



D4.8 Country Report on Uptake of the European Code of Conduct for the Energy Performance Contracting

CZECH REPUBLIC



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1 Code National Uptake Strategy and Process

Within the framework of the project TRANSPARENSE, which receives support from the program IEE (Intelligent Energy Europe) of the European Union, European Code of Conduct for EPC (“Code”) has been developed for energy service providers (ESCOs) implementing EPC projects.

The objective of the Code is to increase the transparency of the EPC markets and ensure the high quality of the energy services provided by the ESCO. By adhering to the EPC core values and code of conduct, the ESCOs and customers develop a solid foundation for a working partnerships based on trust and confidence. They are expected to utilise the Code in order to further develop energy efficiency services to meet their goals and expectations which shall be evaluated at a later stage.

The following chapter presents the uptake strategy and process of implementation of the European Code of Conduct for EPC in the Czech Republic.

1.1 Uptake strategy

While the primary target group of Transparensense was the supply side, it was strategically important to include all the EPC market players into the stakeholder process of the Code development and implementation. Thus, not only ESCOs were included but also their potential clients, EPC facilitators and policy makers. This was important for ensuring the wording of the Code was acceptable for all of the players and that they understood its potential use and benefits.

The Code uptake strategy differed within the stages of the Code development and implementation:

- First draft of the European Code of Conduct for EPC was presented and discussed on 13 May 2014 at the **first national Transparensense workshop** in Prague. The audience of 50 participants comprised ESCO representatives, potential clients, EPC facilitators and policy makers.
- Based on the feedback received from the workshops organised in all the 20 Transparensense countries, the Code was finalised in July 2014 and accepted by the European associations of the energy service providers: eu.ESCO and EFIEES.
- After finalisation of the Code, the focus was given on presenting the final version and explaining its potential use for all the market players through national workshops, trainings, articles in the press and on the website. The final version of the Code of Conduct was introduced during the **second national Transparensense workshop** on 19

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September 2014 at the European Commission Representation in the Czech Republic in Prague. The EPC providers and other market players have been invited to become signatories of the Code and encouraged to implement it in their projects. The Transparensense partner and the participating ESCOs promoted the Code and explained the benefits of the code to potential clients. All target groups had had an opportunity to ask questions on the content and usage of the Code of Conduct on EPC and provide feedback to the participating ESCOs.

- Key step in promotion of the Code of Conduct was when the **association of energy service providers - APES has endorsed the Code of Conduct** and declared support of its use when implementing EPC projects in the Czech Republic. The APES members were introduced to the final version of the Code of Conduct at their general meeting on 2 October 2014. The APES members fully endorsed the wording of the Code and approved adoption of the Code for the whole association. At the next general meeting on 15 January 2015, the APES members were invited to sign the Code, even individually. APES has 24 members who are mostly EPC providers, but also EPC facilitators.
- Apart from APES signing and supporting the Code, until now, it has promoted the Code among its members and invited them to sign the Code for their organisation. As a result, in combination with efforts by the Transparensense partner, twelve of APES members **have also signed the Code of Conduct individually** for their organisation. This means there was an internal process of approval within each of these organizations and thus it gives higher level of involvement and potential motivation use the Code.
- The function of **National administrator of the Code of Conduct** has been set up to administer the signatory process and to provide guidelines and counselling with regard to the Code. Firstly the administration was provided by the Transparensense partner – SEVEN – The Energy Efficiency Center. From July 2015 it was taken over by the Association of energy service providers – APES. This will ensure the sustainability of the Code of Conduct promotion in the Czech Republic.
- APES actively supports the use of the Code of Conduct when implementing EPC projects, through propagating it on the web and within events organized for the APES members. The APES members accept the principles of the Code and declare it publicly (on their website and in other ways). Should the customers be interested, the APES members are prepared to mutually confirm their commitment to adhere to the Code's principles.

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1.2 Uptake barriers

During the process of Code of Conduct uptake in the Czech market, number of barriers have been faced. None of them was a definite barrier to Code implementation, however they slowed down the process of the Code uptake and had to be dealt with as explained in the next chapter.

Table 1: Summary of uptake barriers

Barrier	Description
1. Not a high priority issue	There was not a problem to achieve agreement with the wording of the Code of Conduct, however, from the beginning there were other issues seen by ESCOs as of higher priority in the Czech Republic.
2. Reluctance to sign the Code after association of ESCOs has signed	After association APES has signed the Code the individual signatures were rather difficult to achieve as the ESCOs argued there is no further need, once the association has signed.
3. Novelty of approach	Although there was already existing Czech Code of Conduct for EPC in the Czech Republic before Transparensense, ESCOs were not used to use the Code of Conduct in their business.
4. Mistrust on the client side	The clients have not fully identified with the principles of the Code and some of the clients consider them unimportant proclamations of the suppliers
5. Reluctance of some facilitators to include Code in the tender dossier	Some EPC facilitators do not fully support the Code to be part of the tender dossier when carrying out public procurement

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1.3 Implementation process reflecting the uptake barriers

To overcome the barriers towards the Code of Conduct uptake in the Czech market number of actions has been taken. These actions should be continued to support further use of the Code of Conduct in practice and thus support high quality of the EPC projects implemented.

Table 2: Overview of actions to overcome the barriers

Action	Action associated with barrier	What should be done and how	Who should act	When should actions be taken	Comments
1 Dissemination of the Code	1, 2, 3	Keep organising seminars/workshops/trainings for ESCOs, potential clients and other stakeholders	EPC facilitators	continuously	Increasing awareness of the benefits of the Code and its real life impacts is the key to overcome all three barriers
2 Use Code in practice	1, 2, 3	Use Code of Conduct to explain and promote EPC	EPC providers	continuously	Achieving real life success stories to support further use of the Code and thus improve quality of the projects
3 Promotion by association	2	APES supports its members in signing the Code individually	APES	continuously	
4. Use Code in practice	3,4,5	To include the Code as a part of the tender dossier when preparing the public procurement procedures for EPC projects	EPC facilitators	continuously	Making the Code part of the official documents increases its relevance and can increase the trust on the client side

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1.4 Uptake strategy sustainability

The sustainability of the uptake strategy is maintained in the way that the Czech association of EPC providers APES has taken over the function of the national Code administrator. Thus, the Code signatories and other stakeholders are provided with guidance beyond the duration of the Transparense project. Furthermore, SEVEn - The Energy Efficiency Center, the previous National Code administrator for the Czech Republic, is willing to keep using and promoting the Code.

2 Uptake status quo at the end of the project

2.1 National administrator

On 1 July 2015, **APES – Asociace poskytovatelů energetických služeb** (Association of energy services providers) assumed the role of the National administrator of the Code in the Czech Republic. The administrator performs its role in accordance with the Procedures for European Code of Conduct for Energy Performance Contracting.

2.2 Procedures established

The document Procedures for European Code of Conduct for Energy Performance Contracting thoroughly describes the signatory process of the Code and who is eligible for signing.

In order to become a signatory of the Code, an EPC provider, an association of EPC providers, an EPC facilitator, or other signatory have to sign the respective signing form attached in Annex 1 of the above mentioned document, by which they commit themselves to conduct EPC projects in compliance with the Code.

Subsequently, the signed form is to be submitted electronically to the relevant National EPC Code Administrator (APES, in the case of the Czech Republic) according to the instructions given in the form. The signatories will then be included in the National List of EPC Code Signatories not later than one month after the National EPC Code Administrator receives the duly signed form. All signatories of the Code of Conduct are authorised to use the Code's signatory logo.

In the document Procedures for European Code of Conduct for Energy Performance Contracting, the duties of the European and National Administrators of the Code of Conduct are specified as well. Their main responsibility consists in administering the signatory process and the signatory lists.

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2.3 Code implementation in practice

In the Czech Republic, the Code has been implemented in two Transparensense pilot projects. The first was a pool of buildings in the City of **Moravska Trebova**, the second one involved the **Prague Congress Center**.

As far as the extent of the Code implementation in the pilot projects is concerned, it can be evaluated on multiple levels. In the first place, the ESCOs involved signed the Code. Even though the Code principles were not cited in the tender dossier and the EPC contract, they reflected all the Code principles in their wording. Moreover, in the case of Moravska Trebova, the client endorsed the Code by decision of the City Council.

Neither of the providers had any significant problems with implementation of the Code of Conduct. The EPC providers stated to implement economically efficient savings. They provided full guarantee of achieving contractually agreed savings as it was a standard condition of their EPC contracts. The EPC provider of the first pilot project - Amper Savings - claimed that a long term cooperation with its clients was a priority, and because it fully guaranteed contractual savings to the clients, it was motivated to use only the high quality equipment to eliminate the need for additional operating costs. The provider of the second pilot project - ENESA - provided a bank guarantee to support the commitment to compensate the client in case of deficit savings.

When implementing the Code of Conduct in the pilot projects, the following obstacles had to be overcome:

- quantification of the energy baseline;
- complexity of the EPC concept;
- lack of trust.

The problem concerning calculation of the energy baseline was caused by lack of partial measurements, especially for air-conditioning and some other equipment. This issue was solved in the way that in the contract, the values were specified based on expert evaluations. During the first two months of the contract duration, these values are to be verified by measurement and the values will be then specified appropriately by agreement with the client.

The complexity of EPC was overcome by a series of negotiations on the details that needed to be solved. The discussions and negotiations were organised among different specialists – accounting, heating, control system and dispatching. Also, there was a separate meeting with the deputy director and investor manager.

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To surmount the barrier of insufficient trust, all issues were discussed with SEVEN during project preparation and all ambiguities were clarified, which led to increased trust into the EPC process and its benefits.

The following aspects could be identified as success factors in the pilot projects:

- The Code of Conduct proved useful when the benefits of the EPC were explained to the clients. This bolstered their motivation to save the operation costs of their facilities.
- Through the Code, where the principles of best EPC practice are formalised, the clients gained knowledge of what to expect from the EPC provider.
- Implementation of effective energy management, the system management and energy efficient co-ordination of all of the equipment (air-conditioning, ventilation, lighting, heating etc.).

2.4 List of Code signatories

In the Czech Republic, there are 13 signatories of the Code of Conduct, as of end of July 2015; one association of EPC providers – APES (which is also the National administrator of the Code for the Czech Republic), 7 EPC providers, and 5 EPC facilitators or other signatories.

Associations of EPC Providers:

- APES

EPC Providers:

- Amper Savings, a.s.
- COFELY a.s.
- D-energy s.r.o.
- ENESA, a.s.
- MVV Energie CZ a.s.
- Siemens, s.r.o.
- Veolia Energie ČR, a.s.

EPC Facilitators or Other Signatories:

- C.E.I.S CZ, s.r.o.
- Comfort Space a.s.
- Kongresové centrum Praha

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- SEVEn - Středisko pro efektivní využívání energie, o.p.s.
- PORSENNA o.p.s

3 Uptake strategy recommendations

Based on the experience with Code of Conduct implementation in the Czech Republic, the following recommendations can be given to be applied in the future to further maximise benefits of its use on the EPC markets:

- present Code and explain its principles at seminars/workshops/trainings for ESCOs, potential clients, facilitators and policy makers (see chapter 3.1 below);
- use Code of Conduct to explain and promote EPC and motivate the clients; the compelling power of the Code of Conduct can be enhanced if EPC is presented as a European-wide, well established method (see chapter 3.2 below);
- associations of EPC providers should support their members in use of the Code and in signing the Code individually;
- to include the Code as a part of the tender dossier when preparing the public procurement procedures for EPC projects.

3.1 Feedback on the Code of Conduct from participants of the national trainings and workshops

In the course of the Transparensense project, trainings were organised for various target groups that were subsequently surveyed about the Code of Conduct.

It turned out the Code was well received by most participants; in their view, it will help increase the awareness about the importance of a transparent process and about the fact that the provided assurance can remove existing barriers, such as client uncertainty. In the participants' opinion, it can serve as a useful tool for the strategic decision whether the company should join the EPC market.

The Code of Conduct was received positively by the majority of trainees. It showed the vast potential of the Code which the project partners should keep promoting, and all stakeholders involved in the EPC industry in Europe are recommended to endorse and implement the Code in their projects.

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3.2 Lessons learned from the pilot projects

One of the success factors of the implemented pilot projects was that the building owners were motivated to save the buildings' operating costs. It should be therefore kept in mind how important it is to **get and keep the clients motivated**. The motivation can be further increased through the Code of Conduct.

Another key feature that clearly helps implement projects successfully is **sound communication**, as the experience with the implementation of the pilot projects in the Czech Republic shows. At the beginning of the projects, the clients were advised that using the Code of Conduct in the implementation process would help ensure that the EPC provider supplied them with a high-quality EPC. Even more importantly, working communication between the EPC facilitator and the client and the ESCO helped surmount the barriers that emerged during the projects.

The clients involved in the pilot projects reacted very positively to the principles of the Code of Conduct and saw them as a very useful tool for formulation of the relationships between the EPC provider and the client. The clients saw the Code as clear and understandable and they did not have any comments on the content of the Code. The feedback received from them also showed that they found the Code helpful for understanding the EPC process and what to expect from the EPC provider. The Code was found especially useful when the benefits of the EPC were explained to the client Prague Congress Center. The fact that the EPC is a method well established internationally helped to gain client's trust in the method.

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Definitions and Glossary

Term	Definition
Association of EPC Providers	associates EPC providers in European or national organisations
Client	means any natural or legal person to whom an EPC provider delivers energy service in the form of EPC
Energy Efficiency Directive (EED)	means Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency
energy efficiency improvement*	means increase in energy efficiency as a result of technological, behavioural and/or economic changes
energy efficiency*	means the ratio of output of performance, service, goods or energy, to input of energy
energy management system*	means a set of interrelated or interacting elements of a plan which sets an energy efficiency objective and a strategy to achieve that objective
EPC market facilitator (EPC Facilitator)	means a natural or legal person who acts as independent EPC market intermediary playing a role in stimulating market development on the demand and supply sides
energy performance contracting* (EPC)	means a contractual arrangement between the beneficiary and the provider of an energy efficiency improvement measure, verified and monitored during the whole term of the contract, where investments (work, supply or service) in that measure are paid for in relation to a contractually agreed level of energy efficiency improvement or other agreed energy performance criterion, such as financial savings
EPC project facilitator (EPC Facilitator)	means a natural or legal person who acts as independent intermediary between EPC Provider and Client, mostly consulting on behalf of the Client throughout EPC project development, procurement, service delivery and operation phase, enabling Client to outsource energy efficiency improvement service

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energy savings*	means an amount of saved energy determined by measuring and/or estimating consumption before and after implementation of an energy efficiency improvement measure, whilst ensuring normalisation for external conditions that affect energy consumption
energy service*	the physical benefit, utility or good derived from a combination of energy with energy-efficient technology or with action, which may include the operations, maintenance and control necessary to deliver the service, which is delivered on the basis of a contract and in normal circumstances has proven to result in verifiable and measurable or estimable energy efficiency improvement or primary energy savings
energy service provider*	means a natural or legal person who delivers energy services or other energy efficiency improvement measures in a final customer's facility or premises
energy*	means all forms of energy products, combustible fuels, heat, renewable energy, electricity, or any other form of energy, as defined in Article 2(d) of Regulation (EC) No 1099/2008 of the European Parliament and of the Council of 22 October 2008 on energy statistics
EPC provider	means an energy service provider who delivers energy services in the form of Energy Performance Contracting
European Code of Conduct for Energy Performance Contracting (EPC Code)	defines the basic values and principles that are considered fundamental for the successful preparation and implementation of EPC projects in European countries
European EPC Code Administrator	manages the European List of EPC Code Signatories and appoints the National EPC Code Administrators
European List of EPC Code Signatories	lists Associations of EPC Providers operating in more than one country that have successfully submitted the signing form to the European EPC Code Administrator
List of National EPC Code Administrators	lists National EPC Code Administrators
National EPC Code Administrator	manages the process of becoming the signatory of the EPC Code and the National Lists of EPC Code Signatories
National List of the EPC Code Signatories	lists EPC Providers, Associations of EPC Providers or EPC Facilitators and other signatories who successfully submitted the signing form to the National EPC Code Administrator relevant to the country where

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the EPC Code signatories operate

Other Signatory

means a natural or legal person who implements EPC project (Client) or supports EPC projects or market development

savings

means energy savings and/or related financial savings; the financial savings include the costs of energy provision and can also include other operational costs, such as the costs of maintenance and workforce

signing form

serves as an application for becoming a signatory of the EPC Code

The International Performance Measurement and Verification Protocol (IPMVP)

is the widely referenced framework for "measuring" energy or water savings and is available at www.evo-world.org

Notes:

*Definitions according to the Energy Efficiency Directive