

Energy Performance Contracting in the Czech Republic

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CA EED Plenary Meeting
March 24, Riga, Latvia

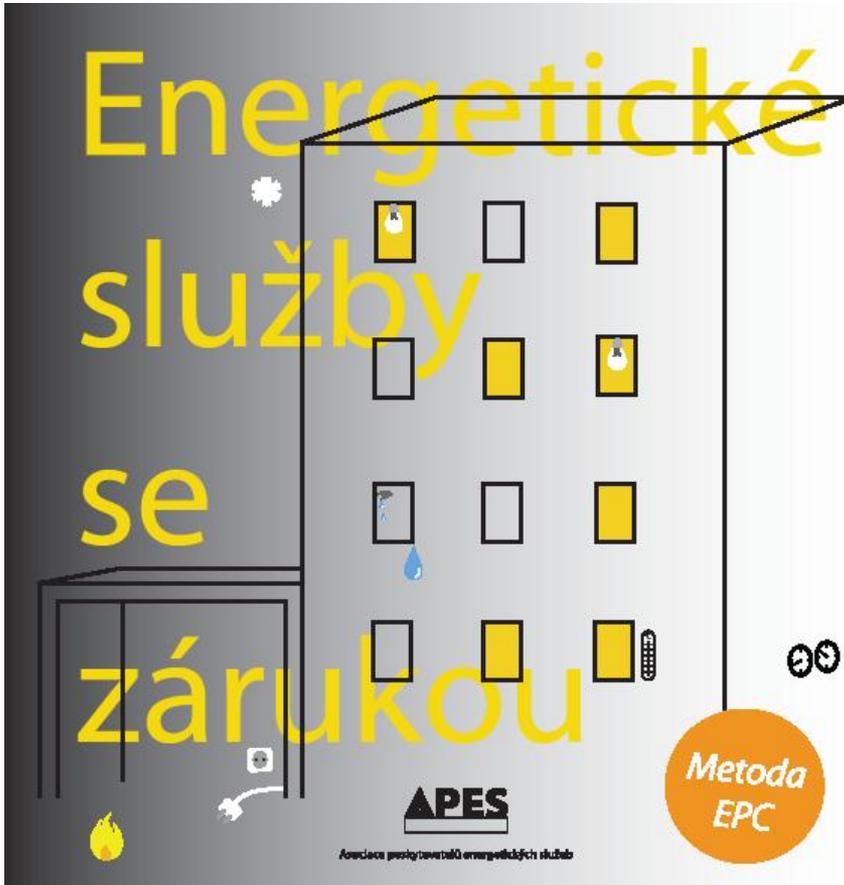
Contents of presentation

- ◆ Energy performance contracting in the Czech Republic
- ◆ EPC facilitator
- ◆ EPC tendering procedure
- ◆ Other supporting documents for EPC in the public sector

Energy Performance Contracting in the Czech Republic

- ◆ Energy Performance Contracting (EPC) was introduced in the Czech Republic in the 1990s
- ◆ Two important events:
 - ◆ 1995 - the Act on tenders (procurement) came into force. As for the EPC method it is quite difficult to make a selection of bids, this Act presented the possibility to include evaluation criteria and other requirements into tender documentation.
 - ◆ 1999 – The Ministry of Finance found a way to use the EPC method in the public sector (regions, cities)
- ◆ Since 1999 promotion of EPC energy-saving projects within State program for energy savings and RES.
 - ◆ Initially support in the form of subsidies for the implementation
 - ◆ Later reduced and included a grant for the preparation of projects undertaken by EPC.
- ◆ In 2010, the association of energy service providers (APES) established, with 22 members (since 2015)

Publications by APES



*Energy services
with guarantee
Cookbook for
clients*

*EPC Method: Energy services with
guarantee*



Energy Performance Contracting in the Czech Republic

Some numbers about EPC projects in the Czech Republic:

- ◆ ESCOs have so far completed over 150 EPC projects. They have been completed primarily in EPC the public sector (up to 90%), but some also in the private sector.
- ◆ A significant increase in projects since 2010. For 2012 and 2013, more than 35 tenders for EPC projects were announced.
 - ◆ Of these 7 have completed selection of the contractor,
 - ◆ two competitions were cancelled,
 - ◆ 11 other contests are in the finishing stages
 - ◆ and advance notice has been published for 20 projects.
- ◆ The total annual energy savings achieved in EPC projects registered by the Association of Energy Service Companies (APES) exceeds more than 300 million CZK (11 million EUR)

Remaining barriers to EPC in the public sector

- ◆ Low motivation to reduce the budget for energy use; influence of policy changes and replacement of politicians at decision making level
- ◆ EPC provides comprehensive services, also including measures that the client would not expect (energy management, evaluation and monitoring of savings, regulation, etc.) The final set of energy saving measures is presented by ESCO
- ◆ Preference for high-cost measures type of insulation and replacement windows, which are cost-effective in the long run (i.e. recoverable during their lifetime), but return on investment too long for EPC project (10 years max.)
- ◆ Administrative demands of EPC project preparation (e.g. tender procedure).
- ◆ Some remaining factors impeding the diffusion of EPC in the public sector:
 - ◆ Due to budgetary restrictions there is no possibility yet to carry out PC in state administration facilities.

EPC facilitators – tender procedure

- ◆ The complexity of the tender process is a barrier to many public sector organisations into going to EPC. But they can hire a facilitator, a consultant guiding them through this process.
- ◆ Three phases in tender procedure

I. Preparatory phase - definition of terms of the tender procedure

II. Pre-tender phase - Preparation of tender documents

III. Selection phase – Selection of energy service provider

EPC tender procedure – I

1. **Preparatory phase** - definition of terms public procurement:
 - ◆ Selection of suitable facilities for energy retrofitting
 - ◆ Decision to make use of the EPC method
 - ◆ Preparation of energy data on the selected facilities
 - ◆ preparation of all parts of the tender documents
 - ◆ including technical details like the determination of the reference energy consumption;
 - ◆ proposal of evaluation criteria and methodology for bids assessment;
 - ◆ preparation and publication of the notice in the Information System on Public Procurement

- ◆ Ministry of Industry and Trade, through its programme EFEKT, financially supports the preparation of tender documentation for public sector organisations
 - ◆ Supporting 80% of the costs up to a total of 100,000 CZK (4,000 €)

EPC tender procedure – II

2. **Pre-tender phase** - preparation of tender documentation:

- ◆ Final selection of facilities to be included in EPC tender
- ◆ Choice of tender procedure
 - ◆ In practice, the most often chosen form is the "negotiated procedure with publication". (in line with the Act on Public Procurement)

Pre-tender round:

- ◆ Accepting applications for participation in the negotiations;
- ◆ Evaluate the qualifications of all candidates who applied for participation in the tender
- ◆ Processing of invitations to tender to selected candidates;
- ◆ The tender dossier is forwarded to candidates who meet the qualifications for participation in the competition authority specified in the contract notice.

EPC tender procedure – III

3. **Selection phase** - selection of the energy service provider

- ◆ Pre-selected candidates on the basis of tender dossier and its annexes prepare their offers.
- ◆ Additional clarification to candidates:
 - ◆ Visits are organised to the objects (for reasons of transparency for all candidates at one time)
 - ◆ Clarifying questions answered to candidates
- ◆ After receipt of bids the evaluation starts
- ◆ Evaluation in more phases (all candidates informed through all phases):
 - ◆ Initial evaluation
 - ◆ Meetings / interviews with all tenderers
 - ◆ Final evaluation
- ◆ Preparation of the contract with the winner of the tender

Final remarks

The Association of Energy Service Providers with Ministry support has developed a no. of documents assisting EPC procedures:

- ◆ EPC model contract
- ◆ EPC tender procedure guidelines
- ◆ ESCO ethical codex

- ◆ 6 facilitators of EPC projects (also APES members) currently active and assisting in development of high quality EPC projects
- ◆ Since 2010 / 2011 significant increase in EPC projects
- ◆ Role of facilitator is growing and increases the trust in EPC projects among public organisations.

Thank you for your attention

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