



Information Note

SECOND ANALYSIS REPORT TO THE BOARD ON THE RESULT OF THE DOE PERFORMANCE MONITORING

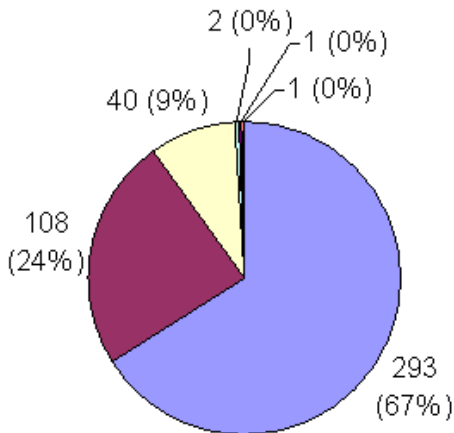
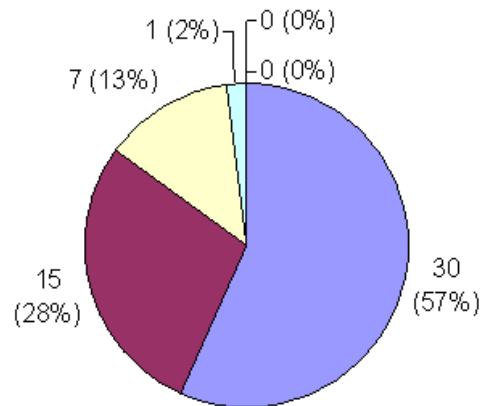
A. Background

1. The Board at its 58 meeting adopted the “procedure on performance monitoring of designated operational entities”. This procedure provides for monitoring, classification and rating of all DOEs non-compliances. It is applicable from completion of the initial assessment process and accreditation of an entity by the Board until expiration of its accreditation. However a DOE is eligible for monitoring only when it has completed 10 submissions within a given monitoring period of six months.
2. The procedure provides for regular reporting to the DOEs, the CDM-AP, the Board and the public on individual DOEs performance, to allow the DOEs to take actions in the areas where most of the issues were identified, to allow the CDM-AP to have a better planning of its assessment of DOEs and to inform EB and the public on the performance of individual DOEs.
3. However, the Board as the final decision making body shall be provided with all relevant data for its decision making. Such data also shall also allow system wide improvement via identification of issues where guidance or requirements lack clarity or are non existent.
4. Therefore, in addition to the regular reports on individual DOE performance, a report containing a more detailed analysis of the issues arising from the DOE performance especially those identifying shortcomings in the CDM-requirements, procedures and guidance is to be provided to the Board on a bi-annual basis.
5. The present report is the second of such reports. It summarises and analyses the finding from the first, second and third monitoring period running respectively: from 1 January to 30 June 2010, from 1 July to 31 December 2010 and from 1 January to 30 June 2011 and accounting for data and submissions finalised as of the 30 September 2011.
6. The trends observed in the first and second semester of 2010 are similar, therefore for the present report the data from first and second monitoring periods were combined into one. Hence, is possible to analyse the performance of the DOEs for year 2010 as a whole, as well as compare with the first semester of 2011 (third monitoring period).
7. In this report, issues arising from registration of project activities will be dealt with first and then analysis of the issues arising from issuance of CERs followed by general recommendations.

B. Registration

1. Overview

8. An overview matrix compiling the issues raised in registration requests for all DOEs (eligible for monitoring and non-eligible for monitoring) for the monitoring period of 1 January to 31 December 2010 and 1 January to 30 June 2011 are provided in the appendixes 1 and 3 and graphics picturing these results are presented below.

Registration (2010)**Registration (January to June 2011)**

- Additionality
- Application of the monitoring methodology
- Procedural and related requirements
- Application of baseline methodology
- Project description
- Other CDM requirements

9. Analysis of the matrix and the graphic shows that 67% of the issues raised are related to the additionality of the project activity, 24% related to applicability of the baseline methodology, 9% related to the application of the monitoring methodology and 0% in the other categories (project description, procedural and related requirements and other CDM requirement.) for the year 2010.

10. Analysis of the matrix and the graphic shows that 57% of the issues raised are related to the additionality of the project activity, 28% related to applicability of the baseline methodology, 13% related to the application of the monitoring methodology and 1% and less in the other categories (project description, procedural and related requirements and other CDM requirement.) for 1 January to 30 June 2011.

11. From the two graphs, it can be concluded that the same trends in 2010 are still observed in the first semester of 2011.

12. It would be therefore recommended that the Board and the secretariat adopt a targeted assessment approach in order to speed-up the assessment process and also to concentrate its assessment in the areas where most of the issues were raised. Not assessing the other areas would not pose any risk to the integrity of the system.

13. Consequently, it is recommended that the EB allow the secretariat to focus its assessment of a sample of submissions on additionality and application of baseline methodology. The rest of the submissions shall still be fully assessed to allow accounting for new arising issues.

2. Analysis of the issues raised

14. This section provides a summary and analysis of the issues raised within the main components checked for registration submissions:

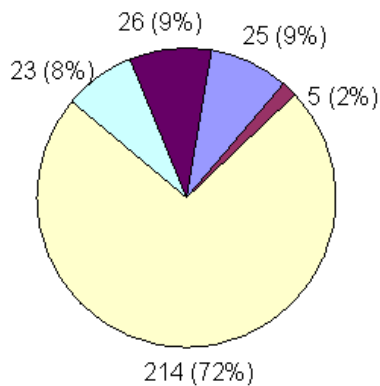
- a. Additionality
- b. Application of the baseline methodology
- c. Application of the monitoring methodology
- d. Project description

15. It is to be noted that, in project description, only one issue in 2010 and one issue from January to June 2011 were raised during the respective monitoring periods, consequently no analysis was carried out.

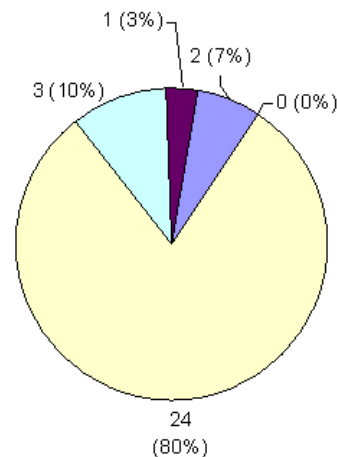
I. Additionality

16. The graphics below illustrate the distribution of the issues raised that are related to additionality.

Additionality (2010)



Additionality (January to June 2011)



- | | | |
|--------------------------------|---------------------|--------------------------|
| Prior consideration | Investment analysis | Common practice analysis |
| Identification of alternatives | Barrier analysis | |

(a) Investment analysis

17. The analysis shows that majority of the submissions (72 % in 2010 and 80% from January to June 2011) are related to investment analysis. Particularly with reference to Paragraph 109 to 112 of the VVM version 1.2 and EB annexes:

- EB 51 Annex 58: Guidelines on the assessment of the investment analysis version 3
- EB 48 Annex 11: Guidelines for reporting and validation of Plant Load Factors



18. As presented in the first analysis report, these graphics show that should the Board address the issues in this area, the rate of reviews will drop significantly. Therefore, it is recommended that the Board addresses this area as one of its highest priorities.
19. Most of the issues are related to the DOE's lack of substantiation of the suitability of the validated input values to the investment analysis, specially regarding the operations and maintenance (O&M) costs, the estimation of operational hours, the source of the interest rates, and benchmarks.
20. In an attempt address some of these issues, the "Guidelines on the assessment of the investment analysis" (version 5) includes default values for the expected return on equity, to facilitate the assessment for cases where the information is not publicly available.
21. The effects of the revision on the "Guidelines on the assessment of investment analysis" and the trainings that were carried out this year are still not visible in this monitoring period. The effect may show in the next monitoring period.
22. It is recommend that the secretariat continues investigating the reasons why DOEs continue facing difficulties with the validation of investment analysis
23. It is also proposed to hold trainings on investment analysis for DOEs. Such training could also be part of the regional DOE calibration workshops.

(b) Barrier analysis

24. 8 % in 2010 and 10% in the first semester of 2011 of the issues raised in additionality category are related to Barrier analysis, VVM paragraph 116 and 117 and the annex 13 of EB 50 "Guidelines for objective demonstration and assessment of barriers" in particular.
25. It could be assumed from these results and as the issues are identified among large range of DOEs that this area may require further guidance or clarifications by the Board. It is also proposed to train DOEs on means of validation of barrier analysis.

(c) Prior consideration

26. 9 % in 2010 and 7% in the semester of 2011 of the issues raised in additionality category are related to prior consideration, especially to VVM paragraph 100-102 and the annex 22 of EB49 "Guidelines on the demonstration and assessment of prior consideration of the CDM". The issues raised are related to the project start date, final investment decision, and continuous and real actions.
27. It could be assumed from these results and as the issues are identified among large range of DOEs that this area may require further guidance or clarifications by the Board. It is also proposed to train DOEs on means of assessment of prior consideration of the CDM. It is also recommended that the guidance provides various scenarios that are likely to be found in real projects and provides recommended ways on how to assess them.

(d) Common practice analysis

28. 9 % in 2010 and 3% in the first semester of 2011 of the issues raised in additionality category are related to common practice analysis especially to VVM 1.2 paragraph 120 and EB63 "Guidance on

common practice” version 01, in explaining how the project activity is different from other projects in the region/country.

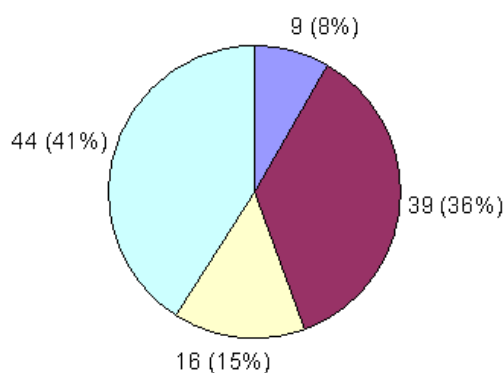
29. The effects of the adoption of the “Guidelines on common practice” is still not visible in this monitoring period. The effect may show in the next monitoring period.

II. Application of baseline methodology

30. 24 % in 2010 and 28% in the first semester of 2011 of the issues are related to the application of baseline methodology. The graphics below illustrate the distribution of the issues raised that are related to the application of the baseline methodology.

Application of baseline methodology

(2010)

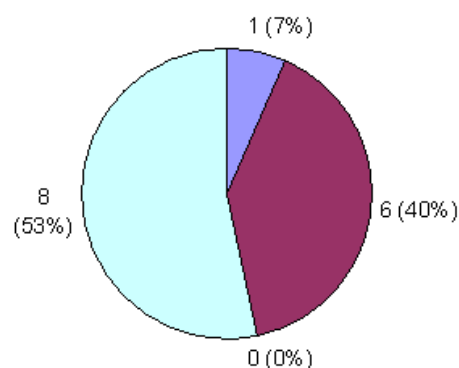


■ Project boundary

■ Baseline identification

Application of baseline methodology

(January to June 2011)



■ Compliance with applicability conditions

■ Algorithms and/or formulae to determine emission reductions

31. Among the issues raised in this category, 44% in 2010 and 53% in the first semester of 2011 are related to algorithms and or formulas to determine emission reductions and 39% in 2010 and 40% in the first semester of 2011 are related to baseline identification.

32. Up to now there are no issues from first semester of 2011 related to compliance with applicability conditions on the application of the baseline methodology: this trend should continue to be monitored

(a) Algorithms and or formulas for the calculation of emission reductions

33. Most of the issues raised are still related to the calculation of the grid emission factor (GEF) and alternative baseline scenarios.

34. Therefore it is recommended that priority be given to these issues in the development of standardized baselines.

(b) Baseline identification

35. Most of the issues identified in this category are related to the substantiation of the elimination of other baseline scenarios.

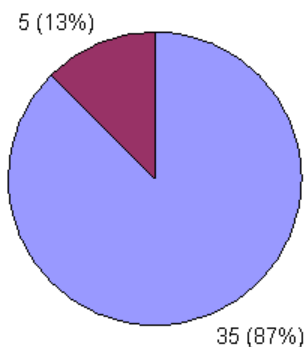
36. Therefore, to avoid occurrence of such issues, it is recommended that guidance to DOEs on how to assess this parameter is provided by the board.

III. Application of the monitoring methodology

37. 9% in 2010 and 13% in the first semester of 2011 of the issues identified are related to the application of the monitoring methodology. The graphics below illustrate the distribution of the issues raised and related to the application of the monitoring methodology.

Application of the monitoring methodology

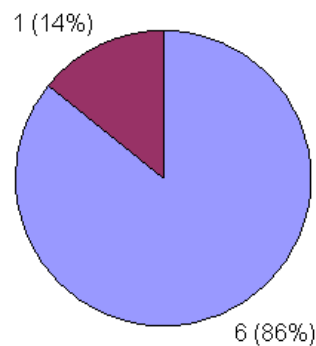
(2010)



■ Compliance of the Monitoring Plan (i.e. list of parameters complete or not)

Application of the monitoring methodology

(January to June 2011)



■ Implementation of the Monitoring Plan (i.e. monitoring arrangement feasible or not)

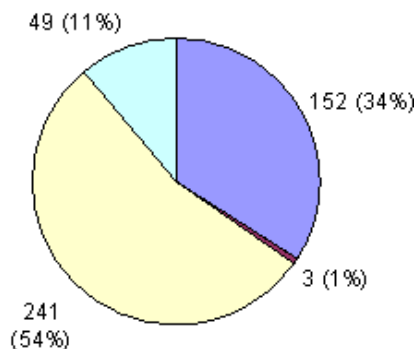
38. The vast majority of the issues identified within the area of the application of monitoring methodology are related to the compliance of the monitoring plan with monitoring methodology (87% in 2010 and 86% in the first semester of 2011).

39. The issues raised are however very diverse. Therefore, more data are needed to identify the real issue behind the problems faced by DOEs in validating the compliance of the monitoring plan with the monitoring methodology.

IV. Categories of issues

40. The present report present for the first time the issues identified classified by category. The graphics below illustrate the distribution of the issues raised for registration cases.

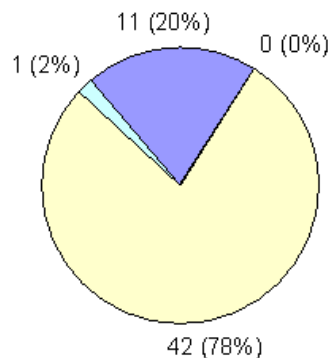
Registration (2010)



■ I) Issues related to reporting

■ II) Issues related to failure to follow procedural requirements

Registration (January to June 2011)



■ III) Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements

■ IV) Other issues, to analysis system-wide gaps and improve classification

41. Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements and issues related to reporting are preponderant, with 54% in 2010 and 78% in the first semester of 2011.

42. It is recommended not to assess the issues related to failure to follow procedural requirements in a sample of submissions.

43. The rest of the submissions shall still be fully assessed to allow accounting for new arising issues.

44. Issues related to reporting continue to be high. Therefore, it is recommended to prioritise the work on standard template for reporting.

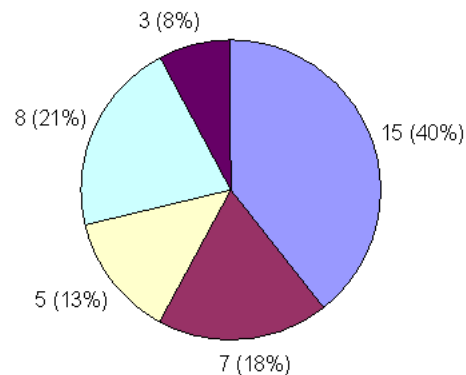
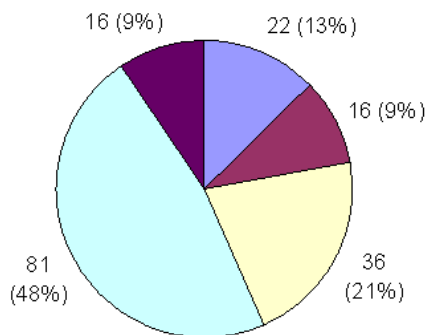
C. Issuance

1. Overview

45. An overview matrix compiling the issues raised in issuance requests for all DOEs (eligible for monitoring and non-eligible for monitoring) for the monitoring period of 1 January to 31 December 2010 and 1 January to 30 June 2011 are provided in the appendixes 2 and 4 and the graphics picturing these results are presented below.

Issuance (2010)

Issuance (January to June 2011)



- Implementation of the PA
- Compliance of the monitoring plan with the monitoring methodology
- Compliance of monitoring with the monitoring plan
- Assessment of data and calculation of greenhouse gas emission reductions (BE, FE, ER calculation)
- Procedural and related requirements

46. Analysis of the matrix and the graphic shows that 48% of the issues raised are related to the assessment of data and calculation of greenhouse gas emission reduction, 21% related to compliance of monitoring with the monitoring plan, 13% related to implementation of the PA, 9% related to the compliance of the monitoring plan with the monitoring methodology, 9% procedural and related requirements for the year 2010.

47. Different trends are observed in the issues raised in the first semester of 2011. Where, 40% of the issues are related to implementation of the PA, 21% are related to the assessment of data and calculation of greenhouse gas emission reduction, 18% related to the compliance of the monitoring plan with the monitoring methodology, 13% are related to compliance of monitoring with the monitoring plan, and 8% procedural and related requirements.

48. During the first semester of 2011, regarding the implementation of the PA, most of the issues are related to the DOE's lack of clarification for divergences between the PPD and the MP, concerning higher values of electricity generation, reduction of monitored sites, and different turbines and generators.

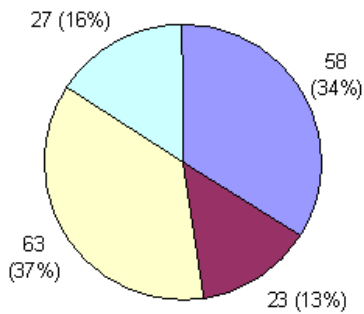
49. From the data gathered, it is recommended to focus secretariat assessment of a sample of submissions on the implementation of the PA and the assessment of data and calculation of greenhouse gas emission reductions.

50. The rest of the submissions shall still be fully assessed to allow accounting for new arising issues.

I. Categories of issues

51. The current report present for the first time the issues identified classified by category. The graphics below illustrate the distribution of the issues raised for issuance cases.

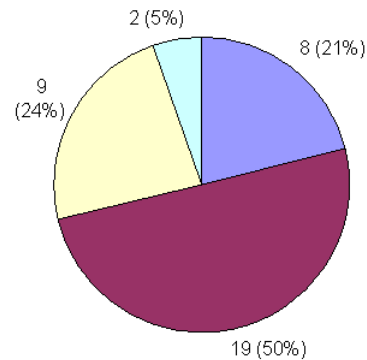
Issuance (2010)



■ I) Issues related to reporting

■ II) Issues related to failure to follow procedural requirements

Issuance (January to June 2011)



■ III) Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements

■ IV) Other issues, to analysis system-wide gaps and improve classification

52. Analysis of the matrix and the graphic shows that 37% of the issues raised are related to the technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements, 34% related to reporting, 16% related to other issues, 13% related to failure to follow procedural requirements for the year 2010.

53. Different trends are observed in the issues raised in the first semester of 2011. Where, 50% of the issues raised are related to failure to follow procedural requirements, 24% related to the technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements, 21% related to reporting, and 5% related to other issues.

54. All the categories for issuance in 2010 have a significant number of issues while a majority of submission in 2011 have issues related to follow procedural requirements.

55. It is therefore recommended to concentrate assessment efforts in this category. However, it is expected that the new procedures for post registration changes would have an effect on this trend.

56. Issues related to reporting continue to be high, it is therefore recommended to prioritise the work on standard templates for reporting.

D. Recommendations

57. Taking into consideration the data gathered for the first, second and third periods of performance monitoring of DOEs and the analysis above, the Board may wish:



- (a) To continue to address the issues related to investment analysis, as they constitute the majority of the problems raised in reviews for registration. Addressing such issues would contribute to a significant drop in the rate of reviews;
- (b) Train DOEs in additionality in general and improve the Boards guidance in prior consideration, and barrier analysis;
- (c) Explore innovative and simple approaches for the demonstration of additionality.
- (d) Speed-up the work in preparing validation and verification templates in order to reduce reviews related to reporting and missing data;
- (e) Request DOEs to strengthen their quality check procedures, their technical review process and train their personnel in the issues where most of the reviews are triggered.
- (f) To continue to explore ways on how to speed-up the assessment process to allow a faster decision making on project and therefore allow a faster analysis of the issues arising and appropriate recommendations at the earliest; Such ways may be the targeted assessment as proposed above. The Board may wish also to consider sampling as it would be more efficient in addressing the issue of the length of time that submissions take before a decision is made.



IV Other issues, to analysis system-wide gaps and improve classification:																		
1	Absence of requirement / guidance by the Board	1		32	3		1			1						1		
2	Ambiguity of interpretation of requirements of methodology / guidance			1	1				1	1	5	1						



Appendix 2

Compilation of the issues raised for all DOE eligible for monitoring

Issuance submissions of the 1 January to 31 December 2010

Categorization and weighting of issues identified at requests for issuance		Implementation of the PA	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
I	Issues related to reporting					
1	This category includes errors covering - Inconsistencies in the information presented in the documents presented/information supplied; - Incomplete information/missing data; - DOE has not fully reported how the compliance to the requirements are being met	7	7	18	21	5
II	Issues related to failure to follow procedural requirements					
1	Failure to submit the corrections on time					
2	This sub category covers: - CAR/CLs in verification reports are not appropriately closed out; - Failure to follow up FAR from previous verification			1	1	1
3	This sub category covers failure to conduct site visit as per requirements of verification process; or provide justification					5
4	This sub category covers the failure to request, as appropriate: - Deviation;	12		2		1



	- Revision Mon Plan; - Changes from PDD					
III	Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;					
1	This sub category covers basic verification to ensure to ensure the quality of required data measured and reported : - Failure to verify equipments/system/protocols/procedures; - Failure to cross check reported data/No clear audit trail (data generating,aggregating,reporting); - Calculation errors	2	2	7	2	
2	This sub category covers failure to apply conservativeness approach when required				5	2
3	This sub category covers failures to correctly apply methodology requirements which may lead to incorrect CERs: - Failure to verify installation of monitoring system not per methodology; - Parameters required by methodology not being monitored; - Incorrect application of meth formulae, factors, default values	1	6	8	26	2
IV	Other issues, to analysis system-wide gaps and improve classification					
1	Absence of requirement/guidance by the Board				25	
2	Ambiguity of interpretation of requirements of methodology/guidance		1		1	



II Issues related to failure to follow procedural requirements																	
1	Failure to submit the corrections on time;																
2	Failure to submit the corrections on time; CAR/CLs in validation reports which are not closed out correctly: - Where the CAR resolution indicates that the PDD has been updated but it has not; - Where a CAR is marked as closed without explanation;																
3	Failure to carry out the global public stakeholder consultation in line with the CDM requirements;																
4	Failure to visit project site or provide justification;																
5	Failure to request a deviation when non-compliance of the project activity with the requirements of the methodology has been identified																
III Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;																	
1	This sub-category includes cases for which the DOE has not precisely validated the project in accordance with the requirements of the VVM, however the failure is not likely to alter the validation opinion - Failure to ensure precise project start date where the change in the date does not impact additionality - Failure to fully validate all minor input values in an investment analysis - Failure to ensure that the common practice	1		11	1	1		4		6							



	of methodology / guidance																														
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Appendix 4

Compilation of the issues raised for all DOE eligible for monitoring

Issuance submissions of the 1 January to 30 June 2011

Categorization and weighting of issues identified at requests for issuance		Implementation of the PA	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
I	Issues related to reporting					
1	This category includes errors covering - Inconsistencies in the information presented in the documents presented/information supplied; - Incomplete information/missing data; - DOE has not fully reported how the compliance to the requirements are being met	3		1	2	2
II	Issues related to failure to follow procedural requirements					
1	Failure to submit the corrections on time					
2	This sub category covers: - CAR/CLs in verification reports are not appropriately closed out; - Failure to follow up FAR from previous verification					
3	This sub category covers failure to conduct site visit as per requirements of verification process; or provide justification					
4	This sub category covers the failure to request, as appropriate: - Deviation;	12	6	1		



	- Revision Mon Plan; - Changes from PDD					
III	Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;					
1	This sub category covers basic verification to ensure the quality of required data measured and reported : - Failure to verify equipments/system/protocols/procedures; - Failure to cross check reported data/No clear audit trail (data generating,aggregating,reporting); - Calculation errors			1	1	1
2	This sub category covers failure to apply conservativeness approach when required					
3	This sub category covers failures to correctly apply methodology requirements which may lead to incorrect CERs: - Failure to verify installation of monitoring system not per methodology; - Parameters required by methodology not being monitored; - Incorrect application of meth formulae, factors, default values		1	2	3	
IV	Other issues, to analysis system-wide gaps and improve classification					
1	Absence of requirement/guidance by the Board					
2	Ambiguity of interpretation of requirements of methodology/guidance				2	

**History of the document**

Version	Date	Nature of revision
01.0	28 February 2012	Initial publication.
Decision Class: Operational Document Type: Information Note Business Function: Accreditation, Governance		