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Supplemental Comments of Environmental Defense Fund
on EPA's Draft Evaluation Measurement and Verification (EM&V) Guidance
for Demand-Side Energy Efficiency

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Introduction

Environmental Defense Fund (EDF) appreciates the opportunity to provide supplemental comments on the Environmental Protection Agency's draft evaluation, measurement and verification (EM&V) guidance for demand-side energy efficiency under the Clean Power Plan.[1] All stakeholders in programmatic energy efficiency (EE) initiatives — including the public, regulated entities, EE providers and market participants, states and all units of government — have a strong, shared interest in assuring the performance of those initiatives. A well-designed and appropriately implemented EM&V framework that achieves environmental integrity in a cost-effective and streamlined way will help ensure that affected EGUs are achieving real reductions in emissions; provide regulated entities, energy efficiency providers, and other stakeholders with sufficient certainty to establish a robust market for energy efficiency ERCs; and ultimately, encourage significant mobilization of investment in energy-efficiency projects that benefit families and ratepayers.

EDF strongly supports the establishment of a rigorous, workable framework for EM&V of ERCs for demand-side energy efficiency savings. In support of EPA's efforts to establish such a framework, these comments provide additional information on EDF's Investor Confidence Project (ICP, described below and in further detail in Attachment A). EDF believes the ICP can be a useful complement to existing EM&V approaches, bolstering a robust mechanism to understand program performance with an equally robust system designed to create more certainty around project performance. To this end, we propose that EPA consider identifying the ICP as a reference best practice in the final EM&V guidance, and also consider identifying designating the Investor Confidence Project system as a presumptively-approvable component of state plan provisions regarding the content of EM&V plans and verification reports.

[1] EDF has filed separate comments on the EM&V provisions of the proposed federal plan and model trading rules in that regulatory docket (Docket No. EPA-HQ-OAR-2015-0199).

The Investor Confidence Project: Supporting Programmatic EM&V with Standardized Project M&V

To augment and enhance EM&V mechanisms, EDF has designed and delivered to market a system for assessing and certifying project-based energy efficiency savings called the Investor Confidence Project (ICP). ICP, through a system of streamlining transactions through standardized project development protocols and thus increasing the reliability of projected energy savings, is helping to create a global asset class for energy efficiency investment which is being adopted by government agencies, project developers, investors, banks, the real estate community and cities and states in the U.S. and Europe.

In addressing threshold market issues of performance risk, ICP's ultimate goal is to create a standard class of investable assets designated as Investor Ready Energy Efficiency™ (IREE)[2] projects, a credential that will ultimately facilitate capital markets engagement, thereby lowering the cost of capital for project developers. The two-pronged ICP System is comprised of *Energy Performance Protocols*, a standardized set of industry-driven best practices for project development and measurement and *ICP Credentials*, a process to provide third party validation and standard documentation of IREE™ projects that provides investors and building owners with a new level of confidence in project engineering, performance, and returns. The ICP System will support and accelerate financing for and development of energy efficiency projects, creating replicable, sustainable markets that will help achieve associated environmental and economic co-benefits.

The specifics of the ICP and existing examples of its implementation are described in further detail in the accompanying attachment.

How Project Performance M&V (ICP) Can Augment Program Performance EM&V

Working in tandem with program-level EM&V which is designed as a tool to accurately measure and assess the viability of an energy efficiency program, ICP seeks to verify and thus create more certainty in the performance of a specific energy efficiency project. Issues of performance risk are important to address as part of any EM&V scheme; a well-conceived, well-crafted and well-implemented M&V scheme such as ICP can help address these risks.

In addition, there are a variety of EM&V methods emerging that may serve to enhance the certainty of energy savings estimates at relatively low cost. Many of these new approaches rely on newly available energy usage data that can help provide very high confidence tracking of carbon impacts. The ICP is designed to facilitate and encourage the leveraging of these technologies for project performance M&V.

Understanding specific project performance (and not merely program performance) is critical to enable energy efficiency programs to reward actual performance – a direction in which many states/units of government and programs seem to be heading. To this end ICP can bolster the robustness of any energy efficiency program, and complement and enhance program-level EM&V to help ensure continued performance and realization of savings over time.

[2] Investor Ready Energy Efficiency™ refers to energy efficiency projects that conform to the requirements of the Investor Confidence Project Protocols, and have been originated and verified by a Credentialed Project Developer and Quality Assurance Provider. The Investor Ready Energy Efficiency™ project designation does not constitute a guarantee of energy performance.

Why ICP is an Important Component in Support of Program EM&V

One of the major obstacles to the pursuit and completion of energy efficiency projects is the perceived unpredictability of energy savings, creating a lack of confidence by building owners and funders that projected financial returns will be realized. In the Clean Power Plan, EPA has an important opportunity to encourage the development of industry-wide standards for predicting, monitoring, and verifying energy efficiency costs and savings, supporting and complementing the robust EM&V practices that have emerged around the country. Standardization would decrease transaction costs, encourage greater investment in energy efficiency, and provide greater assurance that energy savings are being quantified on a consistent and rigorous basis across jurisdictions. In so doing, standardization can help mobilize the investment required to achieve the vast potential in the commercial building stock; potential that, if realized, would go a significant way towards achieving the emission reductions required by the Clean Power Plan in a highly cost-effective manner.

ICP provides a framework for the standardization of M&V that can augment and enhance program-level EM&V and serve to facilitate project development and completion by streamlining transactions, simplifying the process of project verification and review, and increasing the reliability of projected energy savings. This is achieved through a combination of Energy Performance Protocols that define an industry-driven best practice approach to project development and measurement, in combination with the ICP Project Credentialing System that provides third-party validation and standard documentation that ultimately certifies projects as Investor Ready Energy Efficiency™.

Integrating ICP in conjunction with EM&V can optimize public programs focused on encouraging investment in energy efficiency. ICP can make energy efficiency programs more effective by standardizing technical requirements to a national set of protocols that align with industry-best practices, software tools, and a growing number of programs. The flexible nature of the ICP protocols enables this national approach to integrate with a wide array of state, local, and utility efforts to spur investment in energy efficiency.

In addition to the benefits provided by project standardization to the EPA, to the state and to the industry as a whole, ICP provides benefits to various industry stakeholders including:

- Easy roll out standardized processes based on industry-accepted best practices ensure consistent and rigorous engineering for energy retrofit projects
- Apples-to-apples project proposals and scopes of work enable more effective analysis and decision-making and a manageable and competitive process
- Reliable savings projections can be presented to financial decision-makers as more “bankable,” resulting in greater management buy-in and more green lights for projects, with proper documentation to support these projections
- Investor Ready Energy Efficiency ™ projects can access additional financial options, including debt and equity providers, off-balance-sheet lenders, risk insurers, utility/government incentives and others
- A standardized documentation package allowing quicker and more accurate analysis and underwriting.

(Please see Attachments A and B for additional, detailed information on the Investor Confidence Project (ICP) system: What it is, how it works (the standardized system of design, development and measurement/verification protocols and the project developer/quality assurance provider certification system), the types of projects for which is was designed, current partnerships and initial adoption and deployment engagements),

Conclusion

The ICP Protocols provide ready-made best practices for project-level EM&V and third-party verification, based on practical input from industry and existing technical standards. By standardizing how projects are developed and savings estimates are calculated, the ICP Protocols can reduce transaction costs of participants while increasing confidence in projected savings in order to encourage program adoption. Adopting ICP saves each program from the expensive and time consuming process of creating and maintaining a unique set of technical project requirements.

ICP can support and augment EM&V through its standardized best-practices approach to energy efficiency project development. ICP, which brings together under one umbrella the industry's accepted and vetted protocols, standards and guidelines, standardizes the process of energy efficiency project development, stresses documentation, and punctuates key facets of projects that merit particular focus, including commissioning, training, operational verification, persistence of savings, and M&V. Employed properly, ICP can bolster the robustness of any program, and serve as a ground-level, in-the-field tool that can complement EM&V efforts.

To the extent that the CPP's framework for energy efficiency EM&V is designed to assure reliable quantification of energy savings at reasonable cost, we recommend EPA consider integrating ICP into the EM&V framework either as a reference set of "best practices" for project-level EM&V and independent verification, or even as a presumptive-approvable template for EM&V plans and verification practices.

Thank you for considering these comments. Please direct any inquiries regarding the ICP to Andy Darrell at 212-616-1206 or adarrell@edf.org

Respectfully submitted,

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Attachment A: The Investor Confidence Project (ICP) System in Detail

Attachment B: ICP Fact Sheets and IREE Project Profiles

ICP Fact Sheet

ICP for Building Owners

ICP for Project Developers

ICP IREE Project Profiles