Penalties)

11.4 The Penalty price has been set at a multiple of 1.25 of the buyout price across all sub-sectors. See Regulation 7(1) of the 2014 Regulations and Table 8: Penalty Costs per Sector in 2014, in Appendix 1, which sets out the penalty price per subsector for 2014.

When will a Penalty arise?

- 11.5 The penalty due, as measured in energy credits, will be reflected automatically in the obligated party's energy credit account once the position is finalised.
- 11.6 Any resulting financial penalties will be imposed by the Minister in April of the following year after finalisation of year end positions for each obligated supplier.

Prosecution for failure to pay a Penalty

- 11.7 Failure to pay a penalty will result in the Minister applying to the High Court for an order directing the obligated party to comply with a payment of a penalty.

12. Carryover of credits/ deficits

- 12.1 Credits earned by obligated parties in excess of annual targets can be carried over from one year to the next and from one period to the next up until 2020.
- 12.2 Shortfalls in achievement of full target credits are eligible for carryover from one year to the next, so long as the minimum cumulative target for that year has been met. If less than the minimum cumulative target is achieved then the obligated party should consider exchange or buyout. If neither of these occurs, or their effect is not sufficient to reach the minimum cumulative target, then the appropriate penalty will be applied to eliminate the deficit.

13. The Energy Efficiency National Fund

- 13.1 Pursuant to Section 10 of the Regulations, the Minister has established the Energy Efficiency National Fund.
- 13.2 The Minister shall operate the fund. The Minister shall pay into the Fund the amount of any contribution from an energy supplier under an Energy Efficiency Notice or as a result of a Direction issued under Regulation 7(1) of the 2014 Regulations. This will include buyout payments made by obligated parties and any penalty payments. Any funds contained within the Fund will not be available to obligated parties, as using penalty funds from unmet supplier targets to meet future supplier targets would lead to a deficit in the achievement of national targets.
- 13.3 Pursuant to Section 10 (5) of the 2014 Regulations, the objectives of the Fund are:
- to support the delivery of energy efficiency improvement programmes and other energy efficiency improvement measures,
 - to promote the development of a market for energy efficiency improvement measures.

- 13.4 The Fund may also be used for the alleviation of energy poverty.
- 13.5 Subject to the agreement of the Minister for the Public Expenditure and Reform, the Minister (or SEAI acting on behalf of the Minister), may publicly invite proposals to avail of moneys or other financial supports from the Fund. This invitation shall outline the criteria, consistent with the objectives of the Fund, to be used to assess proposals.

14. Dispute Resolution between obligated parties and SEAI

- 14.1 SEAI and the Energy Supplier shall seek to resolve any dispute between them arising out of or relating to this Scheme, promptly, amicably and in good faith. If the dispute cannot be resolved, notwithstanding any other provision in this Obligation Scheme, SEAI or the Energy Supplier may refer the dispute to a mediator who shall assist them in reaching agreement. The mediation shall be carried out in accordance with the Centre for Dispute Resolution Model Procedure in effect at the time of the dispute. It is agreed that mediation is the preferred means of dispute resolution.