



Department  
of Energy &  
Climate Change

# Electricity Demand Reduction Pilot Scheme: Participant Handbook

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# Overview

The purpose of this handbook is to provide guidance on how to participate in DECC's Electricity Demand Reduction Pilot Scheme ("The EDR Pilot").

This section:

- explains what EDR is and the background to The EDR Pilot; and
- provides guidance on the steps involved in participating in the EDR Pilot.

## Background to the EDR Pilot

### What is EDR?

Electricity Demand Reduction (EDR) is a term that is used to describe electricity savings that are achieved through the installation of more efficient electrical equipment. For example, if an old electrical pump is replaced with a new more efficient electrical pump it will deliver savings by reducing the amount of electricity that is used at any time compared to if the original pump remained in operation. It is not Demand Side Response (DSR), where operation of equipment is reduced or the time of operation is changed. Savings cannot be directly measured because they represent the absence of electricity use. Instead savings are calculated by comparing energy use before and after a project, whilst making appropriate adjustments.

### EDR and the Capacity Market

A Capacity Market is being introduced in Great Britain to ensure that consumers continue to receive reliable electricity supplies at an affordable cost at times of very high electricity demand. It will provide regular monthly payments to capacity providers during the delivery year. In return, they must be available to produce electricity or shift demand when demand is close to exceeding supply, or face penalties if they fail to deliver the capacity. At present, the Capacity Market will be open to capacity providers in the form of new and existing power stations, electricity storage providers and those who can shift or switch demand to other times (demand side response).

EDR could reduce the level of demand placed on the system and, in turn, lower the amount of other types of capacity that need to be provided. The diagram below illustrates how different types of resources (electricity generators, electricity demand reduction and demand side response) could provide capacity.

The Capacity Market will operate as an auction, with participants bidding in the amount of capacity they are able to offer and a price at which they are willing to provide it. The first capacity auction will take place in December 2014 for delivery four years ahead. In addition, the Government will run transitional arrangements for demand side response capacity in 2015 and 2016.

# The Capacity Market

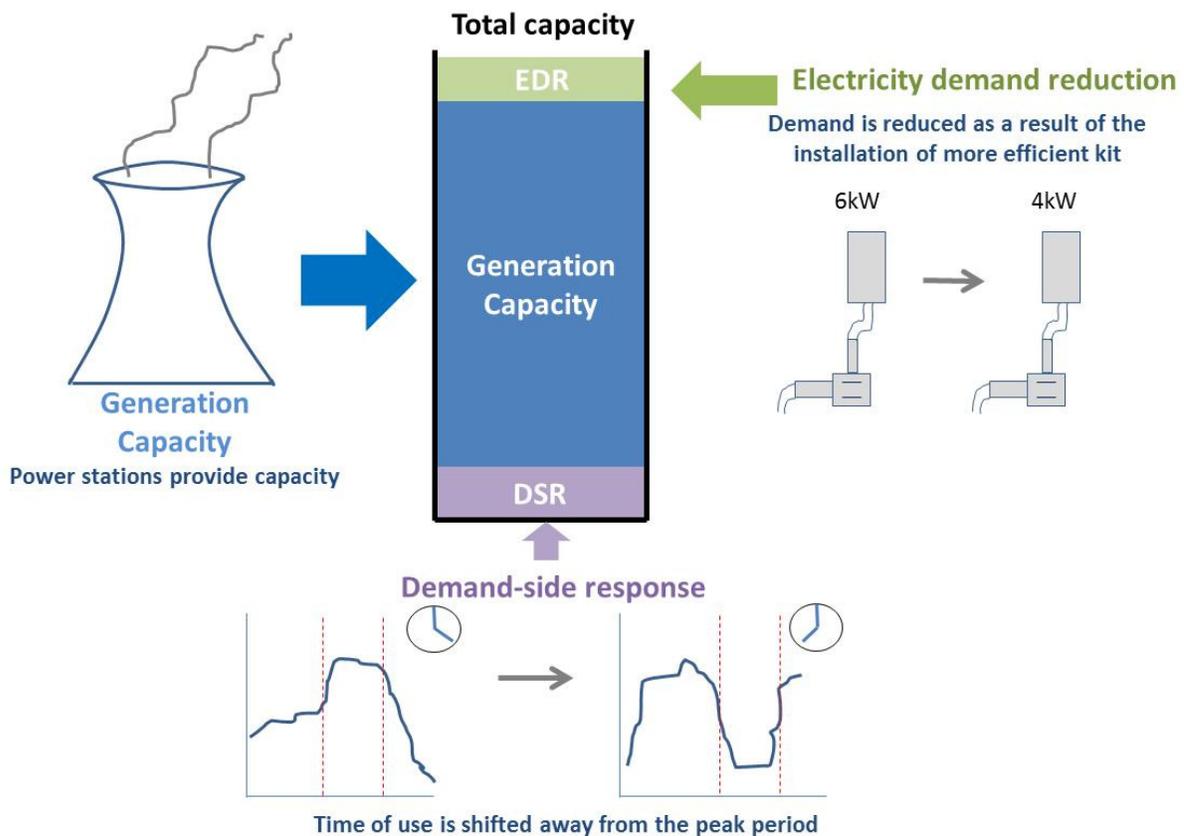


Figure 1: A potential future Capacity Market

## What is the EDR Pilot?

The EDR Pilot has two objectives:

- To examine the viability of electricity demand reduction in the Capacity Market; and
- To learn lessons for Government and wider stakeholders on the delivery of EDR schemes.

In order to test whether EDR could form part of the Capacity Market, the EDR Pilot is designed to reflect as closely as possible the potential requirements EDR would have to meet to participate in the Capacity Market. Also, in order to maximise the learning both on the role of EDR in the Capacity Market and more widely, the EDR Pilot will include a number of activities which are primarily for evaluation purposes.

The Capacity Market is based around auctions and so the EDR Pilot is also based around an auction format. The EDR Pilot is expected to consist of at least 2 auctions – with the first auction for a total of around £10 million being held on 12 January 2015 and the second scheduled for the following year. This Participant Handbook is for the first auction and an updated Participant Handbook will be issued if and when any second auction is launched. The total budget for the EDR Pilot is at least £20 million.

## Overview

The EDR Pilot auction process will first invite participants to submit an Expression of Interest Form, and to subsequently submit an application to qualify for the auction. Expression of Interest and Application Forms will be assessed to ensure that they meet the requirements of the EDR Pilot and are for projects that we expect should be able to deliver the expected capacity savings. If successful, participants will then be invited to submit a bid into the auction on a £.pence per kW basis for the average amount of capacity reduction their project is expected to deliver in the specified winter peak period. A maximum price will be set at £300 per kW. Winning bids will be selected on a £/kW ranking up to the total budget available in the auction.

Winners will be required to sign a Participant Agreement, which will commit the participant to a number of obligations, including installing and reporting Operational Verification for the measures they bid into the auction, measuring and reporting the capacity savings delivered and participating in the evaluation of the EDR Pilot. In exchange for full compliance, DECC will pay participants their winning bid price multiplied by the average capacity savings committed to in their successful application.

The evaluation of the EDR Pilot is intended to provide a robust evidence base so that the Government is able to make such decisions on EDR in the longer term. Learning from the evaluation will underpin the design of any enduring scheme therefore participation in evaluation activities is essential. The evaluation will also be used to fulfil the Department's obligation to report the outcomes of the EDR Pilot to Parliament.

## Steps for Participating in the Pilot

Participating in the pilot involves a number of steps as shown below.



## 1. Check your eligibility by Completing and Submitting Expression of Interest Form

Participants are required to meet eligibility criteria in terms both of organisations (organisations and individuals) which can enter the EDR Pilot, and the types of measures and how they will be monitored, that can make up an application. The overall objective for eligibility criteria is to ensure that all applications received for the auction are for projects that are reliable, that would not have happened anyway and are expected to deliver the capacity savings between 4-8pm business days at Winter Peak.

You should check that your organisation and project meet the eligibility criteria. If your organisation can meet the eligibility criteria, you need to provide this information by e-mail to [edr-project@decc.gsi.gov.uk](mailto:edr-project@decc.gsi.gov.uk) using the Expression of Interest Form available on the EDR website [www.gov.uk/electricity-demand-reduction-pilot](http://www.gov.uk/electricity-demand-reduction-pilot). To participate in the EDR Pilot you need to submit this between 29 July and 30 September 2014. Full eligibility criteria and more details on the Expression of Interest process are set out in Section 1.

## 2. Submit your Application and Measurement & Verification Plan

DECC expects to respond to your Expressions of Interest Form within 10 working days. Once you have received notification from DECC that your organisation is eligible, you will be invited to submit an application and accompanying Measurement and Verification (M&V) Plan. The application requires you to confirm that your project meets all the eligibility criteria for measures. You will need to submit your application form by 31 October 2014. More details on the application process are set out in Section 2.

Part of your application will be an M&V Plan which will set out how you will measure and verify the project. The Measurement and Verification Electricity Savings Manual (M&V Manual) which can be found at the EDR Pilot [www.gov.uk/electricity-demand-reduction-pilot](http://www.gov.uk/electricity-demand-reduction-pilot) will guide you through the process of developing an M&V Plan.

## 3. Bid a price into the EDR auction

Funds for the delivered capacity savings for which organisations will be bidding will be allocated through a competitive auction. Once you have received notification from DECC that your application and M&V Plan have qualified, you will need to decide on the price per kW for the kW capacity savings you are committing to deliver in the winter peak period. Whether you are successful will depend on an auction process which will seek to find the lowest cost savings.

You will need to submit a sealed electronic bid setting out the £.pence per kW for your project by 10am on 12 January 2015. The auction will take place on 12 January 2015, or shortly after and late bids will not be accepted. More details on how to bid and the auction criteria are set out in Section 3.

## 4. Successful bidders need to sign a Participant Agreement

Bidders who are successful in the auction will need to sign and return a Participant Agreement. This agreement will be between the successful bidder and DECC, and will set out a number of obligations, including obligations about the evidence you need to provide in order to receive the funding you were allocated in the auction for your capacity savings. DECC will need to receive a signed Participant Agreement by 14 February 2015. More details on the process of receiving and signing a Participant Agreement are set out in Section 4.

## 5. Install and operate the EDR measures

To demonstrate that your project is on track to deliver the capacity savings you bid for, you must complete Operational Verification in line with your M&V Plan before the start of the Winter Peak period (by 15 October 2015). You will be allowed some flexibility on the EDR measures you

install, but will be limited to the technology types specified in your application and capacity savings from the EDR measures may not be eligible until satisfactory Operational Verification information has been submitted. More details on this stage are set out in Section 5.

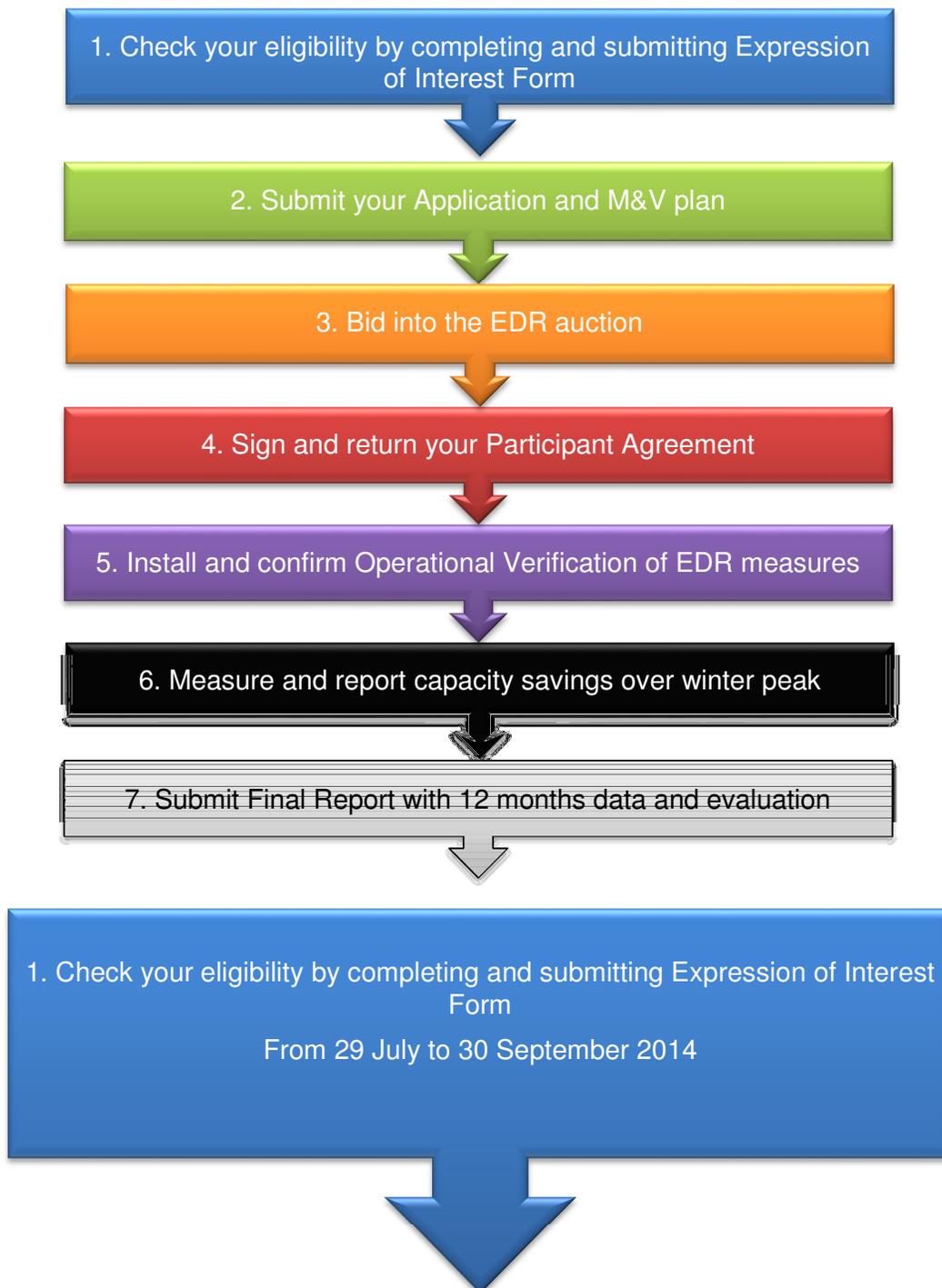
## **6. Measure and report winter peak capacity savings**

Following Operational Verification, you will need to collect and report on data for the operation of your EDR measure(s) during the 2015/2016 winter peak (1 November 2015 to 29 February 2016) as set out in your Measurement and Verification Plan. Details of what is required by measurement approach are set out in Section 2 of this Handbook. You will need to provide this evidence by 15 April 2016 and will be paid 80% of your full payment for delivering and reporting your **full** committed capacity savings over the winter peak. The payment will be reduced for under-delivery of your committed savings. More details on how to provide this evidence and receive your payment are set out in Section 6 and Section 8.

## **7. Complete and submit Final Report (including 12 months data and evaluation evidence) by 1 December 2016**

As this is a pilot, we also require some information on your wider use of the measures (depending on the measurement approach you are using) and participation through questionnaires, interviews and/or focus groups in evaluation activities for up to 10 hours. You will be paid up to 20% of your funding upon receipt of a satisfactory Final Report and participation in evaluation activities. More details on the data and evaluation requirements are set out in Section 7.

# 1. Check your eligibility by completing and submitting Expression of Interest Form



- 1.1. To participate in the EDR Pilot, your organisation and your project must both be eligible. Participants and projects must continue to meet the eligibility criteria as set out in their EDR Participant Agreement.

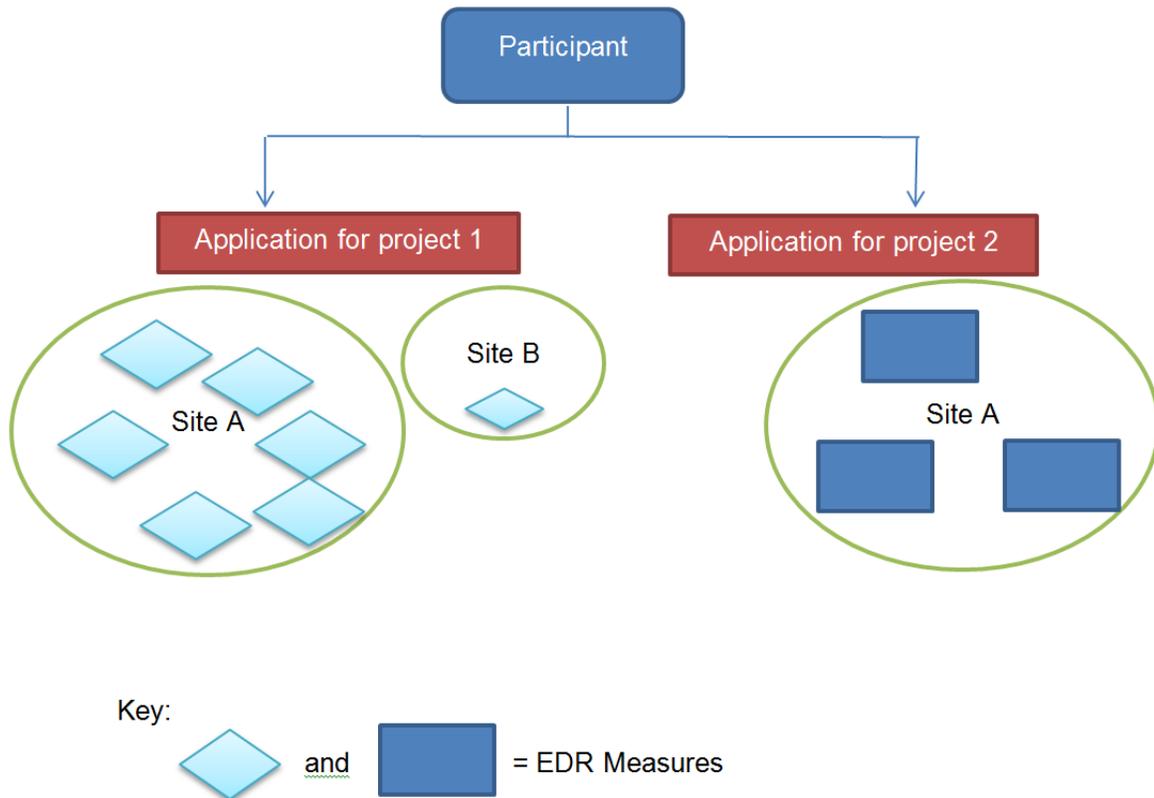
## Is your organisation eligible to participate?

- 1.2. Organisations from all sectors are invited to participate in the EDR pilot. This includes organisations from the private, public and voluntary sectors. The Department of Energy and Climate Change (DECC) is excluded. Participants from all geographic locations may apply, as long as they are able to enter into contract with UK Government. Project sites, however, must be located within Great Britain and be connected to the Great Britain Electricity Grid (sites in Northern Ireland are excluded because they are connected to the Irish Single Electricity Market).
- 1.3. In order to qualify, participants must meet eligibility criteria. These require that your organisation or any Director or partner or any other person who has powers of representation, decision or control have not previously been convicted of offences related to conspiracy, corruption, bribery, fraud, money laundering, etc. You confirm eligibility by answering the detailed questions set out in the Expressions of Interest Form. Likewise, organisations or persons with a history of insolvency, grave misconduct or tax offences are excluded from participation. You will also need to make sure that any suppliers you use have appropriate insurance in place including employer's liability, public liability and professional indemnity insurance before undertaking work funded by public money.
- 1.4. For third-party aggregators, it will be the third-party aggregator who will need to meet these criteria rather than the clients on behalf of which they will be operating (although the aggregator will be responsible for ensuring their clients meet eligibility criteria). This is because the Participant Agreement will be between DECC and the third-party aggregator.
- 1.5. Participants are required to make self-declarations to demonstrate their eligibility by satisfactorily completing the Expression of Interest process set out below. Any false or misleading declarations will result in a participant being excluded from further participation. Details of how to complete and submit an Expression of Interest form are set out from paragraph 1.29.

A	Eligibility criteria for participants
i.	Participants from all geographic locations can participate, as long as they are able to enter into contract with Government and be bound by the terms of the Participant Agreement.
ii.	All project sites included in an application must be located within Great Britain and be connected to the GB electricity Grid.
iii.	Participants must have no convictions relating to conspiracy, corruption, bribery, fraud, cheating the Revenue, conspiracy to defraud, fraudulent trading, fraudulent evasion, tax offence, money laundering.
iv.	Participants must not have any history of insolvency, grave misconduct or tax offences.

## Is your project eligible?

- 1.6. Participants are invited to submit applications for projects that include any combination of EDR measures on a number of sites that meet the eligibility criteria set out below. A participant can submit as many applications as they wish, although each application must only be for a discrete project – the same measure cannot be included in more than one application (except for rationed bids as set out in Section 2).



**Figure 2: Illustration of 1 participant with 2 applications, one multi-site and one single site**

- 1.7. Applications can include capacity savings across several sites, from a number of measures, across a range of technologies, in different geographical areas. You may only include your own sites and measures, and/or aggregate capacity savings on behalf of others (acting as a third-party aggregator). There are no restrictions on the maximum amount of capacity any one participant can include in their applications, or the total funding any one participant can win as long as it is within the auction budget of around £10 million. There are, however, a number of criteria that all projects must meet. These are set out below.

### Capacity savings must be due to installation of more efficient measures

- 1.8. Capacity savings linked to switching equipment off, changing fuel sources, using onsite generation, reducing operation of equipment or changing time of operation do not qualify as Electricity Demand Reduction and are not eligible to be bid into the EDR auction. The only capacity savings that are eligible to be bid into the EDR auction are those resulting from the installation of more efficient electrical equipment. **This could include voltage optimisation, but would not include building products such as insulation or triple glazing. The EDR Pilot will only fund eligible EDR measures purchased and**

installed after the signature/commencement of the Participant Agreement (issued to auction winners after the auction on 12 January 2015).

### Restrictions on measures – pure behavioural measures

- 1.9. Pure behavioural measures, for example projects that do not include installing new technology such as an awareness campaign to encourage people to use less electricity, will not be eligible for the 2014/15 EDR Pilot. You can include projects which include technology and behavioural elements such as movement sensitive lighting, but your M&V Plan will have to explain how you will calculate the capacity savings offered.
- 1.10. We are interested in looking at options for pure behavioural schemes and discussing any ideas for projects to see whether we could include them in the future. Please contact us at [edr-project@decc.gsi.gov.uk](mailto:edr-project@decc.gsi.gov.uk) if you would like to discuss this further.

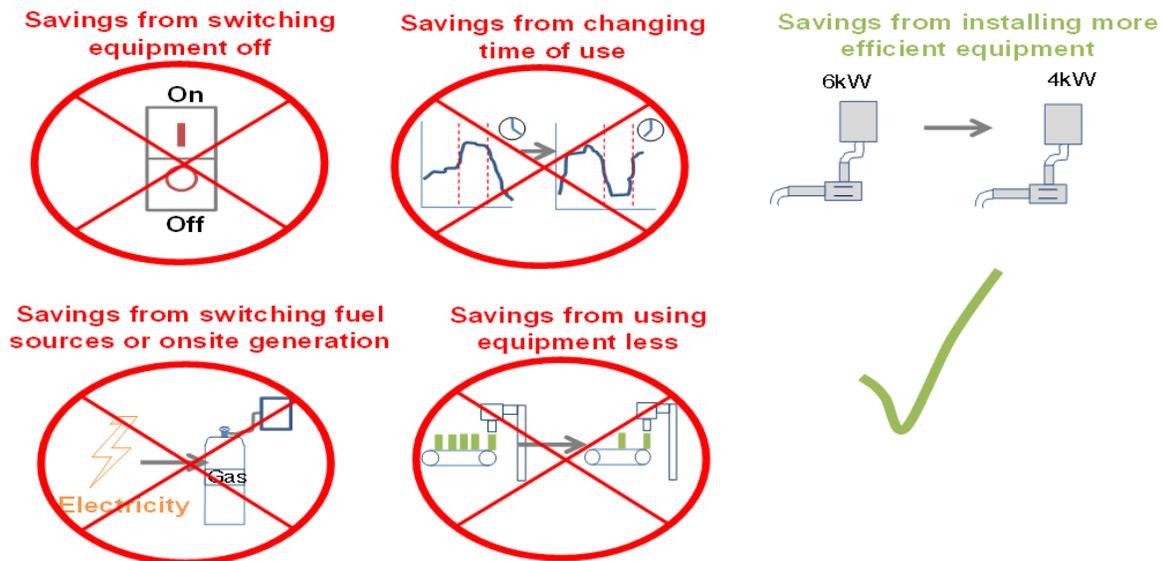


Figure 3: What savings are eligible to be bid into the EDR Pilot Scheme?

### Restrictions on sites – two year payback period

- 1.11. To be eligible for the EDR Pilot each individual site being bid in to the auction must have an overall “payback” period of two years or more, although individual EDR measures with a payback of less than two years are allowed if the site average is at least two years. Payback is a widely used calculation which is used to work out how long an investment takes to pay for itself. This is to ensure we support projects that are unlikely to go ahead without support through the EDR Pilot.
- 1.12. Working out payback requires:
  - the expected costs to deliver the project; and
  - the annual electricity savings in monetary terms associated with the project.
- 1.13. The expected costs are then divided by the expected annual electricity savings to give an estimate of the length of time in years required for the investment to be recouped.

This is referred to as the payback period. The Site Payback Section of the M&V Manual explains how you calculate the payback period of sites included in your application to check they meet the eligibility criteria. **The payback calculation does not include any potential EDR funding and the costs and savings that you quote in calculating payback should reflect the actual costs and savings (including VAT treatment) to your organisation..**

### Restrictions on projects – being in receipt of some existing incentives or binding commitments

- 1.14. Participants must not be receiving other specified incentives or binding commitments for any of the measures included in their project.
- Climate Change Agreements (CCA): Facilities with a CCA cannot bid into EDR for any of their processes or activities that are covered by their CCA. Measures included in the application must be for efficiencies outside the CCA. If participants hold a CCA, they will have to cancel their CCA in order to receive support from the EDR Pilot for measures covered under an existing CCA.
  - CRC Energy Efficiency Scheme: Organisations in the CRC are eligible to participate in the EDR but if they have facilities covered by a CCA, they cannot participate in the EDR Pilot in respect of any of their processes or activities that are covered by the CCA.
  - Energy Company Obligation (ECO): Participants cannot bid for measures that have been installed, or will be installed in respect of energy suppliers with obligations under ECO. Measures which are not supported by ECO, but which form part of the same roll out, could potentially be supported through the EDR Pilot – for example new lighting when ECO is funding an insulation scheme.
  - Green Deal Cash-back or Green Deal Home Improvement Fund in England & Wales and Green Homes Scheme in Scotland: Applicants who have benefited from either of these schemes cannot bid into EDR for the same measures.
  - Salix Finance: Applicants who have or will be receiving funding from Salix Finance cannot apply to participate in the EDR Pilot in respect of the same measures as are funded by their Salix loan.
  - Capital Allowances: Can participate, although winning bidders will need to ensure that any EDR funding they receive is deducted from any claim for capital allowances relating to measures installed as part of their EDR bid.<sup>1</sup> For example, if a company invests £1,000 and has received £100 from EDR, only £900 will qualify for capital allowances.
  - Renewable Heat Incentive (RHI): Applicants cannot bid into EDR for the same measures which have or will be receiving funding from the RHI.
  - Demand Side Balancing Reserve (DSBR) – applicants who have a contract under the DSBR scheme for 2015/16 should not receive payment for the 2015/16 Winter Peak period under both DSBR and the EDR Pilot.

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<sup>1</sup> This includes the First-Year allowance (also known as the Enhanced Capital Allowance), the Annual Investment Allowance (AIA) and the Writing-Down allowance at 8 and 18% (WDA).

- 1.15. Potential participants should note that, in our view, the first EDR Pilot Auction does not constitute State Aid. Accordingly, an organisation already in receipt of state aid in accordance with any applicable state aid rules and thresholds, for example *de minimis* aid should be able to apply for the first EDR Pilot Auction. Participants may want to seek further legal advice to ensure their application complies with all of the relevant laws which apply to their organisation.

### Restrictions on measures – peak relevant capacity savings

- 1.16. In order to participate in the Capacity Market, EDR would have to deliver capacity savings when demand on the electricity system is highest. The EDR Pilot will explore the extent to which it is possible to incentivise demand reduction during the Winter Peak period. This is the first day of November to the last day of February on business days from 4-8pm, for the first EDR Pilot auction will be 1 November 2015 to 29 February 2016 – a total of 83 working days (excluding the UK public holidays on 25 and 28 December 2015 and 1 January 2016). To be eligible to participate in the EDR Pilot your project will need to offer an average of at least 100kW (see minimum bid size below) of capacity savings across this whole period. More detail on how to calculate this is below.
- 1.17. Many measures being bid in will also deliver savings outside this winter peak period. However, for the purposes of calculating and bidding in savings for the EDR Pilot, only capacity savings that are made during the winter peak (4pm-8pm, business days 1 November 2015 to 29 February 2016) are eligible. In your application/M&V Plan you will need to estimate savings by stating whether you expect to deliver savings (for the whole hour) for each of the following hours during business days within the Winter Peak Period:
- a) 4pm to 4.59pm;
  - b) 5pm to 5.59pm;
  - c) 6pm to 6.59pm; and
  - d) 7pm to 7.59pm

As part of the Winter Capacity Savings Report, all projects (including those using deemed approaches) will be required to confirm the actual time of use of their equipment over the winter 2015/16 peak, and whether this has changed from the expected time of use submitted at the time of the auction. The first EDR payment will therefore be calculated from the total time of use of your EDR measure across the 4 hour winter peak measure for each business day reported in your Winter Peak Capacity Savings Report – in some cases, where the metering allows, this will be based on the actual minutes within the 4 hour window e.g. 4.45pm – 5.30pm. This means you can receive payments for demand reduction even where this differs from the expected time periods set out in your M&V plan, with appropriate evidence, providing the demand reduction is delivered during the winter peak period. You will not receive any payments for demand reduction delivered outside of the winter peak period. All projects will be required to confirm the actual time of use as part of their winter capacity savings report as described above.

### Restrictions on measures – short replacement cycle measures

- 1.18. We want to avoid supporting capacity savings which result from routine and regular maintenance procedures. To accomplish this, replacement components which have a lifespan of less than two years as defined by manufacturer's specifications are not eligible for inclusion in the EDR Pilot. Examples of components which may be replaced frequently include, but are not limited to:

- air- and water-filters;
  - some CFL (compact fluorescent lamp) light-bulbs; and
  - electro-chemical components.
- 1.19. If you wish to include any of the above items as a standalone component then you will need to provide evidence that the lifespan is greater than two years (equivalent to 16,000 hours), based on the manufacturer's specification and expected use in the proposed application. In some cases the items above may be included as part of the purchase of a new piece of equipment for example a new pump may come pre-installed with a new filter. In these scenarios you do not need to deduct the cost of the filter component for the purposes of bidding into the EDR Pilot. It is where you are replacing the components only for the above items that you need to demonstrate that the lifespan is greater than two years. More information about how to include this in your M&V Plan in the M&V Manual.

### Restrictions on projects – 100kW minimum bid size

- 1.20. The EDR auction has a minimum bid size of 100kW. This means that applications will only qualify if the project delivers an average of at least 100kW of capacity savings throughout the 2015/16 winter peak (4pm-8pm, business days 1 November 2015 to 29 February 2016). An alternative way of looking at this is that a project would need to deliver a minimum of 33.2MWh of energy savings during the peak hours between 1 November and 29 February. You can calculate your average savings for the auction using the spreadsheet provided in the M&V Plan. Participants can include more than one site in one application, or act as a third-party aggregator to bring together a number of smaller projects under one application.
- 1.21. A 100kW project is approximately equivalent to:
- replacing around four hundred 400W warehouse lights with new high-efficiency bulbs;
  - replacing the refrigeration units in two large supermarkets (4,000 m<sup>2</sup>) with more efficient versions; or
  - replacing four large industrial motors (160kW) with more efficient motors.
- 1.22. The average capacity savings figure for each measure is calculated by adjusting the actual capacity savings from that measure by the proportion of winter peak hours that it is active for. A project that delivers an 800kW saving for 3 hours each day for 70 working days during the winter peak would therefore deliver an average capacity saving of:

$$800kW \times \frac{3}{4} \text{ hours} \times \frac{70}{83} \text{ days} = 506kW_{av}$$

- 1.23. Further details on how to calculate this for your project and what you need to complete in your M&V Plan are set out in the M&V Manual.
- 1.24. There is no maximum bid size by value or quantity, other than the advertised budget for the auction of around £10 million.

### Restrictions on projects – maximum time to install measures

- 1.25. Measures in the EDR Pilot must be installed and deliver capacity savings within the timeframes set out. Winning bidders will be required to have the measure(s) installed before the start of winter peak (by 15 October 2015) and to provide evidence of this

through Operational Verification. They will need to operate the measures until at least the end of the Winter Peak period and in certain circumstances for a minimum of 12 months following Operational Verification.

### Restrictions on projects – new build or expansion projects

- 1.26. New build and expansion projects, for example a factory expanding their output by adding a new efficient production line, are not eligible to participate in the EDR Pilot due to the lack of a satisfactory baseline for measuring and verifying capacity savings.

### Restrictions on projects – must be connected to GB Grid

- 1.27. Measures must be connected to the GB Electricity Grid and based in Great Britain. If the site is partially self-supplied, then any onsite generation must be declared in the M&V Plan and application form. Participants will need to ensure that the Grid capacity during the Winter Peak period is in excess of the contracted EDR capacity reduction and to confirm this in their Winter Capacity Savings Report. For example, if you have committed to deliver 100kW savings in your Participant Agreement, this reduction should result in reduced grid capacity of at least 100kW, as for example demonstrated by the utility meter, rather than through onsite generation. More details are provided in the M&V Manual.

### Restrictions on applications – no duplication of measures between projects

- 1.28. All measure(s) included in one application cannot be included in another application (although you can submit a 'rationed' application for part of your project – see Section 2). This means that each measure can only be part of one project. Although a participant may enter more than one application for more than one project, those projects must be entirely independent of each other, with all measures mutually exclusive from all other measures participating in the pilot.

	<b>Eligibility criteria for measures</b>
i	All measures included in an application must deliver reductions in electricity demand through the installation of equipment, including replacement of less efficient measures. Behavioural, new build, generation, load shifting and expansion projects are excluded.
ii	The 'payback' of measures included at any single site in a project must have a payback period of two years or more.
iii	Measures which are already benefitting or will benefit from specified incentives are not eligible.
iv	Measures must deliver capacity savings across the winter peak period (the 83 business days from 1 November 2015 to 29 February 2016).
v	Measures must not have a short replacement cycle (an expected lifespan of less than 16,000 hours), unless included as a component in the installation of an eligible EDR measure.
vi	Measures included as part of any one application (one project) must result in an average of at least 100kW of savings throughout the winter peak period (4pm-8pm, business days, 1 November 2015 to 29 February 2016).
vii	Measures must be able to be installed and provide Operational Verification by 15 October 2015.
viii	Measures must be electricity Grid connected and based in Great Britain (if the site is partially self-supplied, then any onsite generation must be declared).

ix	A measure can only be included in one application – there must be no duplication between applications (with the exception of rationed bids as set out in section 2).
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## Expression of Interest Form

- 1.29. First you need to complete and return the electronic Expression of Interest Form. If DECC confirm you pass the eligibility requirements, you will then be able to submit an application.

### What does Expression of Interest require?

- 1.30. In order to formally express your organisation's interest in participating in the EDR Pilot, you are required to make a number of declarations confirming that your organisation is eligible. Completing this form is necessary to meet eligibility requirements for your organisation but does not mean you have to submit an application. The questions ask for confirmation that your organisation or any Director or partner or any other person who has powers of representation, decision or control have not previously been convicted of offences related to conspiracy, corruption, bribery, fraud, money laundering, etc. Likewise, organisations or persons with a history of insolvency, grave misconduct or tax offences are also excluded from participation. You will also need to confirm that any suppliers you are planning to use have appropriate insurance in place including employer's liability, public liability and professional indemnity insurance before undertaking work funded in part by public money. The form requires you to select 'yes' or 'no' to each question to confirm your eligibility.
- 1.31. Participants acting as a third-party aggregator will be required to register as the lead organisation and will be responsible for ensuring that their clients meet the eligibility criteria.
- 1.32. The Expression of Interest Form also includes a number of questions about energy efficiency in your organisation to assist with the evaluation of the EDR Pilot; while you are required to answer all of the questions, the answers will not affect the outcome of the Expression of Interest process (see Section 7 for more information on evaluation requirements). We estimate that this will take you about 30 minutes to complete.

### The Expression of Interest process

- 1.33. The EDR Pilot will open for the receipt of Expression of Interest Forms on 29 July 2014 and will close on 30 September 2014.
- 1.34. The Expression of Interest form is available online at the EDR Pilot webpage [www.gov.uk/electricity-demand-reduction-pilot](http://www.gov.uk/electricity-demand-reduction-pilot) and should be downloaded and submitted via email to [edr-project@decc.gsi.gov.uk](mailto:edr-project@decc.gsi.gov.uk). DECC will confirm whether your organisation is eligible to submit an application as soon as possible (within an estimated 10 working days) after you submit your Expression of Interest Form.
- 1.35. As stated on the Expression of Interest Form, a previous conviction of any of the offences listed under 'grounds for mandatory rejection' will result in exclusion from the EDR pilot. Likewise, **failure to answer all of the questions or the provision of misleading information** may result in exclusion from the EDR Pilot, and may leave applicants liable to prosecution.

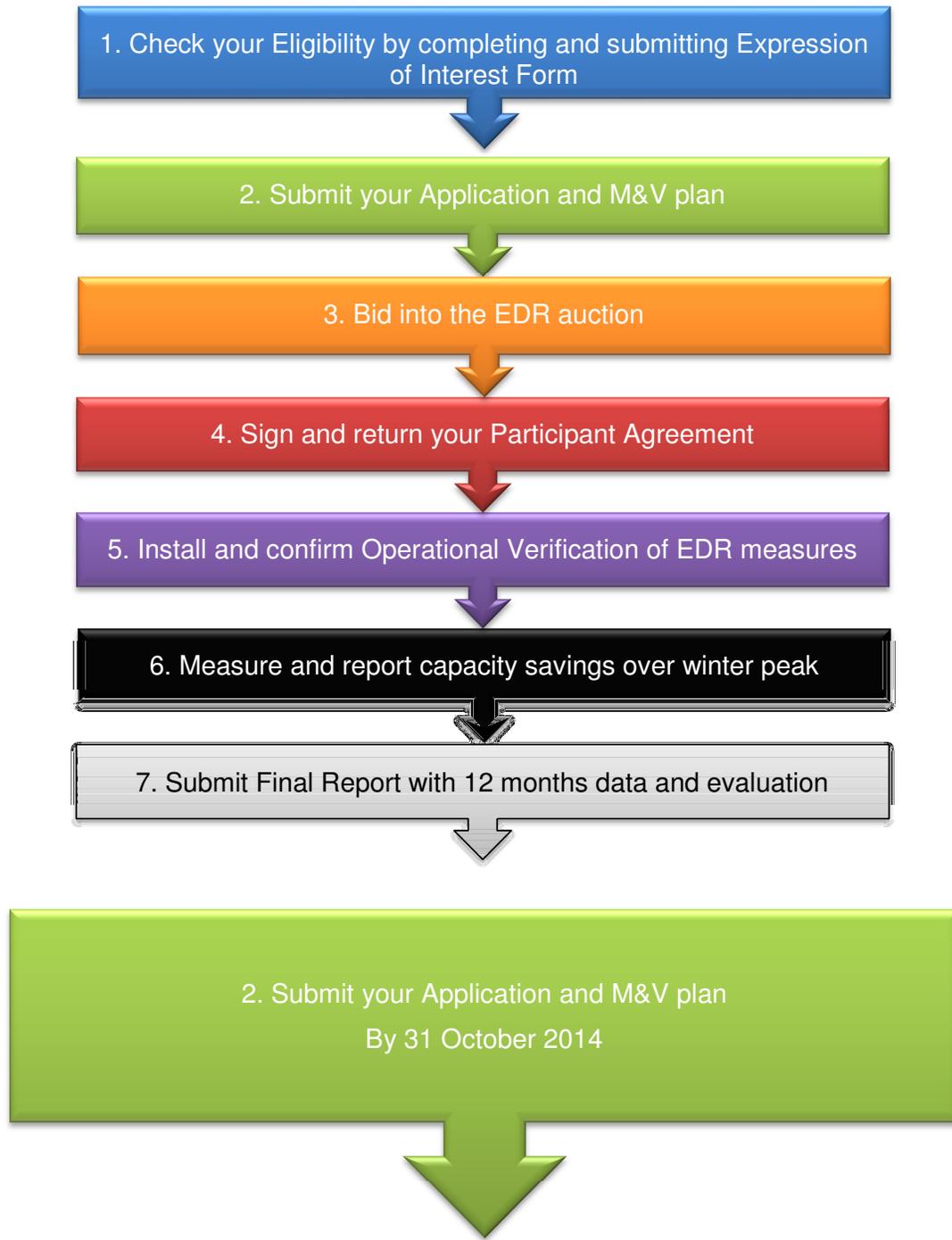
- 1.36. If your circumstances change over the course of the EDR Pilot, you must notify DECC and if such changes mean you are no longer eligible, you will be excluded from further participation in the EDR Pilot and repayment of funds already paid may be required.

**Expression of Interest Checkbox**

Have you:

- Completed your contact details on the Expression of Interest Form?
- Answered each question on the Expression of Interest Form?
- Submitted the Expression of Interest Form by 30 September 2014?

## 2. Application and M&V Plan



- 2.1. Once a participant has been notified by DECC after checking the Expression of Interest Form that they have successfully met the eligibility requirements, the participant will be required to submit an application form, an M&V Plan and provide supporting evidence required. The EDR Pilot will open for applications on 1 September 2014 and will close for applications on 31 October 2014. Late applications will not be accepted. Applications will be made to DECC. Further information about how to submit these will be provided by 1 September 2014. DECC will respond on whether applications are successful by 1 December 2014.

## What does the application require?

- 2.2. The application form requires participants to summarise the proposed project including the total **kW winter peak** capacity savings, declare whether the project meets all eligibility criteria (see Section 1), and, if the application is from a third-party aggregator, provide evidence of an agreement in principle to install and operate measures at sites included in the application (see more detail on participation by third-party aggregators below). **The capacity savings figure should be taken from the M&V Plan – as set out below and must be in kW (not kWh).** The application form also includes up to ten evaluation questions which are more specific about your project. The evaluation questions will not be assessed as part of your application but they are a requirement of the application and must be answered.

## What is the M&V Plan?

- 2.3. Each participant is required to submit an M&V Plan as part of their application. The requirements and approach for submitting this plan are set out in the Measurement & Verification of Electricity Savings (M&V) Manual that should be read in conjunction with this Handbook.
- 2.4. The M&V Manual will help you to:
  - estimate the capacity savings for your project – this is the amount of capacity you estimate you will save by installing and operating the EDR measures in your project. The capacity savings are the reduction in capacity over winter peak 2015/16 using the new equipment compared to the same use as the old equipment;
  - write and submit a plan for measuring and verifying the capacity savings of your project, including any supporting evidence and data that is required; and
  - decide which approach, or approaches, to measurement and verification is/are suitable for measuring and reporting capacity savings for your project. In total there are four methods that you can use to measure and verify capacity savings in the EDR Pilot. These are:
    - **Deemed savings**– for simple projects involving a swap of one product for a more efficient version that is on the deemed measures list<sup>2</sup> participants can use ‘deemed savings’. Under this approach spreadsheets are used to calculate

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<sup>2</sup> Only technologies on the list can be deemed, as follows: Lighting controls, Motors & Variable Speed Drives (VSDs), Process Chillers, Heating controls, Retail Display Cabinets (RDCs) and Professional Refrigerated Storage Cabinets (PRSC).

savings with details of both the existing and replacement technologies supplied by the participant.

- **Metered approaches** – for more complex projects involving multiple energy-saving measures, industrial processes, or technologies not covered by the deemed capacity savings list or where actual measurements of capacity savings are required you can select one of three metered methods based on the International Performance Measurement & Verification Protocol (IPMVP). These are:
  - Partial measurement;
  - Full measurement: Sub-metering; or
  - Full measurement: Total Building Electricity.

2.5. Participants will be required to provide the following evidence to substantiate information provided in their M&V Plan:

- **Site payback evidence:** Participants will need to demonstrate the overall payback of measures installed at each site in their project is greater than 2 years. Participants will have to supply information to substantiate eligible costs and savings of measures installed. Information that needs to be provided includes the costs of measures being installed (cost of equipment, installation and delivery costs) and expected kWh savings for each technology type at each site included in a project.
- **Evidence of kW saving estimates:** the calculations and associated evidence (for example supplier audits, equipment specification, etc.) underpinning the kW estimates of savings broken down for each technology type included in the project.
- **Operational Verification (OV) evidence:** for each technology type included in a project, participants will be required to supply details of Operational Verification procedures that will be carried out to ensure the equipment is properly installed and operating as intended. Where suppliers indicate that separate Operational Verification activities need to be followed for the same technology type (for example three different pumps have different Operational Verification procedures) then separate procedures and evidence will need to be provided for each equipment type. Participants will need to describe the equipment that each Operational Verification procedure relates to in their evidence so that it is clear what parts of a project are covered by each procedure. Participants may also be asked to supply the invoices of equipment installed in their project once it has been installed.
- **Baseline data:** participants using metered approaches will be required to provide baseline and reporting data for each measurement boundary included in their project. They will also have to supply data relating to any variables that are used to adjust the baseline and a justification of why adjustments are required. Approaches can include those based on the IPMVP.

2.6. In addition, participants may be asked to provide evidence to substantiate the **peak-relevance** of the technologies included their project. The kinds of evidence may include, but are not limited to:

- opening hours, for example those listed publically where relevant, or sign-off from appropriate person within the organisation;

- output from a Building Management System showing time of use settings;
  - operational schedules for example for manufacturing;
  - interval meter data; and
  - sensible rationale and sign-off for equipment in use 24/7, for example emergency lighting.
- 2.7. Failure to provide the required or satisfactory evidence will mean projects will not be able to participate in the auction.
- 2.8. Following installation of measures participants will be asked to:
- confirm the actual time of use during the Winter Peak period of equipment installed in their project; and
  - provide Operational Verification evidence such as commissioning certificates, this may include invoices for equipment installed in the project and reporting data (for those using metered approaches) including any data for variables used to adjust the baseline.
- 2.9. Failure to provide satisfactory information post installation could result in non-payment or exclusion from the EDR Pilot.

### What is your kW quantity?

- 2.10. Most importantly, your M&V Plan will set out your expected kW capacity delivered from your project. This will include the expected average peak savings figure that needs to be bid into the auction (an adjusted figure to enable measures which are not operational for the whole period to take part) and more detailed information about the size and timing of the savings on which the average figure is based. If you win the auction, you will be committed to deliver this average capacity. It is therefore essential that you carefully calculate the delivered capacity from your project to ensure that the kW quantity is achievable in order to receive your full payment and to avoid any potential payment reductions. The impact of not delivering all your EDR capacity is set out in Section 8.

### The application process

- 2.11. As set out above, DECC will respond by 1 December 2014. During this process DECC will assess applications against the eligibility criteria and scrutinise the M&V Plan, seeking advice from technical experts if necessary. In this process we will be looking at the detail of your project. This will include, depending on your project and the measurement approach you will be using, assessing the application and M&V plans, that:
- all elements of key M&V requirements as set out in the M&V Manual have been completed;
  - reporting data, as set out in the M&V Manual, is appropriate for the project and provides a sound basis for calculating savings;
  - any adjustments applied to the baseline are appropriate for calculating savings;
  - payback is at least two years for all sites;
  - savings quotes are reasonable and not out of proportion to the type and number of technologies being installed in the project;

- an appropriate M&V approach has been chosen for the project, in accordance with the M&V Manual;
  - for metered projects, the baseline information is appropriate and correct and is of sufficient length and any adjustments to the data are both appropriate and reasonable;
  - any sampling approaches for multiple implementation of the same technology or for establishing a baseline are appropriate and meet required accuracy requirements;
  - the Operational Verification and reporting procedures are appropriate for the project;
  - more detailed scrutiny of the baseline data to check data is reasonable and appropriate, that sufficient metering is in place to capture savings from the project to a sufficient degree of accuracy; and
  - any regression analysis or average demand readings are appropriate.
- 2.12. Applicants will be notified as to whether their application has been successful or has been rejected by the start of December at the latest. **DECC will not contribute to the costs of application of successful or unsuccessful bidders.**
- 2.13. Participants whose applications qualify will be able to enter a bid price for their project into the auction from the notified opening of the auction until the bidding deadline of 10am on 12 January 2015. For more information on how to bid and how the auction will run, please see Section 3.

## Rationed Bids

- 2.14. It is our intention to spend the whole of the budget available in the auction. However, there may be a scenario where funding a competitive bid would take us over budget. Rather than not funding further bids, we would prefer to see if it is possible to fund part of a bid and remain within budget. We are therefore considering the use of 'rationed' bids, where participants are asked whether they are willing for their bid to be 'rationed'. If rationing is available, this is expected to apply to a small number (if any) of projects, as we may only ration bids when we get close to using up the available budget.
- 2.15. Rationing is entirely voluntary and it may not be appropriate for your project. If you want to offer a smaller bid (from the parent project) to be considered for stage 2 of the auction selection process, if available, you will need to:
- clearly identify each discrete sub-project (part of your parent project) on your Application Form, including a brief description of the capacity, technologies and sites, which apply to the rationed bid(s); and
  - when bidding, you will need to enter a bid price for the entire project *and* a bid price for each discrete sub-project (these prices need not all be the same).
- 2.16. You will need to ensure that each discrete sub-project meets the eligibility criteria set out in Section 1, including provision of **an average of at least 100kW of savings across the winter peak period** for each sub-project, and meeting the two year payback threshold for each site within each sub-project. Each sub-project must also be made up of measures that are mutually exclusive, i.e. there can be no duplication between sub-projects in case more than one sub-project wins. If you want to offer your project in this way you need to confirm that in the application form. We will confirm before the end of November 2014 whether rationing will be available in the EDR Auction and whether

further information is required from participants who have indicated their intent to ration bids. **If your parent project application is unsuccessful you will not be able to submit a rationed bid in the event we allow rationing.** Further details about the auction are at Section 3.

## Participation by third-party aggregators

- 2.17. A third-party aggregator, for the purposes of the EDR pilot, is defined as a person or organisation that combines projects from different organisations or households to put forward a single application. It is the aggregator who will be responsible for meeting the commitments of the Participant Agreement. Participants may also bring together a number of their own sites but this is not treated as “third-party aggregation”.
- 2.18. The eligibility criteria of the EDR Pilot do not restrict who can undertake the role of a third-party aggregator. However, in order to qualify to participate in the EDR Pilot, both the third-party aggregator and the projects they put forward on behalf of their clients need to meet the scheme’s eligibility criteria.
- 2.19. The third-party aggregator will therefore be responsible for ensuring the projects and clients they put forward meet the scheme’s eligibility criteria. DECC will have no role in any contractual agreement between the lead organisation and the aggregator’s clients on behalf of which an application has been made. However, aggregators will have an obligation to ensure that their clients’ sites can be inspected by DECC or their agents.
- 2.20. Third-party aggregators are required to follow the same registration and application process to qualify as the rest of the participants.
- 2.21. However, as third-party aggregators will be coordinating an application on behalf of others, we recognise that they may need to take an extra step to identify clients who wish to participate (as opposed to bidders who can bid their own capacity savings directly). There is therefore an additional requirement for aggregators to provide a confirmation letter (or letters) with their application that they have:
  - an agreement in principle from clients that accounts for at least 75% of capacity in the application to participate in the pilot and meet the requirements of the Participant Agreement; and
  - setting out the proportion of total capacity to be delivered by each client.
- 2.22. This letter needs to be signed at Director-level or equivalent for an organisation and/or whoever is legally entitled to install measures in a domestic property. The letter must be submitted alongside the application. The template for the letter is attached at Appendix A.
- 2.23. Third-party aggregators, like the rest of the participants, must include project information for the full quantity of capacity savings they intend to deliver. This requires a completed application form and M&V Plan for all the measures including details on the calculations for average capacity savings throughout the peak, expected kW reduction and estimated baseline data.
- 2.24. The aggregator will need to confirm clients for any previously unidentified capacity (up to 25%), and provide agreement in principle from each new client in time for Operational Verification on 15 October 2015. The measures for this unidentified capacity will need to be of the same technology type as set out in their application form and M&V Plan, and be operated at similar times as for confirmed clients. This is to enable scrutiny of data for all the capacity savings the aggregator expects to put forward. So, for example, if the

aggregator's capacity is for LED lighting, all of confirmed and unconfirmed capacity will also need to be of the same technology type.

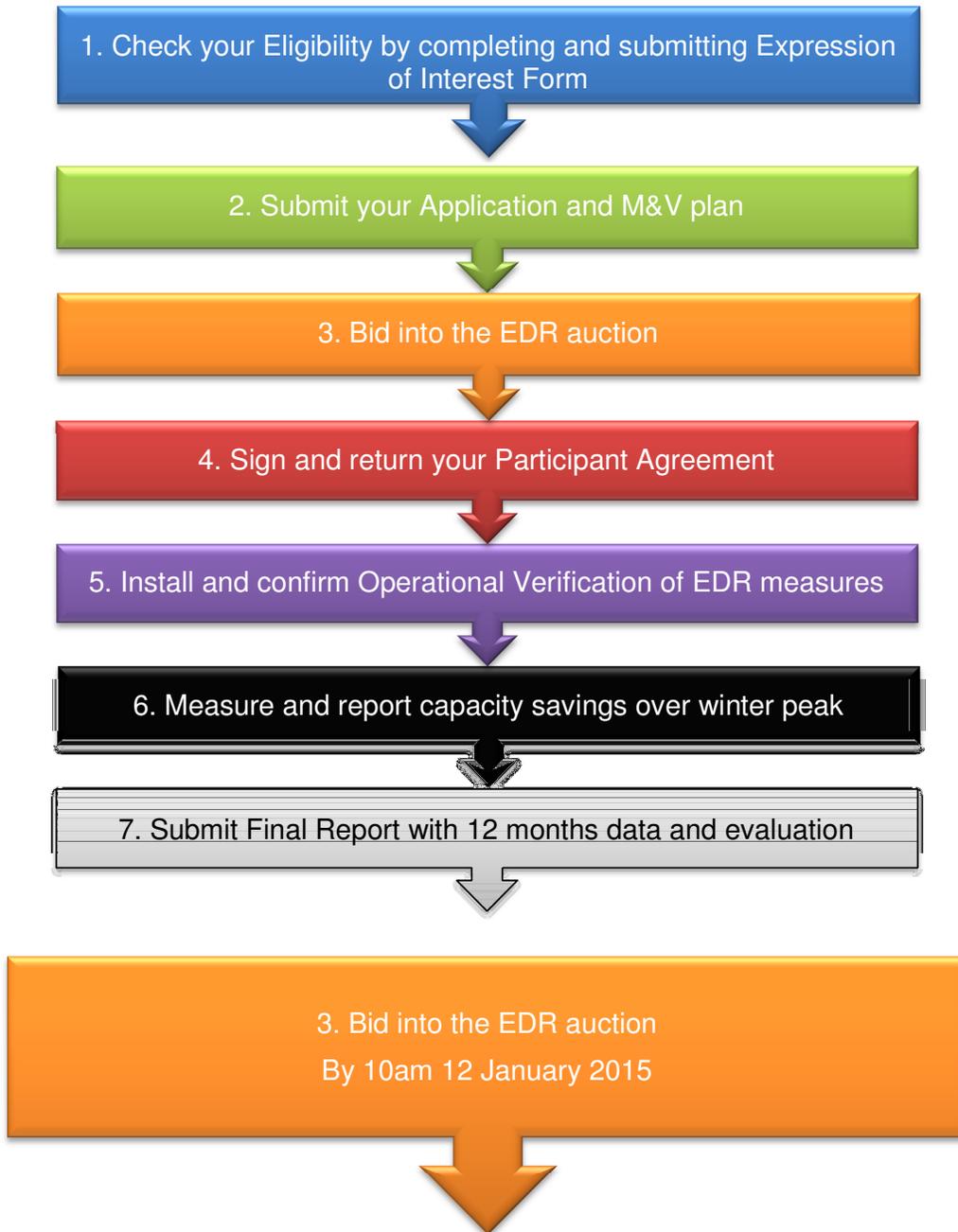
- 2.25. All clients will need to meet all the eligibility criteria for the EDR Pilot, for example, that the EDR measures included in the application have not benefitted from another Government incentive and that the sites will meet the two-year payback threshold. Additional clients and sites will therefore need to fit within these parameters. It will be the responsibility of the aggregator to comply with the obligations set out in a Participant Agreement with DECC, including for delivering the capacity savings and meeting the evaluation requirements. If an aggregated bid does not deliver the required capacity savings the payments will be reduced as for non-aggregated bids.

### **Application Checkbox**

Have you:

- Completed every question on the application form?
- **Included your estimated winter peak capacity savings in kW (not kWh)?**
- Submitted your completed M&V plan, including provision of required evidence?
- Included an agreement in principle from clients committing to deliver at least 75% of the capacity in your application if you are a third-party aggregator?
- Submitted the application form by 31 October 2014?
- Submitted details for each rationed sub-project if you have chosen to allow

### 3. Bidding & the EDR Auction



- 3.1. Once a participant has been notified that their application has qualified, they will be invited to submit a bid into the EDR Pilot auction and given the time that the EDR Pilot auction opens for bids (DECC will also make an announcement on the EDR website). The EDR Pilot will close for bids at 10am on 12 January 2015. The auction will take place shortly after 10am on the closing date.

## Entering a bid

- 3.2. The bid is the price for each kW you will receive for the delivered capacity savings from your project across the 2015/16 winter peak (1 November 2015 to 29 February 2016 on business days).
- 3.3. The price you bid is entirely up to you (**as long as it is not over the £300/kW maximum bid price set out in paragraph 3.8) and does not need to be a set percentage of the project costs**; you decide on a total £.pence figure that you would accept for your entire project and divide this by the average number of kW your project is estimated to deliver throughout the specified winter peak. This will give you a £.pence (to the nearest whole pence) per kW bid price.  
*For example, a bid would be in this format: £33.44 per kW for 250kW (total = £8,360).*
- 3.4. On the bidding form, you will be required to enter your participant number, your application number, your price per kW, and the total average kW you are committing to deliver across the Winter Peak period (**this will be the same as the capacity savings you identified in your application and M&V Plan, which were approved by DECC**).
- 3.5. Sealed bids must be submitted electronically by 10am on 12 January 2015. Your bid will remain sealed until the time of the auction and no further bids will be accepted after the closing time. The auction will be run shortly after this closing time.

## Minimum bid size

- 3.6. The EDR auction will have a minimum bid size. In line with minimum thresholds set for energy efficiency in the New England ISO and PJM Capacity Markets in the United States, the EDR auction will require a minimum bid size of **100kW**. This is the average savings you are committing to deliver across the Winter Peak period. All bids entered into the EDR auction must therefore be a £.pence per kW price for at least 100kW of EDR average capacity savings (see Section 1 on eligibility criteria for your project). More information about how to calculate this can be found in the M&V manual.

## Maximum bid size

- 3.7. There is no maximum bid size by value or quantity, other than the advertised budget for the auction of around £10 million.

## Maximum bid price

- 3.8. To ensure value for money projects are supported through the auction, and for consistency with the Capacity Market, the auction will have a maximum bid price/kW. For the 2014/15 EDR auction the maximum price has been set at £300.00 per kW. Bids, including rationed bids, exceeding this price per kW will be automatically rejected.

## How will the winners be determined?

- 3.9. All bids must be received before 10am on 12 January 2015. Following this closing time, bids will be opened and ranked in merit (price) order from low to high up to the available budget. This ranking will mean the cheapest projects (on a £/kW basis) will be selected

first. The auction will be a 'pay-as-bid' auction, meaning that bidders will be paid the price they bid if they are successful. Bids will be selected up until the point where the budget is exhausted. An independent observer will oversee the auction.

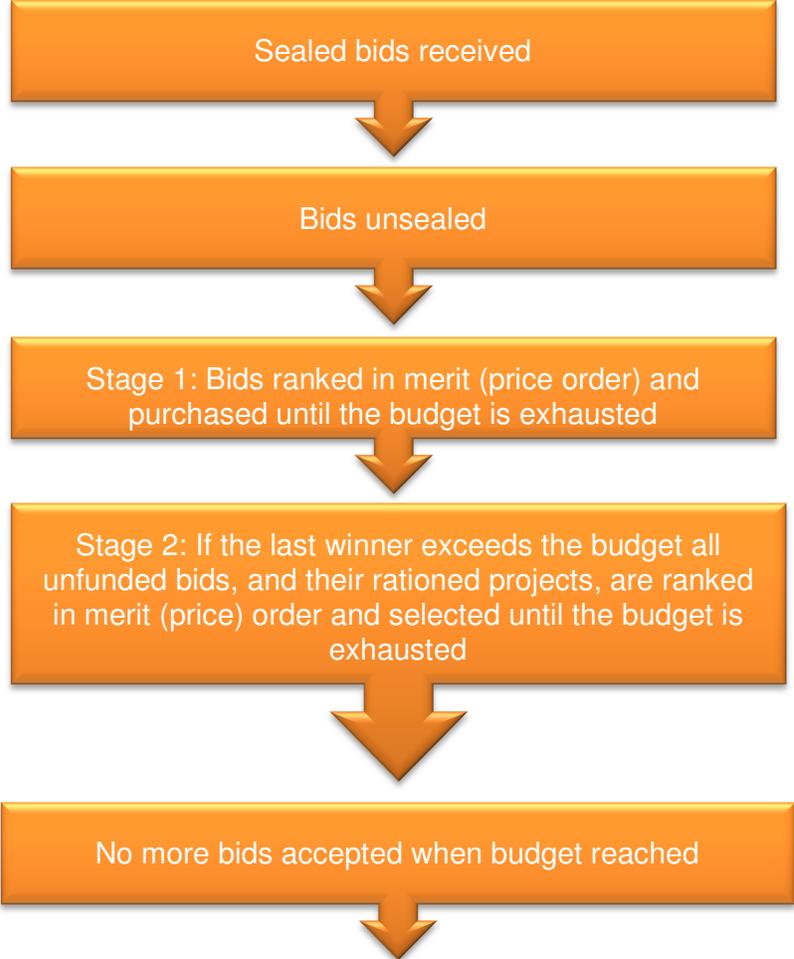
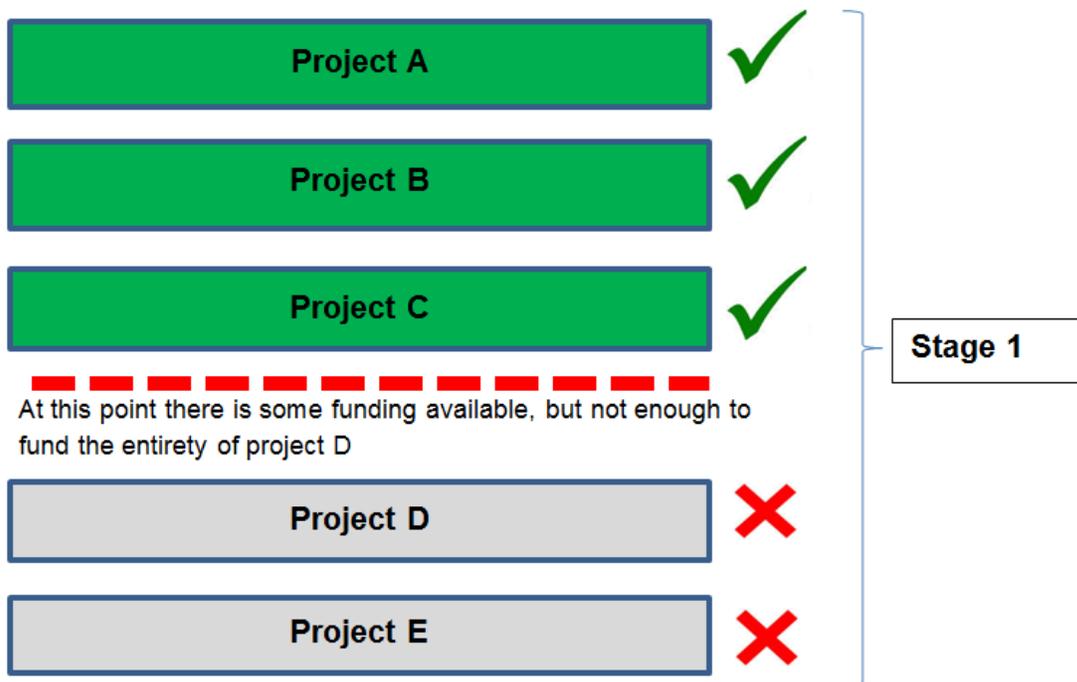


Figure 4: EDR auction stages

**Rationed bids**

- 3.10. As outlined in Section 2, participants may have also submitted applications for rationed sub-projects (**although only if their application and M&V Plan have been approved by DECC**). If rationing is available, and the participant has included rationed projects, then they will need to enter individual bid prices for the entire project and for each rationed sub-project. The bid form will have a section for including rationed bid prices for each of your rationed sub-projects. The applicant will also need to submit an application and M&V Plan for each rationed bid.
- 3.11. DECC will first rank all bids in price order and select applications up until the point where the budget is exhausted. If the final winner (the marginal bid) takes the auction over the available budget, rather than reject the entire project, we will seek to fund the next project we can afford, which may be the rationed project of the marginal bidder.
- 3.12. In this event, DECC will have accepted all bids for full projects up until the last potential winner that cannot be funded for the entire project. DECC will then move to Stage 2 of the selection process whereby all remaining bids, which were not funded at the first stage, are added to the rationed bids and ranked in price order. The lowest £/kW bid(s) of these projects will be allocated the remaining budget until the budget is used up.



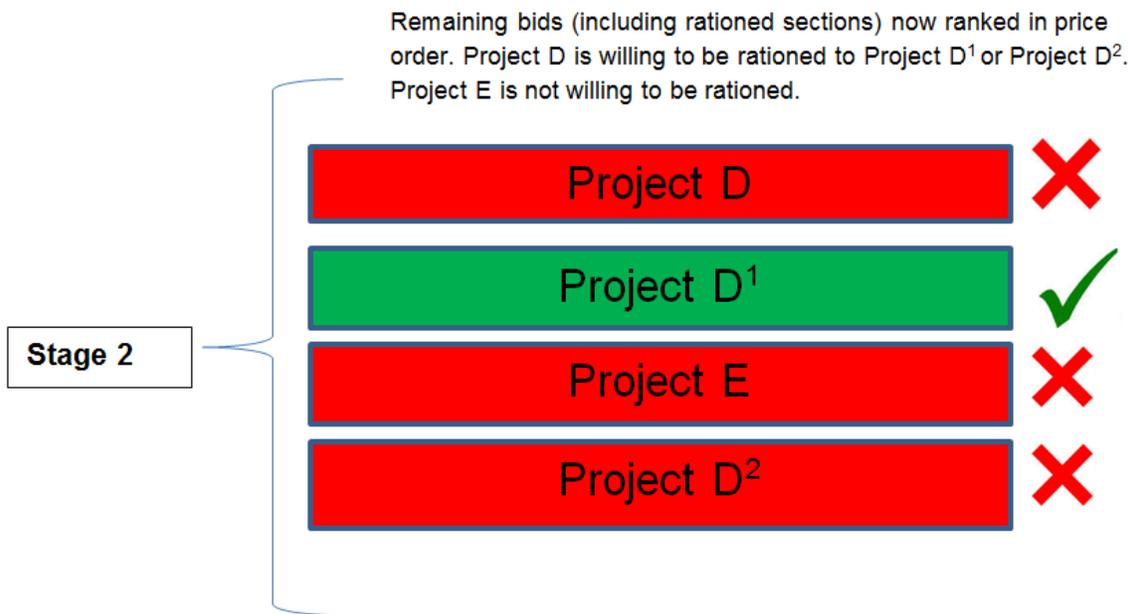


Figure 5: EDR auction with rationed bids

### Tie breaker rule

- 3.13. In the event of reaching the budget cap with two bids of equal prices (a tie at the margin), bids will be chosen on the basis of quantity (largest chosen subject to available budget). If bids are tied on price and quantity, then the winning bid will be selected randomly.

### Uncompetitive auction

- 3.14. In an uncompetitive auction, we are at risk of overpaying projects. However, as this is a pilot, there is also uncertainty around participation and the auction results. There are some scenarios where the Secretary of State may wish to cancel or annul the auction results. The scenarios include, but are not limited to, value for money issues. The scenarios in which the Secretary of State may wish to exercise his discretion to cancel an auction are likely to be highly unusual events that are rather obvious when they occur, but nearly impossible to define precisely in advance.
- 3.15. An example of a scenario in which the Secretary of State could consider cancelling the auction is if only a single 100kW project qualified. In this instance it may not be value for money to continue the auction process.
- 3.16. The auction may be cancelled if we have evidence that anti-competitive practices have taken place or been attempted, such as collusion or irregularity with respect to the participants' conduct in the auction or any other conduct which in DECC's opinion are anti-competitive.
- 3.17. If, in the unlikely event that the auction is declared uncompetitive and therefore cancelled or annulled, all participants will be informed within 5 working days of the scheduled auction date.

## How will winners be notified?

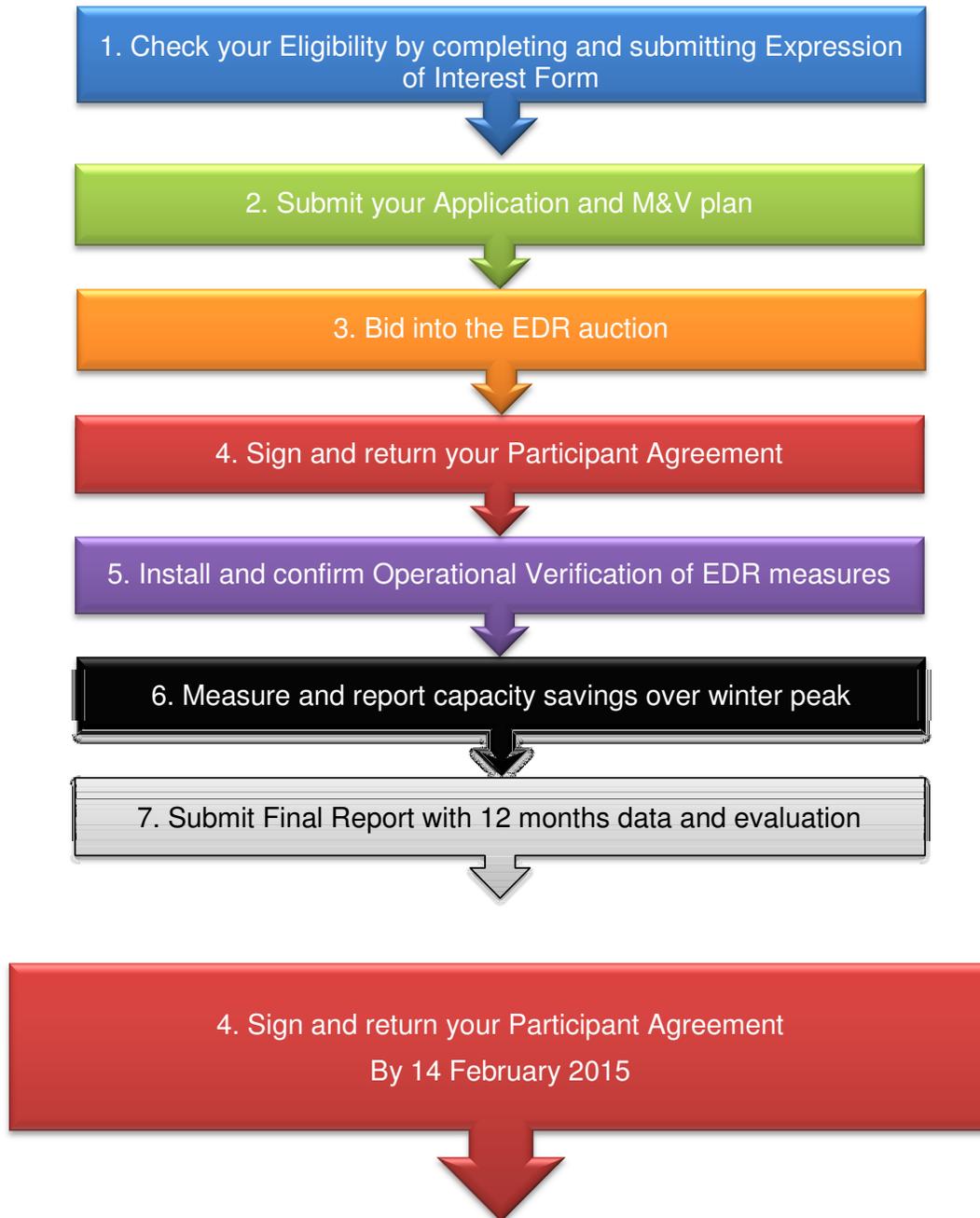
- 3.18. The auction will be held shortly after 10am on 12 January 2015. All participants who entered a bid will be notified of the outcome of the auction shortly after the auction. The Secretary of State will also make a public announcement of the auction results. Successful bidders will be required to sign and return a Participant Agreement (see Section 4) by 14 February 2015.

### **Bidding Checkbox**

Have you:

- Completed the bidding template with a price in £.pence per kW of the total capacity savings offered in your application?
- If rationing is available, submitted a separate bid for each rationed sub-project if you have chosen to allow rationing?
- Submitted the bid by 10am on 12 January 2015?

## 4. Participant Agreements



- 4.1. All bidders who were successful in the auction will be sent a Participant Agreement within 10 working days of the auction.

## What is a Participant Agreement?

- 4.2. The Participant Agreement will set out the commitments you are required to sign up to and deliver in order to be able to receive any payment of the funding you were allocated in the auction. It will be an agreement between you and DECC, setting out what DECC requires from you, to trigger payments. The Participant Agreement will be in place from the date of signing (by 14 February 2015), until the final date for completing data and evaluation requirements (1 December 2016 at the latest), although some of the requirements, and some DECC rights, will continue to have effect thereafter.
- 4.3. The maximum funding payable to a participant will be the £.pence per kW price you bid multiplied by the average kW of your application. The total kW of capacity savings must be installed, operated and delivered in order to trigger payment, or part payment, of that funding. In summary, the commitments in the Participant Agreement comprise three key activities:
- **Operational Verification Obligation** Providing evidence of Operational Verification as per the process set out in the M&V Manual (by 15 October 2015) so measures are in place by the start of winter peak; Operational Verification refers to activities that take place once the EDR measures are installed, aiming to make sure that each technology type is working as intended with the potential to deliver the expected capacity reductions. Further detail on this requirement is set out in Section 5;
  - **Winter Capacity Savings Report** Measuring and verifying your kW capacity savings over the winter peak period (business days from 1 November 2015 to 29 February 2016) and reporting these capacity savings in a **Winter Capacity Savings Report** to DECC by 15 April 2016. If you provide satisfactory evidence of the delivery of all of your contracted kW capacity savings through the installation and operation of eligible measures over winter peak you will be paid 80% of the total funding. The overall funding will be reduced to reflect under-delivery of savings. Further detail on this requirement is set out in Section 6; and
  - **Final Report** If you report the required period of operational data of the EDR measures and complete evaluation activities in a Final Report to DECC by 1 December 2016 you will be paid 20% of the remaining funding (recalculated to reflect delivery of winter peak capacity savings). The Final Report should be submitted at least 8 weeks after the Winter Capacity Savings Report. Further detail on this requirement is set out in Section 7.
- 4.4. Non-delivery, under-delivery or late delivery will be reflected in reduced payments, no payment or termination of the Participant Agreement. For more information on payments and consequences of not meeting obligations, please see Section 8.
- 4.5. We published a draft Participant Agreement on the EDR website in October 2014. .

## Aggregators

- 4.6. Aggregators will be required to sign a Participant Agreement with DECC. They will be responsible for delivery of the requirements in the Participant Agreement. This agreement will be directly between DECC and the aggregator (rather than between

DECC and the aggregator's clients), so for example payments for the delivery of kW capacity savings and evaluation will be made directly to the aggregator. It will fall to the aggregator to fulfil the commitments set out in the agreement and to ensure delivery by other organisations of the commitments in the Participant Agreement.

## The Participant Agreement process

- 4.7. Successful bidders will receive a Participant Agreement shortly after the EDR Pilot auction. Participants will need to sign the agreement at the appropriate level of the organisation (for example at least Director-level for companies) and return the signed agreement to DECC by the specified deadline (14 February 2015).
- 4.8. DECC will not accept requests for changes to the Participant Agreement terms and conditions.
- 4.9. Alongside the Participant Agreement, DECC will also issue a form for participants to complete setting out basic financial details that will be used by DECC to create your profiles on our electronic payments system (for example the bank account into which you wish to receive payment). The form should be returned alongside your signed Participant Agreement by the deadline.

## Additional Monitoring of Deemed Projects

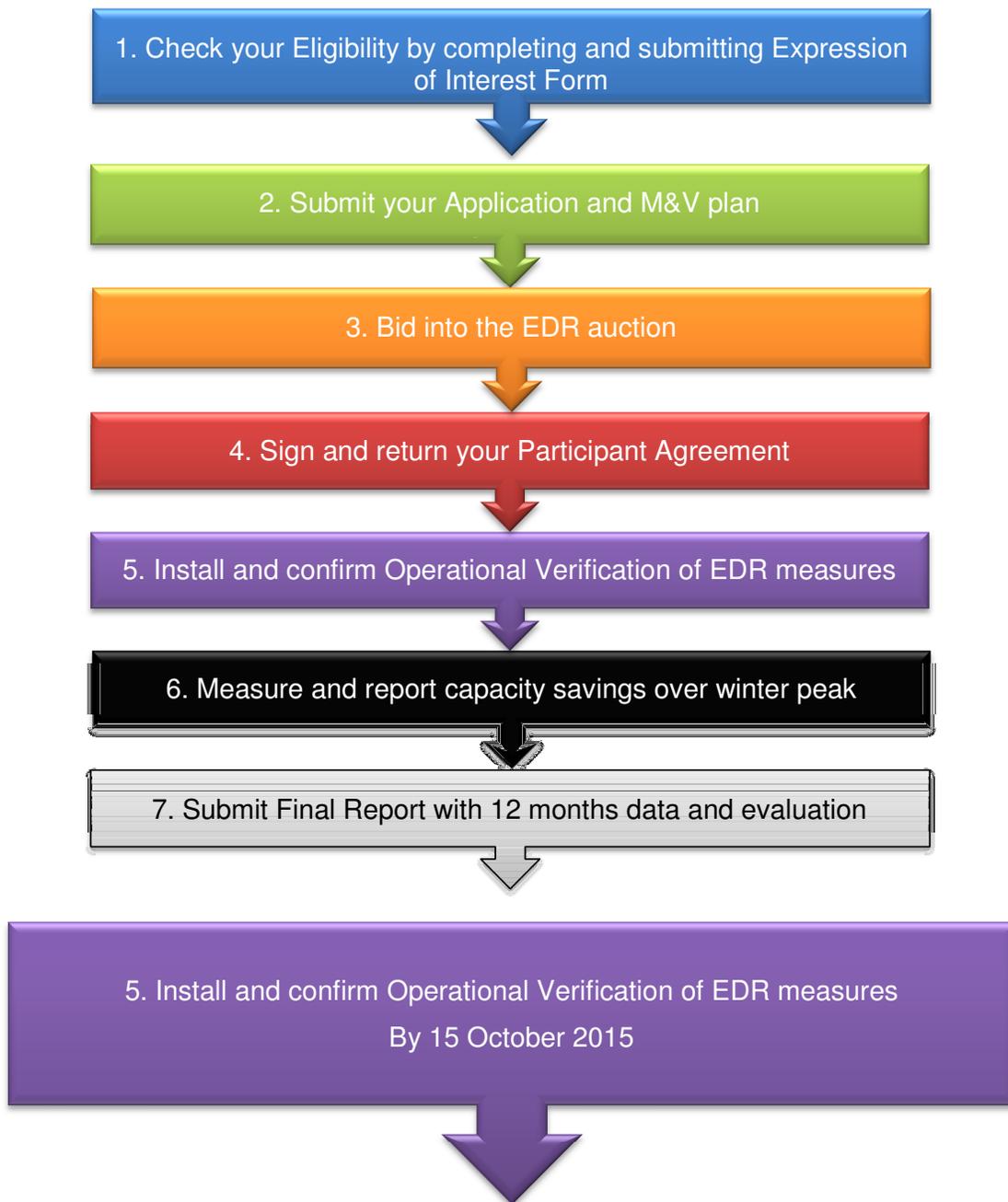
- 4.10. If you submit a plan based on deemed capacity savings (see the M&V Manual for more details) you may be selected for additional monitoring for evaluation purposes. This is in order for us to learn how effective the deemed approaches are. If you are selected you will be informed in early February 2015. You will then need to:
  - allow access to appointed contractors to fit meters soon by the end of February 2015 to permit baselining;
  - allow access to appointed contractors to check/refit metering equipment post EDR installation; and
  - permit monitoring and maintenance of these meters as required.
- 4.11. Refusal to have a meter fitted will result in the termination of the Participant Agreement. Additional costs of metering equipment and monitoring will be met by DECC. The metering equipment will be paid for by DECC and DECC (or DECC's contractors) will be responsible for ensuring the equipment is working and maintained. However, liability for failure of, damage to, or damage caused by the equipment, which is caused by you and/or your staff/contractors, will rest with you.
- 4.12. The meter will need to be *in situ*, untampered with and undamaged until you are informed that it has been decommissioned. This will be 12 months after the installation of the deemed technology to be monitored or shortly after 29 February 2016, whichever is later.
- 4.13. Any data collected through this process will have no impact on your payment; it is purely for evaluation purposes.

**Participant Agreement Checkbox**

Have you:

- Signed and returned your Participant Agreement by 14 February 2015?
- Have you completed the financial information form and returned this to DECC by 14 February 2015?

## 5. Installation and Operational Verification



- 5.1. A milestone of the EDR Pilot is the completion of Operational Verification before the start of the winter peak period (evidence to be submitted by 15 October 2015). Operational Verification refers to assurance activities that take place once equipment has been installed, aiming to make sure that they are working as intended with the potential to deliver the expected capacity reductions. It also gives you the opportunity to let us know if there have been changes to the measures that you will be installing.

### What do I need to do to demonstrate Operational Verification?

- 5.2. To demonstrate that your project is on track to deliver the capacity savings you bid for, you must complete Operational Verification and submit this to DECC by 15 October 2015. Guidance on what you will need to submit and how to submit it are set out in the M&V Manual. You will be required to:
- provide evidence that a sample of EDR measures in each technology type has been properly installed and the EDR measures are ready to be operated as intended. Separate information is required for at least each different technology type; for example each class of LEDs, motor or variable speed drives. The evidence required will depend on the nature of the measures installed, but could include a commissioning certificate certified by a qualified person, a visual inspection or measurements from a sample of installations etc;
  - provide evidence of your estimated capacity for each technology type installed, compared to those specified in the Application or Participant Agreement; and
  - in addition, where suppliers indicate that separate Operational Verification activities need to be followed for the same technology type (for example three different pumps have different Operational Verification procedures) then separate procedures and evidence will need to be provided for each equipment type.
- 5.3. Participants will be asked to confirm that the installed measures still meet the two year payback and may also be asked to supply the invoices of equipment installed in their project once it has been installed.
- 5.4. Let us know if you have had to change the measures you have installed since your application was agreed. You are allowed to change the amount of each technology type included in your Application/M&V Plan. You are not allowed to install a technology type not specified in your Application/M&V Plan.

#### If this commitment is met

- 5.5. If the participant has provided evidence of Operational Verification for each technology type in their project as specified in the Participant Agreement, DECC will confirm receipt of this within an estimated 15 working days, and may come back to you if we have questions on the evidence and may use questions on the Operational Verification evidence to trigger an inspection.

#### If this commitment is not met

- 5.6. If the participant fails to provide satisfactory evidence of Operational Verification for each technology type in their project by 15 October 2015, it will be assumed in the absence of further evidence that the capacity savings only began to be made following the date of Operational Verification for that technology type. Participants may also receive an inspection or requests for further information. For example if the Participant Agreement

is for a project that includes LEDs and a more efficient motor and the Operational Verification only includes LEDs, only delivery of capacity savings relating to LEDs may be eligible to count towards the Winter Peak Savings declared in the Winter Capacity Savings Report.

- 5.7. Delivered capacity savings from the same technology type, for example, a different manufacturer of LEDs will be allowed, although participants will need to confirm that the project still meets the payback and other eligibility criteria.
- 5.8. If satisfactory evidence is not received before the end of the winter peak period on 29 February 2016, the Participant Agreement may be terminated. DECC reserves the right to inspect the sites of participants, including clients of third party aggregators, for the purposes of Operational Verification (see Section 8 on payments and consequences of not meeting obligations).

### Aggregators

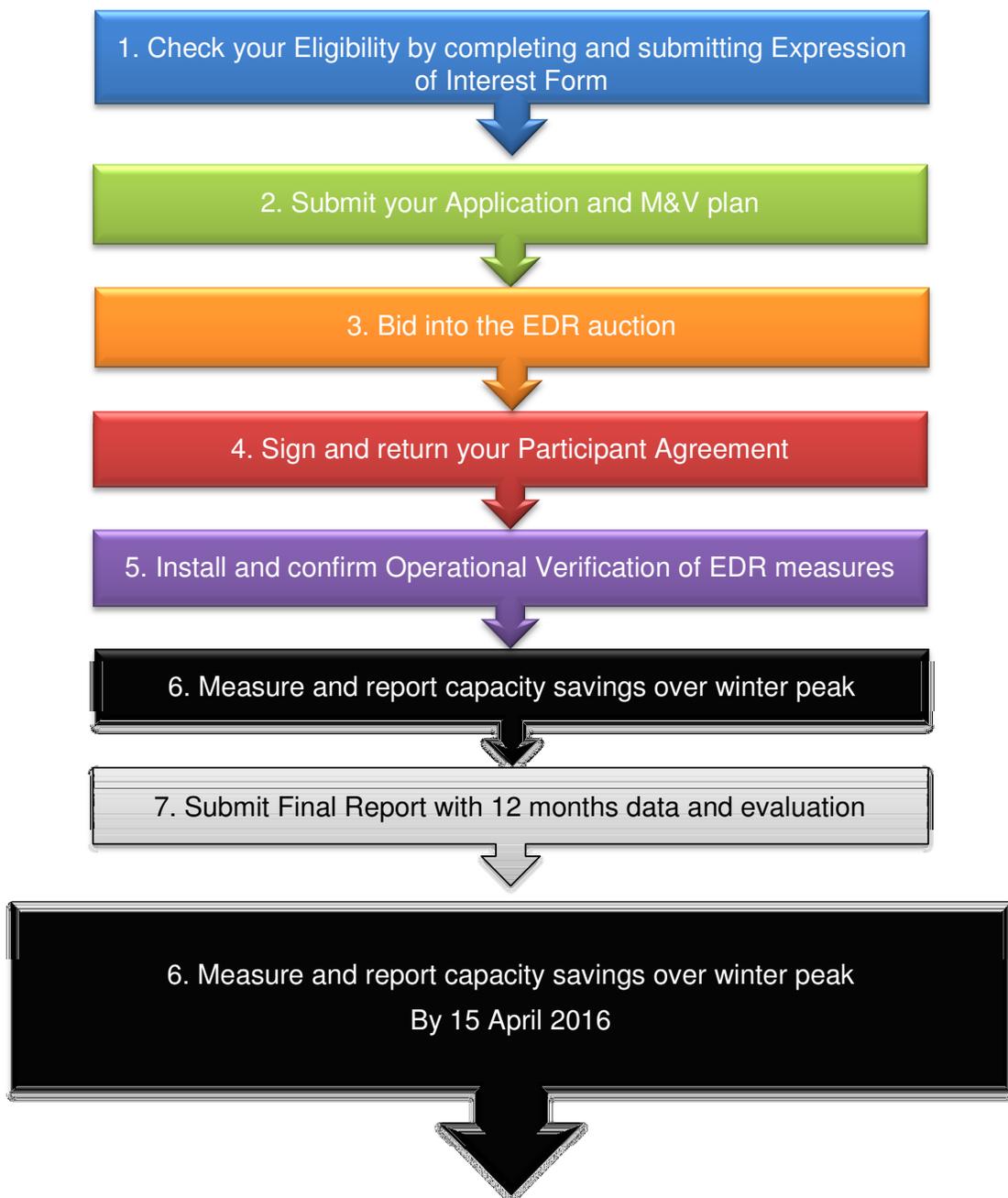
- 5.9. If an aggregator specified clients for less than 100 % of the capacity, at the application stage, the aggregator will need to supply DECC with the details of clients for the final percentage of capacity (up to 25%) along with their Operational Verification data by 15 October 2015. This is because DECC may need to inspect the sites of your clients to ensure that Operational Verification has been completed. If the required evidence is not received, savings will be assumed to be made from the date Operational Verification has been received in the absence of further information. If the information is not received by 29 February 2016, the Participant Agreement may be terminated.

#### Installation Checkbox

Have you:

- Completed Operational Verification for your EDR measures before the start of winter peak (by 15 October 2015)?
- Submitted evidence of Operational Verification to DECC by 15 October 2015?

## 6. Measure and report capacity savings over the Winter Peak



- 6.1. As set out in the Participant Agreement, successful participants are required to provide proof that they have delivered the capacity savings committed to in their successful application form over the winter peak period. Advice on how to measure, verify and report savings is set out in the M&V Manual. This evidence is to be provided in the Winter Capacity Savings Report which must be submitted to DECC between 1 March and 15 April 2016.

## How do I measure and report capacity savings?

- 6.2. The Winter Capacity Savings Report must include all information for Winter Peak as set out in your M&V Plan.
- 6.3. There are a broad range of measurement and verification approaches set out in the manual underpinned by the IPMVP approach. It is our intention to enable as wide a range of schemes as possible. As such the manual supports options from Full Measurement approaches through to partial measurement and deeming.
- 6.4. Depending on your chosen M&V approach, the evidence to prove delivery will vary. For example, for deemed capacity savings, proof of installation with confirmation of operation at the specified time of use will be 'deemed' to have delivered the capacity savings specified. The M&V Manual sets out how to measure and verify your capacity savings and how to report these using the templates provided in the manual.

## What happens after sending the Winter Capacity Savings Report to DECC?

- 6.5. Upon receipt of your reported savings and claim forms, DECC will write to you within 30 working days to confirm whether or not we accept the evidence in your report (for example, we will check that the Report has been fully completed, that the data looks plausible, that the required evidence has been provided, whether there are any anomalies etc.). DECC's response will also set out the level of payment to be made.
- 6.6. Details of how this translates into payments and the potential consequences of not meeting obligations are set out in section 8.

## Inspections

- 6.7. A condition of participation in the pilot is that projects may be subject to an inspection. This may be carried out by DECC or by a third party acting on behalf of DECC.
- 6.8. Inspections can be carried out at the discretion of DECC. In the event that an inspection is required participants will be given reasonable notice and will be notified which site(s) are subject to inspection.
- 6.9. Inspections will be conducted to verify compliance with the Participant Agreement and information and evidence provided in your application, M&V Plan, Winter Capacity Savings Report, Operational Verification evidence and the Final Report. This includes assessing the potential for projects to deliver savings and verify actual savings delivered. They may also be used to help resolve disputes or discrepancies identified by DECC or our agents.
- 6.10. The kinds of activities that may be included in a site inspection could include:
  - inspection of existing and/or replacement equipment installed at the site;

## Measure and Report capacity savings

- that equipment is installed and appropriately configured (this may include inspecting documentation such as commissioning certificates);
- the time of use of equipment installed at the site which can be cross checked against information provided in the M&V Plan and any associated documentation (for example operational schedules, etc.);
- metering is appropriate and configured properly and methods for data collection and storage are appropriate; or
- collecting evidence such as sampling of electricity usage using clamp metering.

### When inspections will be required

- 6.11. Our intention is to take a risk-based approach to prioritising projects for inspection (for example larger, more complex projects or where issues have been identified) but other projects may be selected as part of a random audit to monitor overall compliance with the Scheme.
- 6.12. By signing a Participant Agreement, participants agree that they will allow inspections. Where an inspection is required we aim to inform the participant of the date, the outcome of the inspection and any reductions to the payment due to non-compliance within 15 working days of the inspection taking place. Payment may be delayed if an inspection is required. Unreasonable non-compliance with the site inspection requirement, for example the absence of mitigating circumstances (for example illness) may result in the termination of the Participant Agreement or require re-payment of funds already paid to participants or other appropriate action. The collection of data and information on the performance of measures installed is a fundamental part of the scheme and the inspection regime helps to ensure this evidence is robust. Therefore unreasonable non-compliance with the inspection regime is considered to be a material breach of the Participant Agreement. DECC will determine whether the participant's refusal to allow an inspection is reasonable.

### If this commitment is met

- 6.13. If the participant has provided satisfactory evidence that they have delivered all of the capacity savings specified in their bid, and in line with their M&V Plan, and provided the other information required at the Winter Capacity Savings Report by the advertised deadline (15 April 2016), DECC will aim to confirm this to the participant within 30 working days. The participant should receive full payment of 80% of the funding awarded to the participant in the auction within standard DECC payment timescales of up to a further 30 days. For example, if the Participant Agreement specifies 500kW to be delivered at £100/kW the payment for full delivery of savings at this stage would be 80% of the total funding awarded in the EDR auction (  $500 \times £100 \times 0.8 = £40,000$ ). As the full capacity had been delivered, the remaining 20% of the funding would still be payable on submission of a satisfactory Final Report.
- 6.14. There will be no additional payments or reductions for exceeding delivery with larger capacity savings than those committed to in your bid.

### If this commitment is not met

- 6.15. If the participant does not deliver the capacity savings committed to in their Participant Agreement, the total payment will be reduced by 2% for every 1% of capacity savings not delivered over the winter peak. This reduced payment will be paid in two instalments; up to 80% of the reduced total after the winter peak, and up to 20% of the reduced total

after the completion of data and evaluation requirements. See Section 8 for more information on payments.

6.16. Some examples of where the full payment may not be made are:

#### **Worked Example 1: Deemed measure**

A participant installs a LED lighting project that was estimated to deliver 200kW of delivered capacity over the entire winter peak period (4pm – 8pm from 1 November until 29 February) as a deemed M&V approach. However, the participant operates the lighting on average between 4pm and 7pm during the Winter Peak period.

The participant includes all this information in the M&V reporting template to produce the amount of delivered capacity during the winter peak period. The template calculates 150kW of delivered capacity (or 75%). This change would need to be declared in the Winter Capacity Savings Report. As a result, the payment for delivered capacity and the payment for the Final Report would be reduced by 50%.

#### **Worked Example 2: Measured Approach**

A participant committed to replace existing pumps with new more efficient pumps and is expected to deliver 400kW equivalent – five new pumps are each expected to deliver 80kW of electricity demand reduction during the winter peak period. However, the data collected (according to the MVA manual and plan) on actual electricity use proves that the participant delivered 300kW of capacity reduction during the winter peak period.

Therefore, the expected 80% of the total payment for the Winter Peak Compliance Report is reduced by 50% - 100kW of non-delivery as a percentage of 400kW equals 25%, multiplied by two equals 50%.

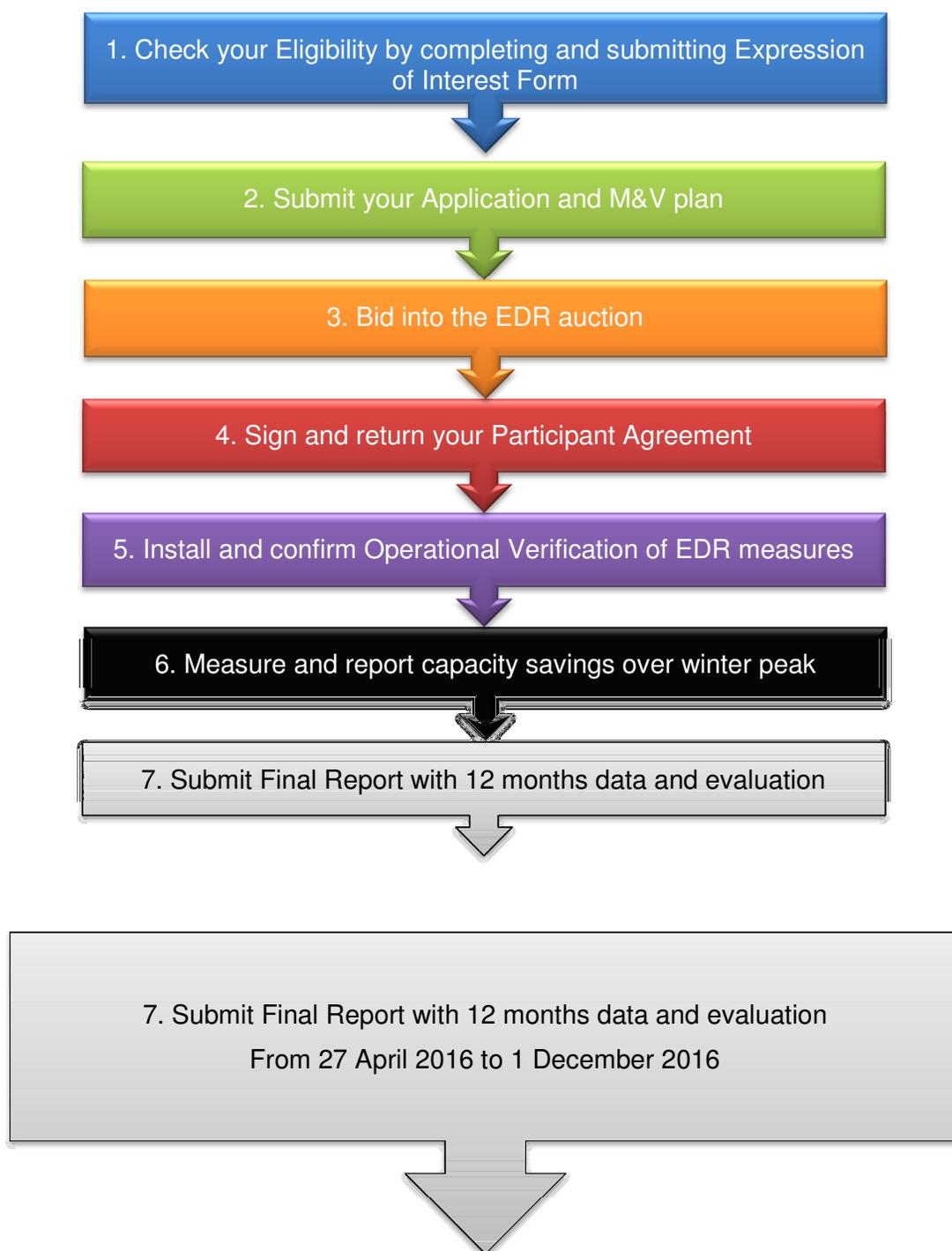
The remaining 20% is also reduced by 50% and paid on satisfactory completion of the Final Report.

#### **Reporting Capacity Savings over Winter Peak Checkbox**

Have you:

- Completed measuring and verifying your capacity savings over Winter Peak?
- Have you submitted your Winter Capacity Savings Report to DECC by 15 April 2016?

## 7. Submitting your Final Report



- 7.1. EDR is being piloted and as such evaluation is central to the Government's objectives. The evaluation is intended to provide a robust evidence base so that the Government is able to make informed decisions on EDR in the longer term. The Government is committed to learning about choices and behaviours of participants and non-participants and how they were affected by the design and implementation of the auction. Learning from the evaluation will underpin the design of any enduring scheme therefore your participation in evaluation activities would be much appreciated. Given this importance, up to 20% of your payment is linked to submission of the Final Report, including confirmation that you have met the data and evaluation requirements. As set out in Section 6 the figure from which the 20% is calculated will be reduced to reflect under-delivery of Winter Peak capacity.

## The Final Report

- 7.2. The Final Report is comprised of two key elements:
- **provision of 12 months of metered data for some metered schemes.** No further data is required for deemed schemes. The specific request for metered schemes depends on measurement approach and operating cycle – see the table below; and
  - **participation in the Pilot scheme evaluation activities**, and completion of a final evaluation questionnaire. The final questionnaire will take no more than an hour to complete.
- 7.3. The earliest point at which a Final Report can be accepted is 8 weeks after the submission of the Winter Capacity Savings Report. This is to permit evaluation activities related to the Winter Capacity Savings Report to be completed. Further detail on each of the components of the Final Report follows.

### Provision of 12 months of metered data

- 7.4. To meet our evaluation requirements, where practical metered participants are required to continue to operate their measures for a minimum of a full 12 months post installation, and to provide relevant electricity use monitoring data to DECC. This 12 month period can start from when you first install your measures, but must continue until after the end of the winter peak period (29 February 2016). The table below sets out which participants we expect to provide this data. In most cases we would not expect it to be onerous for these projects to produce 12 months of data on an equivalent basis to the four months of data provided for the Winter Capacity Savings Report but if there are specific circumstances where this would be impossible or unduly onerous this requirement may be waived by DECC.
- 7.5. Our belief is that it could add substantially to the monitoring burden to produce 12 months of data for shorter operating cycle sub-metered projects and partially metered projects and for this reason 12 months of data is not required. However, access to such data would be valuable for the evaluation and where possible we would appreciate the provision of such data.
- 7.6. Where you are providing 12 months of data, the data requirements are similar to those for the M&V Plan baseline data and Winter Capacity Savings Report. You will need to report the reductions in electricity usage (kWh) for each measurement boundary in your project over this 12 month period compared to your baseline. To do this you will need to make any appropriate adjustments to the baseline and provide the same supporting evidence including half-hourly kWh metered data and the values used for the independent variables in any regression adjustment. A template for reporting the 12

months of data will be published shortly, which will closely resemble the form of the M&V Plan template.

	Deemed schemes	Metered – whole building approach	Sub-metered – operating cycle > 4 months	Sub-metered – operating cycle equal to or < 4 months	Partial metering
Data requirement at Final Report stage	No further requirement	<ul style="list-style-type: none"> <li>• 12 months of meter data</li> <li>• 12 months data series for any independent variable</li> <li>• Information on any anomalies for example significant unusual production outages</li> </ul> <p>If it is not feasible to provide this data please discuss with DECC</p>		<p>Where possible, please provide data as requested for other metered projects</p> <p><i>Where data can be provided it will add a valuable component to our ability to evaluate the performance of the pilot</i></p>	
Other requirement	Participation in evaluation activities and completion of Evaluation questionnaire				
Earliest date of Final Report	8 weeks post-submission of WCSR	<p>Dependent on installation date and date WCSR is submitted:</p> <ul style="list-style-type: none"> <li>• 27 April 2016 if installed by 26 April 2015 and WCSR submitted 1 March 2016;</li> <li>• 10 June 2016 if installed by 9 June 2015 and WCSR submitted by 15 April 2016; or</li> <li>• 31 October 2016 if installed by 30 October 2015 (WCSR submitted by 15 April 2016).</li> </ul>			

## Evaluation activities

- 7.7. In addition to the questionnaires listed in this Handbook (the expressions of interest and application stages and the final questionnaire), participants will be required to spend up to a maximum of 10 hours participating in evaluation activities, such as interviews (face-to-face or telephone), completing questionnaires, participation in focus groups or workshops. From time to time the evaluation team may wish to contact you to follow up on anything of interest raised in previous evaluation activities. The time for these follow up activities and any preparation time required is included within the ten hours.
- 7.8. If you are an aggregator, these evaluation activities will only be with yourself not the third-parties that you are aggregating but we reserve the right to contact those that you are aggregating to ask them if they would be willing to participate in separate activities.
- 7.9. A schedule of evaluation activities is expected to be published in January 2015. The evaluation team will be in contact with you to arrange suitable dates nearer the time indicated in the schedule.

- 7.10. The majority of evaluation activities are expected to take place in your place of work although on occasion you may be required to travel. For example we may conduct focus groups in various locations around the country and you would be required to travel to the location nearest to you. If travel is required you will be reimbursed for reasonable travel and subsistence (for example no first class travel).
- 7.11. For deemed projects selected for additional monitoring any time involved in organising site access is also not included in the ten hours.
- 7.12. If you are unable to attend any pre-arranged evaluation activity you should contact the evaluation team as soon as you are aware to make alternative arrangements. We will be flexible within reason but consistent requests to re-arrange dates will be viewed as non-compliance.

### Evaluation Activities with Unsuccessful Bidders and Non-Participants

- 7.13. If your bid is unsuccessful or indeed if you decide not to submit a bid we would be very interested in your experiences, thoughts and opinions. The evaluation team is likely to be in contact, and it is hoped you will take some time to talk to us so that your experiences contribute to our evidence base so that we can improve on the scheme design in the future.

#### **Final Report Checkbox**

Have you:

- Submitted 12 months of metering data to DECC if required?
- Completed your required evaluation activities?

## 8. Payments and consequences of not meeting obligations

- 8.1. The Participant Agreement will set out what is required of you. This includes when we would terminate an Agreement and when payments will be triggered and on what basis.

### Calculating your payment

- 8.2. When you enter a bid to the EDR auction, you are asked to complete the bidding template in which you must enter a £.pence figure for each kW of capacity savings you are prepared to deliver. Your total kW of capacity savings will be a maximum of the total you estimated in your M&V Plan.
- 8.3. If you are successful in the auction, you will be awarded your £.pence bid price multiplied by your kW total capacity savings for the successful bid or rationed bid. This total figure will be confirmed in your Participant Agreement. This is the maximum amount that you will be entitled to if you meet all the requirements of the Participant Agreement. This will then be split into two payments as described below.

### Delivered capacity payment

- 8.4. You will be required to complete and submit a Winter Capacity Savings Report. If you have measured and verified your delivered capacity savings across the winter peak period in line with your M&V Plan and these capacity savings total the same or more than the contracted capacity savings, and you report these capacity savings by 15 April 2016, then you will be paid 80% of your total funding.
- 8.5. There will be no additional payments, or reductions, for exceeding delivery with larger capacity savings than those committed to in your bid.
- 8.6. Upon receipt of your Winter Capacity Savings Report by 15 April 2016, DECC will aim to check the Report and confirm the total payment you are due within 30 working days, assuming there are no outstanding queries. The payment should be made within standard DECC payment timescales (up to 30 days).

### Final payment

- 8.7. If you have:
- operated the EDR measure for the required period (including the 2015/16 Winter Peak Period) in the specified location;
  - reported capacity savings as required;
  - kept the monitoring equipment installed by us *in situ* (deemed capacity savings only); and

- completed all evaluation requirements that have been asked of you, then you will need to complete and submit a Final Report by 1 December 2016. DECC will check the Report and assuming it is complete, you will be paid the final payment (up to 20%). The payment should be made within standard DECC payment timescales (up to 30 days).

### Full compliance

- 8.8. As set out in section 5, your payments will be made in relation to providing the specified evidence by specified deadlines set out in the Participant Agreement.

#### Worked Example – Full Payment

A participant has committed to installing a new water pump which is expected to deliver 100kW savings at 4pm-8pm on every day in the winter peak. They bid successfully for £100 per kW. The participant installs the pump on 1 October 2015, completes Operational Verification (with the required evidence) by 15 October 2015, provides the Winter Capacity Savings Report by 15 April 2016 in line with the required M&V approach, and provides a satisfactory Final Report return by 1 December 2016. Payments will be:

- Payment 1 (80% payment)  
 $100\text{kW} \times \text{£}100 \text{ per kW} \times 0.8 = \text{£}8,000$
- Payment 2 (20% payment)  
 $100\text{kW} \times \text{£}100 \text{ per kW} \times 0.2 = \text{£}2,000$

### Reduced payments

- 8.9. As set out in section 5, your payments will be reduced in cases where the conditions in the Participant Agreement are not met, for example, your measured and verified delivered savings are less than you estimated in your M&V Plan.

#### Worked Example – Reduced Payment

Your measured and verified delivered savings are less than you estimated in your M&V Plan.

In this case, payments will be reduced by a percentage equal to the percentage of undelivered capacity multiplied by two. The overall subsidy will be reduced to reflect the undelivered capacity before the 80:20 split for the Winter Capacity Savings Report and Final Report is calculated – for example if the maximum payable under the Participant Agreement is £500,000 and evidence is provided that the delivered capacity was 90% of that committed to, value, the maximum value will be reduced to £400,000 (10% under-delivery of savings, multiplied by two leads to a 20% reduction in payment) with £320,000 payable on evidence of Winter Peak savings and £80,000 on receipt of a satisfactory Final Report.

## Consequences of non-compliance

- 8.10. In addition to a reduced payment for under delivery of the committed to capacity savings, the Participant Agreement also includes consequences of not meeting other obligations.

### Inspections

- 8.11. A key condition of participation in the pilot is that projects may be subject to an inspection. This may be carried out by DECC or by a third party acting on behalf of DECC. As set out in Section 6, Inspections can be carried out at the discretion of DECC and participants will be given reasonable notice of the inspection date and time. Participants will be notified which site(s) will be inspected.
- 8.12. Inspections will be conducted to verify compliance with the Participant Agreement and information and evidence provided in your application and M&V Plan. This includes assessing the potential for projects to deliver savings and verify actual savings delivered. They may also be used to help resolve disputes or discrepancies identified by DECC or our agents.

### Compliance

- 8.13. Unreasonable non-compliance with a site inspection, for example the absence of mitigating circumstances (for example illness) will result in the termination of the Participant Agreement.

Situation	Potential Consequence
1a. Not meet eligibility requirements at any stage of the EDR Pilot Scheme	Unable to pass to next stage of EDR Pilot and/or Participant Agreement terminated (and potential repayment).
1b. Failure to meet Expression of Interest deadline of 30 September 2014	Do not pass to application stage of the EDR Pilot.
2. Failure to meet application deadline of 31 October 2014	Do not pass to auction stage of the EDR Pilot.
3. Failure to meet bidding deadline of 10:00am 12 January 2015	Cannot participate in auction.
4. Failure to sign and return Participant Agreement by 14 February 2015	Offer of Participant Agreement lapses.
5a. Failure to submit Operational Verification by 15 October 2015	Savings not recognised until date of submission of satisfactory Operational Verification. This may lead consequentially to reduced or no payment.
5b. Failure to complete Operational Verification by 29 February 2016	Termination of Participant Agreement

Situation	Potential Consequence
6a. Failure to deliver capacity savings committed to by 29 February 2016 <sup>3</sup>	Reduced or no payment. Each % of capacity not delivered leads to 2% payment reduction.
6b. Failure to provide Winter Capacity Savings Report by 15 April 2016	No payment for delivered capacity. Contractual requirement to complete evaluation process remains.
7a. Failure to complete and submit Final Report by 1 December 2016.	No Final Report payment.
7b. <b><u>For deemed measurement projects that have been selected for monitoring</u></b> Refusal to allow access for installation of a meter and removing a meter without approval.	Termination of Participant Agreement.
7c. <b><u>For deemed measurement projects that have been selected for monitoring</u></b> Tampering and/or damaging a meter.	Potentially no Final Report payment and payment for damage.
8. Unreasonable refusal of an inspection	Termination of Participant Agreement and potential repayment.

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<sup>3</sup> In the case of measures eligible for an adjusted baseline, the baseline will be adjusted before savings are calculated.

## 9. Dispute Resolution

- 9.1. If participants have any complaints about decisions made by DECC during the pre-qualification process, they should contact DECC with supporting documentation (as soon as possible and within 5 working days in order to ensure issues can be considered as far as possible before the auction). Where appropriate (i.e. for example, where DECC's decision is alleged to have caused an applicant to fail to proceed through the pre-qualification process, and this cannot be quickly and easily rectified), the complaint will be handled by officials unconnected to the original decision. DECC would aim to respond within 10 working days.
- 9.2. Complaints and disputes arising following the signing of a Participant Agreement will be dealt with in accordance with the terms of that agreement.
- 9.3. Further information about dispute resolution procedures will be set out in more detail at [www.gov.uk/electricity-demand-reduction-pilot](http://www.gov.uk/electricity-demand-reduction-pilot) by 1 September 2014.

# 10. How we will use your information

- 10.1. All the information generated through the EDR Pilot and its evaluation activities is covered by the following information policy. This includes all information submitted to DECC by participants such as the information in the Expression of Interest and application forms, the M&V Plans, the Winter Capacity Savings Report and the Final Report. It also includes information on the outcomes of the EDR Pilot such as the number of bidders, the total amount of EDR capacity we are funding and the weighted average bid price. It will also include information collected on behalf of DECC by the EDR Pilot's evaluation contractors in the evaluation activities such as interview responses.

## Personal Data

- 10.2. DECC has a duty under the Data Protection Act 1998 to follow strict rules called 'data protection principles' when using personal information. That includes ensuring that the information is:
- used fairly and lawfully;
  - used for limited, specifically stated purposes;
  - used in a way that is adequate, relevant and not excessive;
  - accurate;
  - kept for no longer than is absolutely necessary;
  - handled according to people's data protection rights;
  - kept safe and secure; and
  - not transferred outside the UK without adequate protection.
- 10.3. These principles will apply to any personal data (within the meaning of the Act) collected through the pilot and evaluation activities.
- 10.4. Please note by providing your contact details in the Expression of Interest form you are giving your consent for DECC or those working on our behalf to contact you.

## Publishing and Releasing Information

- 10.5. We will seek to keep any commercially sensitive information confidential, subject to the Freedom of Information Act 2000 ("FOIA") and the Environmental Information Regulations 2004 ("EIR"). We will also seek to maintain your confidentiality in published outputs with data being anonymised before publication. DECC will seek to not release commercially sensitive information, such as individual bid prices or electricity prices, unless required, in the public interest, in accordance with FOIA section 43 or EIR

## How we will use your information

regulation 12(5)(e) or by any other requirement of law. Information that DECC believes could influence bidder behaviour in either of the auctions will not be released unless required by law as the integrity of future auctions must be preserved.

- 10.6. Information we received will also inform our evaluation of the EDR Pilot and the publication of reports, including the report to be submitted to Parliament under section 43(3) of the Energy Act 2013.

## Sharing Data with Other Organisations

- 10.7. The information collected through the EDR Pilot may be shared with organisations working on behalf of DECC and those conducting research in a related areas on a basis of what is necessary and sufficient to complete the activities they are conducting and in line with the above policy on protecting personal and publishing commercially sensitive information.
- 10.8. Those organisations working on behalf of DECC will include contractors hired to support delivery of the EDR Pilot process (such as providing technical expertise to advise on and quality assure the measurement and verification of capacity savings) and those hired to carry out the evaluation.
- 10.9. The information collected will also inform auditing processes therefore we may share this data within Government Departments, Ofgem and a number of other bodies who are entitled to it by law.
- 10.10. Any organisation that we share information with will need to ensure that all appropriate regulations are adhered to regarding safe storage and transfer of data, compliant with DECC requirements for the data processing of restricted data.
- 10.11. Data may be linked to other surveys and datasets and summarised results published.

# 11. Glossary

**Aggregator** – An aggregator is a person or organisation who combines projects from different organisations or households to put forward a single application in the EDR Pilot and is responsible for meeting the commitments of the Participant Agreement.

**Applicant** – An applicant is any person or organisation that submitted an application to the EDR Pilot but who has not yet entered a bid into the auction.

**Application** – An application is the document completed by the participant setting out the project the participant would like to enter into the auction. The application contains all the required information on the prescribed form, including details of the project, the measures, and a measurement and verification plan.

**Auction** – The auction is a competitive process through which winners are selected in merit (price) order.

**Bid** – A bid is the price entered into the auction in £.pence per kW by qualified applicants.

**Bidder** – A bidder is any person or organisation who entered a bid to the auction.

**Bidding** – Bidding is the stage of the auction process during which those who qualified are invited to submit a price in £.pence per kW (a bid) for their application and the price of any rationed sub-projects within the bid.

**Business day** – A business day is a day during which most businesses are operating, usually from 9am to 5pm Monday through Friday, excluding UK-wide Bank Holidays.

**Deemed project** – A deemed project is a proposal to deliver a measure or measures that is expected to result in delivered capacity where the measure or measures included are listed on the “deemed measures list”.

**EDRM** – See Measure.

**Inspection** – An on-site inspection for the purposes of confirming that the replacement of equipment has taken place as set out by the participant, that it is correctly installed, or the accuracy of meter readings and time of use data provided to DECC.

**Installation** – Installation is the removal of an existing piece of equipment and its replacement with a more efficient equivalent that is expected to result in delivered capacity. Installation can also be the addition of new equipment to supplement and improve existing equipment (i.e. such as the addition of a variable speed drive).

**kW or kilowatt** – A measure of the instantaneous power either generated or consumed by an electrical device. For example 3kW is approximately the power consumed by a domestic kettle.

**kWh or kilowatt hour** – A measure of the electrical energy either consumed or generated by an electrical device over a period of time. For example a 100W light left on for ten hours consumes 1kWh of electricity.

**Measure** – A measure is the technology installed / significantly reconfigured, that will result in reductions in electricity demand. Also referred to as an EDR measure or EDRM.

**Participant** – A participant is any person or organisation that took part in the EDR Pilot, including those who won in the auction, those who bid in the auction and those who submitted an application.

**Payback period** – Payback period is a widely used calculation which is used to work out how long an investment takes to pay for itself. Working out payback requires the expected costs to deliver the project and the annual electricity capacity savings in monetary terms associated with the project. The expected costs are then divided by the expected annual capacity savings to give an estimate of the length of time in years required for the investment to be recouped.

**Payment** – Payment is the monies transferred from DECC to the participant upon fulfilment or partial fulfilment of obligations in the Participant Agreement to install and deliver delivered capacity within set time scales.

**Project** – A project is a proposal to deliver a measure or measures that will result in delivered capacity.

**Site** – A site is an area of land falling within a continuous boundary which encloses the land used in connection with the operation of an EDR measure. For this purpose, however, an area of land may still be regarded as a single site even if it is dissected by a road, railway line or river. Other non-contiguous parcels of land would not, however, constitute a single site.

**Technology** – This refers to the specific equipment selected to be installed to deliver a measure.

**Winner** – A winner is any person or organisation whose bid cleared the auction.

**Winter peak** – Winter peak is the hours between 4pm and 8pm on business days between the first day of November 2015 and the last day of February 2016.

# Appendix A: Draft Aggregator template letter

## Draft confirmation letter to be submitted alongside the application

This is to confirm that subject to the outcome of the Electricity Demand Reduction (EDR) auction to be held in January 2015, I have received a permission from my clients [Company Director for non-domestic sector/Owner Occupier/Landlord for domestic sector] to install in their premises the electricity measures required to deliver the capacity savings put forward in my bid, within the timescales allowed by the EDR Pilot scheme.

Name of client(s):

Total estimated capacity and proportion of project it represents:

                    kW /                      % of total project

[Director name or Landlord/Owner Occupier and signature]

Name of client:

Total estimated capacity and proportion of project it represents :

                    kW /                      % of total project

[Director name or Landlord/Owner Occupier and signature]

Name of client:

Total estimated capacity and proportion of project it represents:

                    kW /                      % of total project

[Director name or Landlord/Owner Occupier and signature]

Appendix A

The total estimated capacity set out above represents at least 75% of the total capacity I intend to install.

I confirm that the measures I intend to bid into the auction for the remaining capacity (up to 25%) will be of the same technology/technologies as set out in my application/Measurement and Verification (M&V) Plan, with the same time of use, and will also be meeting the rest of the eligibility criteria for the EDR Pilot scheme, including the two-year payback threshold.

Signature and date of the aggregator

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