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Ministerstvo životního prostředí

# Guidelines for applicants using the EPC method with subsidy support

(for programmes of the Ministry of Environment operated by the State Environmental  
Fund of the Czech Republic)

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## Introduction

In the 2014 to 2020 programme period, the possibility to use the **Energy Performance Contracting (EPC)** method for design, implementation, monitoring and evaluation of savings was newly introduced. The utility of this approach was proven in the past period, which is why it is also preserved in subsequent programmes of the Ministry of the Environment focused on energy savings in the public sector. Based on previous experience, a methodology was used in the form of these guidelines for applicants and recipients of support who will use EPC.

For applicants who do not yet have experience with EPC, basic information about this method is also provided in the Annexes, but due to the complexity and variability of guaranteed energy services, these guidelines alone cannot include complete and sufficient information for concluding a successful EPC contract. It is necessary to use other available information and documents to correctly prepare the project and implement EPC projects.

In the first chapter, the guidelines provide general information on the various procedures that will enable the combination of EPC and subsidy support. They briefly describe the options for applicants who are yet to implement EPC procedures on their properties, as well as the options for applicants who have already partially renovated their facilities, whose project is running, and who will further expand energy-saving measures using a support programme.

In the second chapter, the guidelines contain a detailed procedure for the most frequently used EPC option with subsidy support – the implementation of energy-saving measures using the EPC method, which the applicant is newly introducing within a single procurement procedure containing both construction and technological measures.

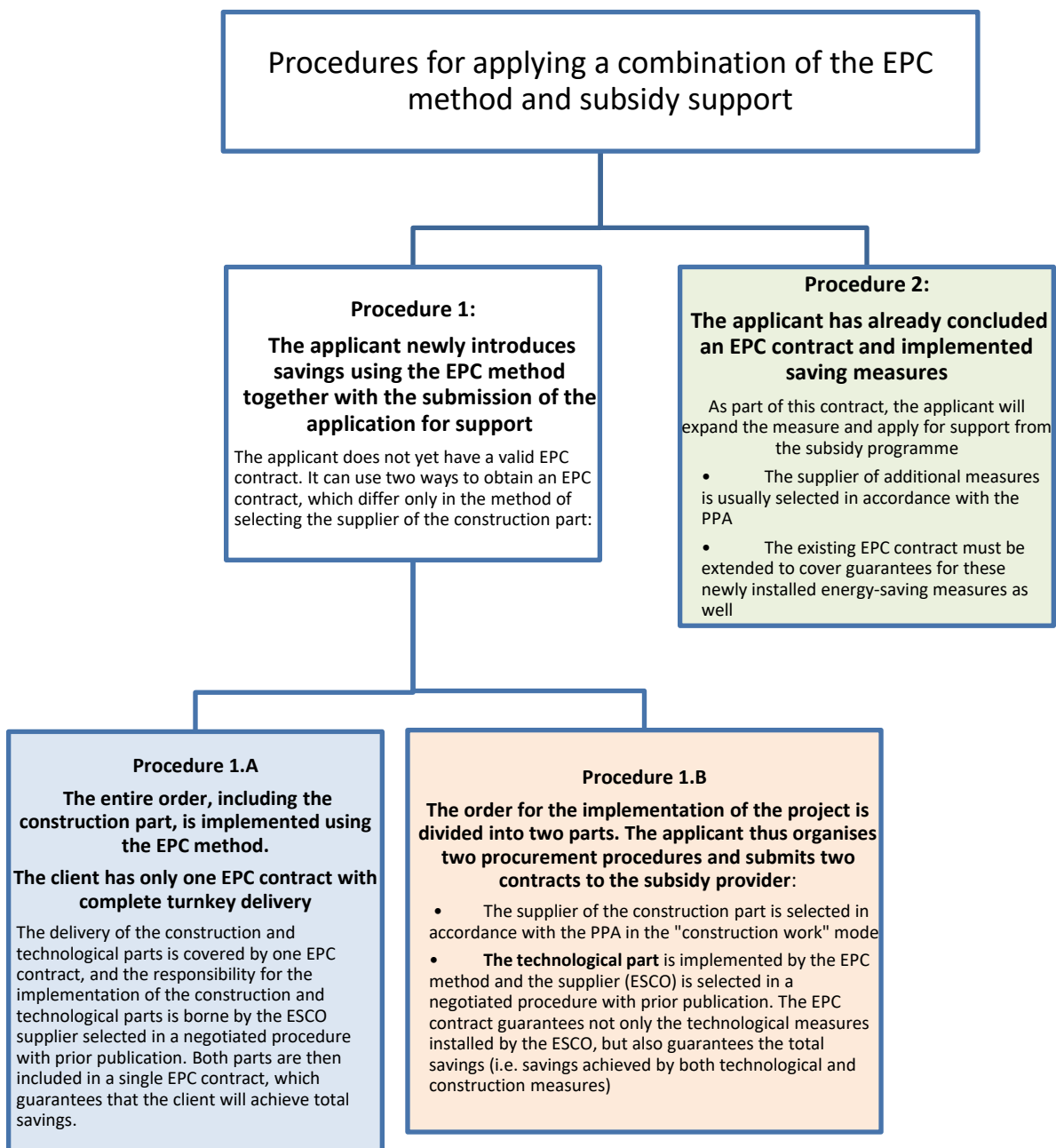
In the third chapter, the guidelines provide methodological recommendations on how to apply the presented procedures to other, alternative procedures for the use of EPC in combination with subsidy support. The final part of the guidelines contains annexes where the applicant can also find basic information about the EPC method.

## 1 Procedures for applying a combination of EPC and subsidy support

These guidelines describe three basic procedures that occur in practice and can be combined with subsidy support. The first, default procedure describes the individual steps if the applicant has not yet used the EPC method and decides to use a combination with EPC together with the application for support. Here we distinguish between two variants of this first procedure, referred to as 1A and 1B, either a complex project or a procedure with a separate solution of the construction part.



The next procedure opens access to subsidy support for applicants who are already achieving energy savings in their buildings using the EPC method (they have a valid contract for the realisation of savings using the EPC method) and want to use subsidy support for other measures, e.g. insulation of one of the buildings where technological measures have already been applied in the past based on an EPC contract.



Note: the colour differentiation of each procedure in the diagram corresponds to the background colours of the respective chapters

The contracting authority itself decides on the choice between the variant procedures marked in the diagram as 1A and 1B. Procedure 1A provides the advantage of a comprehensive turnkey delivery,



where the ESCO supplier is fully responsible for the implementation of both the technological and construction parts. The supplier of both parts is selected in a single procurement procedure as a service that reduces the contracting authority's costs in the long term. In accordance with the PPA, it is usually carried out by means of a negotiated procedure with prior publication.

The approach to handling the construction part of the project is different in procedure 1A and 1B. Although the contracting authority in procedure 1A must define the scope of the construction part of the project in advance, it does not need to have prepared the implementation project documentation of the construction part, which is necessary for the implementation of the measures in procedure 1B, before starting the procurement procedure. Procedure 1B allows the contracting authority to divide the entire project into two smaller parts, which differ in their technical specialisation, even though in the end they lead to the same goal in the form of reducing energy consumption. The construction part is implemented in accordance with the PPA in the "construction work" mode, while the technological part takes place – similarly to procedure 1A – in the "service" mode. The advantage is that the project of the technological part is not as burdened by the high costs of the construction part and can respond more flexibly to the requirements of higher energy savings. On the other hand, this process is more demanding for the contracting authority and requires its extensive involvement, especially during the implementation of the construction part.

The standard procedure for applying the combination of EPC and subsidy mentioned under point 1. A above, which will be explained in detail in the next chapter, was selected as the basic procedure. The other procedures will only be described by highlighting the differences from this basic procedure. The described methodological procedures are a proven way to meet the requirements of the legislation and the subsidy provider when using an EPC contract. However, this does not completely exclude some other modifications of the mentioned procedures, which could be used if all legislative requirements are met and the rules set by the subsidy provider are followed.



## 2 Procedure 1.A: The applicant concludes a new EPC contract for construction and technological measures (procedure 1.A)

### I. Preparatory work

#### a) Preliminary energy analysis and decision on the use of EPC

The preliminary energy analysis usually includes a brief expert inspection, a preliminary proposal of measures and an estimate of the achievable amount of energy savings, together with an orderly valuation of the expected costs. It is also referred to as a "walk-through audit". It will be carried out on a wider set of buildings (see Annex 4 for more information). The condition for the use of EPC is a sufficiently large potential for energy savings and related costs and a return on investment not exceeding a certain limit (usually 10 years). After considering the possibility of subsidising the buildings in question, the client decides to use (or not use) the EPC method.

#### b) Selection of administrator (consultant) for the organisation of the EPC project

If the applicant does not have experience or qualified specialists in the field of selecting a supplier and concluding EPC contracts, for a successful continuation it will be appropriate to rely on an experienced organiser of the contract (so-called EPC facilitator), so as not to reduce benefits or distort the entire project. The EPC facilitator usually has qualified workers in the field of energy assessments, technical engineering capacities and will also provide legislative and legal support for the entire process. The optimal use of the facilitator's services should begin before the energy assessment is processed.

#### c) Selection of suitable buildings and specification of the project

The selection of specific buildings for support in combination with the EPC project must be carried out in accordance with the estimate of the potential amount of support from the relevant programme. At this stage at the latest, the involvement of a qualified consultant, the so-called EPC facilitator, can be recommended, who must not only have experience in the implementation and management of EPC contract negotiation procedures, but also knowledge of the conditions of subsidy programmes.

At this stage of the work, it is advantageous to manage the next steps so that the work can be used for the expected submission of the application for support and for the compilation of documents in the tender documentation. Therefore, the energy specialist will already process the technical part of the project in the form of an energy assessment. It will carry out a detailed analysis of the current situation, propose and specify in detail appropriate energy-saving measures and quantify the available energy-saving potential.



## II. Submission of application for support

### a) Defining the default variant of the project's technical solution

As a follow-up to the processed building analysis and preliminary solution proposals, in the first step it is necessary to select the initial version of the project's technical solution, which will become the basis for the subsidy application and at the same time will be the starting point for the subsequent procurement procedure. As at present the final project solution will not yet be known and will only be specified during the procurement procedure, it will be appropriate to choose as a starting option those solutions that include the widest possible range of measures with which it will be appropriate to work further.

### b) Documents and submission of application

In accordance with the Rules for Applicants and Recipients of Support in the Operational Programme Environment for the 2021-2027 period, hereinafter referred to as PrŽaP, it is necessary to process all prescribed documents for the application. In addition to the energy assessment, the preparation of the Project Study is also professionally demanding. In EPC projects, design documentation is usually not available at this stage, so the design study only contains conceptual drawings. In some cases, however, it is advisable to include an already designed construction part of the project in the tender documentation. In that case, the submission of the application must be preceded by the next point, when the client selects the project architect, who then prepares the project documentation for the construction part of the project.

### c) Processing of documents for the construction part, possibly also the project and budget of the construction part

Construction measures, which usually have a long payback period, will need to be more precisely specified and described in the tender documents than other measures. As a rule, it is sufficient to describe these measures in sufficient detail in the project study. In some cases, it is possible to prepare complete project documentation for the construction part of the project. In such a case, in accordance with the rules of the subsidy programme, a supplier of project documentation must be selected for the construction measures that will be implemented in the EPC project. The project documentation for the reconstruction (insulation) of the building envelope will be processed by the selected supplier (project architect), including the budgeted costs in the required level of detail, sufficiently in advance so that this part of the project documentation can be included in the tender documentation for the selection of the ESCO supplier. At the same time, it must be taken into account that if, during the negotiations with suppliers (ESCO), the contracting authority comes to believe that the developed documentation is not the optimal solution for its project, the project documentation will be reworked according to the agreed requirements.





**d) Signature of the commitment to use the EPC method for the installation of energy-saving technologies**

For the preliminary allocation of preferential conditions for the EPC method, it is necessary to prove that the applicant will apply this method by the applicant's sworn declaration of commitment to use the EPC method. A sample of the content of the sworn declaration of commitment is provided in Annex 1 of the guidelines.

**e) Submitting an application for support to the programme**

After collecting all the necessary documents and information, the applicant (or a consultant – specialist hired by the applicant) submits an application for financial support through an electronic tool. An Energy Assessment by an energy specialist will be used to describe the measures and quantify the energy savings in the application.

### **III. Procurement procedure**

**a) Preparation of tender documentation for EPC suppliers**

The tender documentation is usually drawn up by a specialised consultant – an EPC facilitator. It must contain detailed information on the current state of the buildings in question, the required parameters of the proposed measures and the specific conditions required by the client. It usually also includes part of the measures that the client has set as mandatory for all participants. Mandatory measures can either be clearly specified (e.g. by project documentation of construction measures) or just generally formulated as a requirement for certain equipment, the specific form of which is chosen by the ESCO. It must also include a reference level of energy consumption against which the energy savings achieved will be compared. The tender documentation also includes an EPC contract, in which the supplier (ESCO) adds a description of the proposed measures, technical data and price parameters. The supplier selection criteria cannot be based only on the price comparison of the offer, they must always also include quality criteria.

**b) Tender for EPC suppliers**

Tenders for energy performance contracting are usually conducted as a "procedure with prior publication" in accordance with Act No. 134/2016 Coll., on the Awarding of Public Contracts, as amended, and specifying rules of the subsidy programme (e.g. in the OPŽP the document "Awarding public contracts in OPŽP 2021 – 2027"). In the first round, requests for participation are submitted, in the following rounds, negotiations with the participants on preliminary offers take place, which will result in the submission of the final offer and the selection of the supplier (ESCO) followed by the signing of the EPC contract.

The Tender Documentation also includes the Energy Services Contract (SES), which completely



defines all phases of the EPC project and the related obligations of the contracting parties in the individual parts of the contract. The default model form of this contract is published, for example, on the website of the Ministry of Industry and Trade.

Among other things, when discussing the final form of the contract as part of the negotiated procedure, it is necessary to pay close attention to the articles dealing with the measurement and evaluation of savings. These are tied to specific proposals for cost-saving measures, and therefore cannot be determined in advance in the tender documentation. In case of any ambiguities, it is advisable to consult the State Environmental Fund of the Czech Republic, through the designated project manager of the project.



#### IV. Clarification of data and amendment of the EPC contract

##### a) Preliminary report and compilation of project documentation

In EPC projects, specific solutions and specific technical solution proposals are continuously discussed and become definitive only after the conclusion of the contract. However, even at this moment it may not be entirely clear whether the contract was concluded based on accurate data, as the project documentation will only be processed by the selected supplier (ESCO) after the conclusion of the EPC contract. For this purpose, the ESCO must review and check all the documents received and usually has several months to verify or clarify them. These are so-called "preliminary activities" in accordance with the EPC contract. Everything will be recorded in detail and processed in the form of a so-called preliminary report. If it encounters inaccuracies in the data available to it during the procurement procedure, or on the contrary, data that was not available during the procurement procedure, it will record these facts in the Preliminary Report. The report must be discussed with the contracting authority (applicant), who will verify the content of the report and both parties will gradually negotiate the final form of the Preliminary Report. If both parties agree that there are significant differences between the concluded EPC contract and the newly discovered facts during the verification, in the next step, in accordance with the PPA, an addendum to the concluded EPC contract must be created, which will state all the ESCO's obligations under the concluded EPC contract in accordance with reality.

##### b) Submission of documents for the issuance of the Decision on the provision of a subsidy

Only after discussion of the Preliminary Report can the ESCO complete the work on the project documentation and will it be possible to prepare the documents for the final **Decision on granting the subsidy (hereinafter referred to as "RoPD")**. In the event of differences between the SES contract concluded based on the offer and the execution specified in the Preliminary Report agreed by both parties, it is necessary to confirm all clarifications and changes specified in the Preliminary Report in the form of an addendum to the existing EPC contract, always in accordance with the relevant provisions of the PPA. The decisive source of data for issuing the RoPD will then be the EPC contract, including the addendum that contains the updated data.

Before submitting the application for the final RoPD, it is also necessary to update the Energy Assessment and bring it into line with the EPC contract and its addendum. At the same time, the Project Study will be updated by submitting the Project Documentation prepared by the ESCO supplier and the related project cost budget.



In view of possible changes in the solution compared to the submitted application for support, it will usually be necessary to update the data in the cumulative budget as well. In addition to submitting the documents required under the **Rules for Applicants and Recipients (PrŽaP)**, the applicant will also submit information about the final version of the project and changes that occurred during the negotiation process and subsequent steps. The resulting solution is included not only in the concluded EPC contract, but also, after data verification, in the Preliminary Report and in the concluded Addendum to the EPC contract. The applicant summarises all changes in the form of a table corresponding to the structure of the initial part of the cumulative budget, where it enters the data from the approved application, then the data corresponding to the final version of the project, and in the last part calculates the differences. A sample of the relevant table is given in Annex No. 2 to these guidelines entitled "Summary calculation of changes".

The applicant processes the indicated data so that the differences between the eligible expenses in the final project solution and the original eligible expenses are negative or zero (red-framed field in the lower right corner of the table). Otherwise, the originally approved maximum limit of eligible expenses would be exceeded and the changes made would not be admissible for the subsidy provider.

**c) Issuance of the Decision on the provision of a subsidy by the State Environmental Fund of the Czech Republic**

Before issuing the Decision on the provision of a subsidy, the State Environmental Fund of the Czech Republic will check the submitted documents, where they will assess whether all the following requirements are met:

- ✓ all requirements of an energy performance contract (EPC contract) according to Act No. 406/2000 Coll., on Energy Management, as amended, and according to Annex 2 of these guidelines;
- ✓ the service supplier's guarantees for achieving the guaranteed savings must be complete, i.e. the supplier compensates 100% of the savings not achieved (for the entire set of buildings, not required for each building), this is the basic principle of the EPC method;
- ✓ the duration of this contract covers at least the sustainability period of the project required by the subsidy programme (usually 5 years);
- ✓ the service supplier is obliged to report the performance of savings not only for the set of buildings as a whole, but also separately for each individual building supported by the subsidy programme (the requirement also applies if the savings obligation must be fulfilled only for the project as a whole).



## V. Implementation of measures, financing and achieved savings

### a) Implementation of construction measures by the selected supplier

The measures are implemented in accordance with the concluded contract, or its amendment, if its conclusion was necessary. After concluding the addendum, there are usually no changes. Any inaccuracies in the project documentation are the responsibility of the ESCO supplier that carried out the design. The only exception is where the project documentation for construction measures was drawn up by the contracting authority and included in the tender documentation. But even in this case, changes are not frequent; before signing the Preliminary Report, the ESCO supplier was obliged to check all documents, including the submitted project documentation.

### b) Financing of EPC projects in combination with subsidy support

The financing of EPC projects differs in some aspects from the financing of ordinary projects supported by subsidy programmes; however, EPC projects must also meet all requirements in accordance with the rules of the programme. For example, in the OPŽP (PrŽaP) rules in chapter B.1.6.4.3. specific requirements for financing EPC projects that need to be followed are listed. For EPC projects, it is necessary to document not only the invoicing, but also the "Request for setting eligible expenses of projects financed under the EPC regime" before submitting a request for payment. The form for this request constitutes Annex No. 09 of the rules.

Standard financing procedures for EPC projects use the initial coverage of all or a larger part of the investment in cost-saving measures from the funds of the ESCO supplier. In the following years, the contracting authority (applicant) gradually repays this investment from the achieved cost savings. Because the ESCO supplier guarantees the achievement of savings for a period of usually 8 to 12 years, it resells the client's receivable to the bank to avoid over-indebtedness and to be able to finance other projects. After this transaction, the ESCO will receive its invested funds back, and the client is obliged to send its regular instalments not to the ESCO, but directly to the relevant bank. The bank fully accepts the financing terms specified in the EPC contract and cannot change them in any way. For the Client, the mere assignment of the receivable does not change its obligations or risks in any way; it will only address payments to the bank instead of the ESCO supplier.

When combining EPC and subsidy support, it is usually necessary to prove that after receiving the subsidy funds, the supplier (ESCO) received not only the funds provided from the support programme, but also the remaining payment up to the full value of the issued invoice.

If the applicant (client) has sufficient funds and pays the remaining part of the invoice directly by the due date, the subsidy provider's conditions for making the payment are met. However, the contracting authority (applicant) can use its own funds to pay for the non-subsidised part, but this should be defined in the Tender Documentation.



In case the applicant plans to repay these remaining funds through regular instalments from the savings achieved, it must ensure that the ESCO supplier receives both payments (subsidy funds and payment from the bank) on time and in full. At the same time, it is necessary to secure the consent of the subsidy provider, except for the requirement for the sender of the balance payment, which according to the applicable rules should always be the applicant.

All these requirements must be resolved by the applicant by concluding a tripartite agreement between the bank, the ESCO supplier and the contracting authority (the applicant). Its format is prescribed in the rules of the subsidy provider, and this document must be submitted both with the application for the final RoPD and with the final statement of accounts. This procedure assumes that the ESCO supplier finances the entire investment completely during the construction period, and payments are always settled at the end, after the entire work has been handed over to the contracting authority (applicant).

In exceptional cases, in the case of large projects, the subsidy provider can be asked to divide the payments into several separate stages during construction. The following conditions must be met:

- ✓ the subsidy provider will grant approval for the phasing of the project;
- ✓ the project is divided into parts that can be functionally separated and handed over to the client after completion of each stage;
- ✓ before the request for reimbursement of the first stage, the subsidy provider issued the final RoPD for the entire project
- ✓ each payment must be covered by a Tripartite Agreement, either by a separate Tripartite Agreement for the relevant stage, or by a Tripartite Agreement with phasing, which has been agreed in advance by all parties

A simpler situation is in cases where the additional payment to the total price of the project is paid directly by the contracting authority (applicant). The more administratively demanding solution with the Tripartite Agreement is then eliminated, but the other conditions must be met.

### c) **Tracking and evaluating savings**

At least once a year, the contracting authority (applicant) will be presented with a summary evaluation of the savings achieved. The evaluation must not only include a summary evaluation of the achieved savings, but also an evaluation of the savings for individual buildings, the reconstruction of which was supported by the subsidy programme. Annual evaluation reports must be available to the State Environmental Fund of the Czech Republic for the duration of the project's sustainability, i.e. at least five years from the date of implementation of the measures.



### 3 Alternative procedures

The procedure mentioned in the previous chapter is the default model procedure and at the same time the procedure already commonly used by the State Environmental Fund when combining support with EPC projects. It is also possible to proceed in such a way that the procurement procedure is divided into two different procedures, as indicated in procedure 1.B. Another alternative of the possible procedure, procedure No. 2, was prepared for contracting authorities who already have an EPC project running and only plan to expand it.

#### I. Procedure 1.B: The applicant newly concludes the EPC contract using two separate procurement procedures for the construction and technology part

- The procedure is very similar to the procedure described in the previous chapter, but where the only possibility is the **preparation of project documentation for the construction part in advance**. In this procedure, the project documentation of the construction part is one of the first necessary steps, and the entire construction part is dealt with separately until the selection of the supplier.
- The essential difference is in the lower required scope of supply of installed measures provided by the ESCO supplier. The project documentation of the construction part is included in the tender as informative material, which the ESCO supplier no longer influences. It can only calculate (or take over the already calculated) amount of energy savings achieved by the construction measures and subsequently incorporate this into its total guaranteed savings. **The implementation of the construction part is assigned to a selected supplier in a separate procurement procedure in accordance with the PPA, in the construction works regime.**
- In accordance with the rules of the subsidy provider, a supplier of project documentation must be selected for the construction measures that will be implemented in the EPC project. The project documentation for the reconstruction (insulation) of the building envelope will be processed by the selected supplier (project architect) in the necessary level of detail well in advance so that this part of the project documentation can be included in the tender documentation for the selection of the ESCO supplier in order to take over the guarantee for achieving savings.
- The tender documentation is the key basis for a separate procurement procedure, where the supplier of the construction part of the energy-saving measures is selected.
- A necessary condition for even the building part to be included in the EPC project is a guarantee for energy savings achieved by construction measures, which the ESCO must take over during the procurement procedure to the extent determined by it. As part of the tendering process, the ESCO supplier must accurately quantify part of the guaranteed savings from the construction part.
- To ensure the quality of the delivered construction part in relation to the thermal





technical parameters, it is advantageous to enable the ESCO supplier to continuously check the quality of the construction works during their implementation. One of the possible solutions is to assign the performance of the technical supervision of the builder (TDS) to a selected ESCO supplier. However, if the contracting authority requires payment of TDS costs from the subsidy provider, it is absolutely necessary to ensure compliance of the selection of the TDS supplier with the requirements of the PPA and the rules of the subsidy provider. However, the ESCO can supervise the construction part completely independently, although the contracting authority (applicant) must provide the ESCO supplier with all the necessary documents related to the construction, including access to construction inspection days, etc.

## II. Procedure No. 2: The applicant already has a valid EPC contract with implemented cost-saving measures and is expanding it with additional measures

The procedure for applicants with already functional energy services and an ongoing EPC contract follows from procedure 1.B described above, whereas the supplier of additional energy measures must be selected in accordance with the PPA, or with programme requirements and relevant prompts. Like the previous procedure, the additional measures must be incorporated into the EPC project and the related savings must be added to the guaranteed savings, and the increased savings must be guaranteed by the existing contract. An agreement must therefore be reached between the contracting authority (applicant) and the ESCO supplier with whom the client has an EPC contract, which will be extended by additional measures, while these additional measures can be implemented by another supplier in accordance with the PPA. It is therefore necessary to actively involve the ESCO supplier in the preparation of this additional project, for example by submitting project documentation to the ESCO supplier. Importantly, programme requirements, such as a minimum primary energy saving of 30%, **must fulfil this additional measure independently**, as well as all other programme parameters.

Submission of an application to the programme must be documented by a valid EPC contract, or a confirmation of the existence of a valid EPC contract meeting the requirements of Section 10e of Act No. 406/2000 Coll. for guaranteed energy services.

After the implementation of the measures, the contract must ensure energy management (with a separate evaluation of the supported building) for at least the following five years after the installation of the additional measures. An EPC contract meeting all the above-mentioned requirements and documents related to the procurement procedure carried out are submitted when submitting an application for RoPD.





## ANNEX 1: The applicant's commitment to use the EPC method to increase savings

Identification of the applicant and its statutory representative:

Identification of buildings (building) that are (which is) the subject of the application for support:

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*Sworn declaration*

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I hereby declare that the applicant and the owner of the above-mentioned buildings have analysed the possibilities of implementing energy-saving measures using the EPC method and, based on this, have made a decision to implement energy-saving measures using the EPC method, which will include the above-mentioned buildings. The applicant submits the resulting valid contract to the support provider as a mandatory document before issuing the Decision on the provision of the subsidy.

.....  
Signature of the applicant's statutory representative



## ANNEX 2a: Summary calculation of changes in budgets between the submission of the application and the final version of the EPC project

column no.	Data from cumulative project budget (preliminary RoPD approved by subsidy provider)			Modified data according to Preliminary Report and Addendum to EPC contract in structure of project's cumulative budget			Calculation of differences	
	1	2	3	4	5	6	7	8
Determination of maximum eligible expenses	scope of measures	unit load	maximum eligible expenditure on measures (CZK excl. VAT)	scope of measures	unit load	maximum eligible expenditure on measures (CZK excl. VAT)	difference in scope of measures = column 4 – column 1	change of maximum eligible expenditure on measures = column 6 - column 3
Installed heat output (according to project) – 1st source type								
Installed heat output (according to project) – 2nd source type								
:								
:								
:								
:								
:								
:								
:								
peak installed electrical power of photovoltaic source								
accumulation to photovoltaic system								
<b>TOTAL</b>								



ANNEX 2b: Summary calculation of parameter changes in the EPC project between the submission of the application and the final version of the project

column no.	Data corresponding to cumulative project budget (preliminary RoPD approved by subsidy provider)			Modified data according to Preliminary Report and Addendum to EPC contract in structure of project's cumulative budget			Calculation of differences	
	1	2	3	4	5	6	7	8
Determination of energy efficiency parameters	scope of measures	amount of annual energy savings	amount of annual energy production (if relevant)	scope of measures	amount of annual energy savings	amount of annual energy production (if relevant)	change in amount of annual energy savings = column 2 - column 5	change in amount of annual energy production = column 3 - column 6
Installed heat output (according to project) – 1st source type								
Installed heat output (according to project) – 2nd source type								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
⋮								
peak installed electrical power of photovoltaic source accumulation to photovoltaic system								
<b>TOTAL</b>								



### ANNEX 3: Definition of the content of the EPC contract

The energy performance contract (the "contract") must be in writing and must include:

- a) a list of energy efficiency measures to be implemented or a list of energy efficiency results to be achieved;
- b) specification of guaranteed cost savings or energy savings to be achieved by implementing the measures included in the contract, including the amount of guaranteed savings to be achieved in individual periods during the duration of the contractual obligation under standard operating conditions;
- c) the period for which the contract is concluded, conditions for withdrawing from the contract, dates and periods relevant for determining achieved cost savings or energy savings;
- d) baseline data to identify achieved cost savings or energy savings that include at least
  1. the initial energy consumption and the initial amount of costs against which the savings achieved are calculated, and
  2. initial energy prices, on the basis of which the reference amount of costs according to point 1 is calculated;
- e) a list of steps to be taken to implement a measure or set of measures, possibly supplemented with related costs;
- f) conditions for the possible involvement of third parties within subcontracting relationships with the energy service provider;
- g) determination of the remuneration for the energy service provider for the performance provided, including the distribution of the parties' share of the financial savings achieved;
- h) conditions for documenting, measuring and verifying achieved guaranteed cost savings or energy savings, quality controls and guarantees;
- i) the procedure for responding to changing framework conditions that affect the content and outcome of the contract, in particular to changes in energy prices, changes in the intensity of use of facilities and equipment;
- j) agreement on the level of financial risk or sanctions in case of failure to achieve the agreed increase in the efficiency of energy use; and
- k) sanctions for breach of contractual obligations.

For the purposes of using the EPC contract in OPŽP, the contract must also meet all the requirements listed in the programme rules, methodological instructions and the relevant call. The above-mentioned fulfilment of points ad j) and k) must, in summary, provide the customer with adequate compensation for any failure to reach the level of guaranteed cost savings to the same extent (the so-called 100% guarantee).

For the preparation of a specific contract, it is advantageous to use one of the model EPC contracts as a starting version. A model EPC contract can be found, for example, on the website of the Ministry of Industry and Trade in the Energy Efficiency section: <http://www.mpo.cz/dokument105425.html>



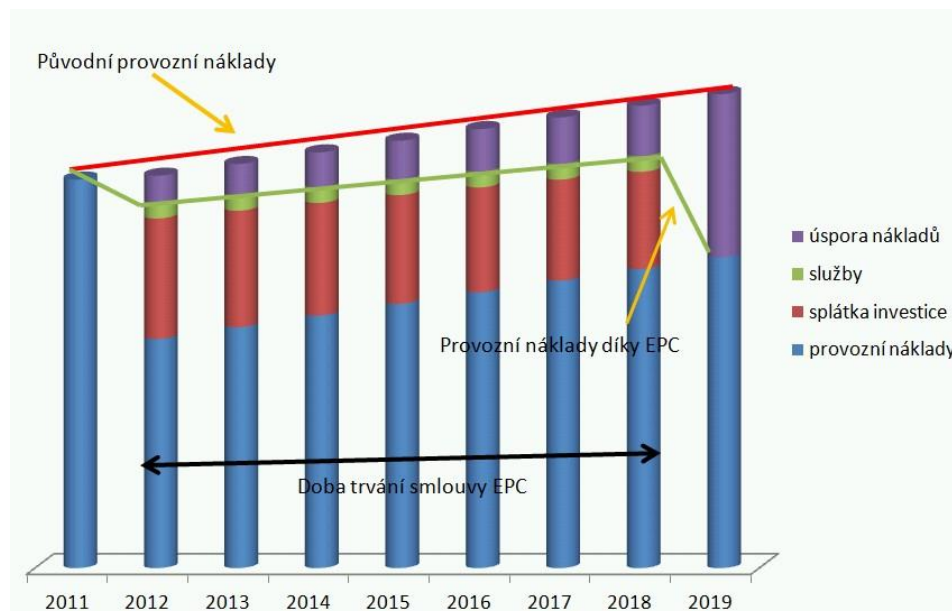
## ANNEX 4: Explanation of the core of the EPC method

### Introduction

The abbreviation EPC (Energy Performance Contracting) when translated into Czech is termed **provision of guaranteed energy services or energy services with guaranteed savings<sup>2</sup>**.

- The basic principle of the EPC method – **energy savings** achieved by the implementation of the project are **fully guaranteed by the supplier** in the contractually guaranteed amount. This stability of the project also makes it possible to **reimburse the costs** of implementing cost-saving measures either fully or at least partially **from the savings achieved**.
- There is only **one supplier** for the entire project – an energy service company known as an ESCO (Energy Service Company). The ESCO assumes most of the financial and technical risks of the project.
- Continuous **achievement of energy savings** and operating costs **based on the provisions in the contract**.
- The EPC method is generally suitable for buildings where **energy consumption can be reduced** by a set of economically recoverable measures.

### Development and distribution of costs in an EPC project:



<sup>2</sup> Act No. 406/2000 Coll., on Energy Management, as amended, translated the English terms Energy Performance Contracting and Guaranteed Energy Services into Czech with the abbreviated term "Energy services", which is a term traditionally used in a much broader sense. The most common energy service in the energy industry is the operation of equipment. To avoid misunderstandings when submitting applications in the OPŽP, the international abbreviation EPC is used as often as possible in the rules of the OPŽP, which is unambiguous in professional



terminology and identical in meaning to "energy services" defined in Act No. 406/2000 Coll., on Energy Management, as amended.

### **Characteristics of the EPC method**

- Guarantee for the success of the project – the supplier contractually guarantees the achievement of savings and the return of the funds spent
- Long-term achieved reduction of energy consumption and other operating costs
- One supplier implements the project from start to finish:
  - processes project documentation
  - installs the proposed measures
  - guarantees the amount of savings achieved
  - performs energy management
- The supplier and the customer have the same motivation – the optimal amount of investment with the highest possible rate of savings
- The possibility of securing project financing by an energy services company
- Improving the quality of the working environment and the environment

### **EPC project phase**

#### **Necessary first step**

- examination of the economic and technical feasibility of using the EPC method
- provision of professional qualifications for the preparation of the tender and EPC contract (usually by an independent external supplier – a combination of technical and process knowledge is required)

#### **Selection of supplier**

- the public contract for the EPC project is usually resolved in the form of a negotiated procedure with prior publication
- determination of suitable evaluation criteria and completion of a lot of information in the tender documentation
- supplier selection in a multi-round negotiation process

#### **Contract conclusion**

- the draft contract is always already in the tender documentation, but part of the Annexes are on the subject of competition
- the EPC contract is extensive, comprehensive and balanced (close attention needs to be paid to it)



- important elements of the contract:
  - determining the initial energy consumption
  - determining the ESCO supplier's guarantees for achieving guaranteed savings
  - determining the method of operation of buildings or equipment
  - methodology for evaluating and monitoring savings (in accordance with the IPMVP protocol)

### **Project implementation**

- processing (completing) project documentation, approval processes
- installation of agreed energy-saving measures
- comprehensive tests of device functionality
- determining the rules of operation of the installed equipment (staff training)

### **Monitoring and evaluation**

- the ESCO supplier is responsible for the efficiency of the equipment (but usually does not operate the equipment)
- continuous monitoring of operations with an overall evaluation of the savings achieved at least once a year
- in case of failure to achieve the guaranteed amount of savings, the ESCO supplier has the obligation to pay the difference between the guaranteed savings and the achieved savings
- if the guaranteed amount of savings is exceeded, the ESCO supplier has the right to a share of the difference between the savings achieved and the guaranteed savings (this share is defined in the tender documentation or in the EPC contract, the recommended minimum amount is 35%).



## ANNEX 5: Processing EPC suitability analyses for applicants

The suitability of the inclusion of an individual building in the EPC project does not mean that the EPC project is suitable for the applicant. For reasons of economic efficiency, a wider set of buildings is usually dealt with (typically 5 to 15 buildings). Therefore, the contracting authority needs a broader analysis of its buildings, which will lead to the selection of a suitable portfolio.

The information that the applicant has about buildings and energy consumption, usually for the last two to three years, is used. The processor of the analysis will conduct a quick inspection of the buildings and gradually add information and discuss with the contracting authority (applicant) how the buildings will be used and future plans. The output of the analysis is a breakdown of the buildings according to the following structure:

- **a brief description of the buildings** and the energy equipment installed in them and, if applicable, a note about the energy supplier
- **an overview of energy** (and water) consumption optimally for the last three years, both in annual data in technical units and in financial terms (at this stage of the work, summary tables (e.g. in Excel) are also sufficient, but if a tender is seriously being considered with the organisation, it is advisable to obtain copies of invoices for energy and water consumption for at least the last year)
- **a proposal of measures** that would be appropriate to implement for the analysed building(s) (including construction measures for insulation)
- **an estimate of the volume of investment funds** (the processor of the analysis estimates each measure separately and summarises the investment in the report for each building with a division into investments in insulation and in other measures)
- **an estimate of the potential for energy savings** (for each measure separately and the values can be aggregated in the report with a division into potential savings through insulation and other measures)
- **recommendation (non-recommendation) of the suitability** of including the building in the upcoming EPC project

Using processed data and proposals for individual buildings, the processor of the analysis will compile a suitable portfolio of buildings for the EPC project. It will calculate the aggregate potential of savings and investments in savings measures and will assess the achievable economic parameters of the project. In the end, it will evaluate the benefits of applying guaranteed energy services and EPC-type contracts, among other things, also with regard to the existing arrangement, operating contracts, etc. It will also recommend the most suitable organisation of the contract (e.g. with a larger number of suitable buildings, it is advantageous to divide the procurement process into two tranches) and the necessary duration of the contract.

If it does not find sufficient potential for such a project, it will not recommend the EPC method to the applicant.

The results and analysis of the buildings are presented in the form of a summary report.





## ANNEX 6: Schedule for the preparation of the savings project using the EPC method

Using the EPC method for the project is very time-consuming. In order to negotiate a high-quality contract, it is necessary to devote sufficient time to the preparation of the project and, during the procurement procedure, adhere to the required deadlines for individual steps. In summary, the contract is usually signed after three and a half years from the initial decision to check the suitability of the project and approximately one year from the start of work on the tender.

Activity	Duration in weeks	Month since launch
Selection of input analysis processor	3	1.
Processing of building analysis and suitability for EPC	7	3.
Selection of a consulting company for the organisation of the tender process	4	4.
Processing of qualification and tender documentation, including the draft EPC contract	8	6.
Discussion and approval of tender documentation by the applicant	2	6.
Publication of Notice of contract, publication of tender documentation	5	7.
Acceptance of applications for participation and evaluation of qualification prerequisites	1	8.
Calls to submit preliminary bids, reviews and preparation of bids	10	10.
Acceptance and evaluation of preliminary bids and initiation of negotiations with participants; further rounds of bidding	8	12.
Completion of negotiations, submission of final bids and final evaluation of bids	5	14.
Contract negotiations with the winning bidder	2	14.
Signing of EPC contract	2	15.
Preliminary report and signature of the clarification addendum	12	18
Commencement of work on the implementation of cost-saving measures	-	19

Note: The schedule indicates average durations, which may differ in specific situations. The above schedule includes a standard EPC project not combined with a subsidy.

<sup>3</sup> The presented general schedule assumes the mandatory deadlines according to Act No. 134/2016 Coll., on the Award of Public Contracts, as amended, and an extended deadline before the submission of the first preliminary offer.