

**CDM-EB106-AA-A10**

## Draft Procedure

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# Performance monitoring of designated operational entities

Version 04.0

DRAFT



**United Nations**  
Framework Convention on  
Climate Change

## **COVER NOTE**

### **1. Procedural background**

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its eighty-seventh meeting (EB 87), agreed to put on hold the “Procedure: Performance monitoring of designated operational entities (version 03.1)” (hereinafter referred to as the current DOE monitoring procedure). The Board requested the CDM Accreditation Panel (CDM-AP) to review this decision annually, and to forward a recommendation to the Board, as appropriate. Subsequently, the Board, at EB 92 and EB 98, agreed to keep the current DOE monitoring procedure on hold.
2. At EB 100, the Board requested the CDM-AP to revisit its recommendation to put on hold the current DOE monitoring procedure, and at EB 101, the Board requested the secretariat and the CDM-AP, as a matter of priority, to revise the current DOE monitoring procedure, including the indicators and thresholds.
3. At EB 102, the Board considered the concept note on the revision of the current DOE monitoring procedure and provided guidance. The Board requested the secretariat and the CDM-AP to jointly prepare a revised concept note for consideration by the Board at EB 105.
4. At EB 105, the Board agreed to the solutions proposed in the revised concept note and requested the secretariat to revise the current DOE monitoring procedure in consultation with the CDM-AP, for consideration by the Board at EB 106. The Board further requested the secretariat to obtain input from the DOE/AIE Coordination Forum on the revised version of the current DOE monitoring procedure.
5. The CDM-AP, at its eighty-sixth meeting, considered the draft revision of the current DOE monitoring procedure and provided input, which has been incorporated into this revision of the current DOE monitoring procedure.

### **2. Purpose**

6. The purpose of this work is to present the changes to the revised version of the current DOE monitoring procedure based on the proposed solutions contained in the concept note adopted by the Board at EB 105.

### **3. Key issues and proposed solutions**

#### **3.1. Scope of performance monitoring of DOEs**

7. The current DOE monitoring procedure covers monitoring of the performance of DOEs only through requests for registration of project activities and issuance of certified emission reductions (CERs) for project activities. This does not fully reflect the performance of DOEs, as DOEs also submit other types of requests (e.g. requests for issuance of CERs for programmes of activities (PoAs) and requests of renewal of crediting period). The proposed revision expands the scope to cover all types of activities as contained in section 2 of the draft “Procedure: Performance monitoring of designated operational entities

(version 04.0)" (hereinafter referred to as the revised DOE monitoring procedure) (i.e. requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of post-registration changes (PRCs) of both project activities and PoAs under the prior-approval track, and notifications of changes to component project activities (CPAs)).

### **3.2. Distribution of incomplete submissions**

8. It was found that the incomplete submissions at completeness check and information and reporting check are not in a normal distribution, and hence the normality assumption made in the current monitoring procedure does not hold. The solution adopted by the Board at EB 105 is to apply a non-parametric bootstrapping approach to establish an empirical threshold based on the data generated from all types of validation and verification activities. Revisions to the threshold calculation for the indicator  $I_1$  (rate of incomplete submissions) are introduced as contained in sections 4.2 and 5.1 of the revised DOE monitoring procedure.

### **3.3. Calculation of indicator and threshold for performance monitoring at the request for review stage**

9. The current monitoring procedure requires that a DOE shall be subject to monitoring its indicator  $I_2$  (rate of requests for review) only after it has finalized a seventh request for registration or issuance in a given monitoring period. Due to the current market conditions, the low level of submissions makes most DOEs ineligible for the performance monitoring of indicator  $I_2$ . The solution adopted by the Board at EB 105 is to apply the failure modes and effects analyses (FMEA) to establish the indicator and the threshold to monitor the performance through the stage of requests for review raised for project activities and PoAs. Revisions to the definition of indicator  $I_2$  and its threshold are introduced as contained in sections 4.2 and 5.2 of the revised DOE monitoring procedure.

### **3.4. Calculation of indicator and threshold for performance monitoring at the request for clarification stage**

10. The current monitoring procedure has not defined a threshold for indicator to monitor the performance through the stage of requests for approval of PRCs. The solution adopted by the Board at EB 105 is to apply the FMEA to establish indicator and threshold to monitor the performance through the stage of requests for clarification or rejection raised for requests for approval of PRCs. Revisions to the definition of indicator  $I_3$  (risk priority number of requests for clarification) and its threshold are introduced as contained in sections 4.2 and 5.3 of the revised DOE monitoring procedure.

### **3.5. Special requests made by the Board**

11. At EB 101, the Board requested the introduction of a provision in the revised DOE performance monitoring procedure to cover instances where the Board approved requests, but where issues were identified with regard to the performance of the validating/verifying DOEs. The solution adopted by the Board at EB 105 is to revise the current monitoring procedure by which the CDM-AP can decide on appropriate actions based on the issues concerning the performance of DOEs that were identified by the Board. A process to consider such cases is introduced as contained in section 8.3 of the revised DOE monitoring procedure.

### **3.6. Alignment and editorial corrections**

12. Alignment and editorial corrections are made so as to ensure the consistency and completeness of the revised DOE monitoring procedure.

### **3.7. DOE/AIE Coordination Forum inputs**

13. An advance draft of the revised DOE monitoring procedure was sent to the DOE/AIE Coordination Forum for consultation during the period from 28 January to 6 February 2020. As a result, 10 inputs were provided by two DOEs. Detailed information on the 10 inputs and how they have been taken into account are provided in table 1 below. The summary of inputs and responses are as follows:
- (a) Starting date of the first monitoring period: It will be decided by the Board at EB 106;
  - (b) Editorial correction of the numbering of the I<sub>3</sub>: It is reflected in the revision;
  - (c) Provision of reduction in the number of performance assessments: It is clarified that the reduction in the number of performance assessments shall not be done to the mandatory number of performance assessments, and such rule is also to align with the provision of the CDM accreditation procedure as revised by the Board at EB 74 (no change was made to the draft procedure);
  - (d) Purposes of activation of spot-check and additional performance assessment: It is clarified that the purposes of the actions triggered from different thresholds are not comparable but supplement each other (no change was made to the draft procedure);
  - (e) Intention of performance indicator: It is clarified that the indicator is to indicate relative performance to the average DOEs by comparing each DOE against the performance benchmark, and there is no intention to compare DOEs among themselves and rank DOEs (no change was made to the draft procedure);
  - (f) Terminology used in this procedure: It is clarified that validation and/or verification and certification activities conducted by DOEs are based on CDM rules and requirements; therefore, the terminology applied is also based on the CDM rules and requirements (no change was made to the draft procedure);
  - (g) Threshold of I<sub>1</sub>: It is clarified that all submissions made by all DOEs that are finalized in a given monitoring period are to be applied to establish a common threshold (no change was made to the draft procedure);
  - (h) Scope of I<sub>1</sub>: It is clarified that: (1) activities prior to the submission of requests for registration, issuance, etc. are not counted; (2) minor issues raised at completeness check and information reporting check are not counted unless the submission turns into incompleteness; (3) the risk priority number is not applicable to I<sub>1</sub>; and (4) the provision was added to the draft procedure for allowing any DOE to seek clarification about the performance monitoring report from the secretariat if it so wishes.

**Table 1. Summary of inputs and responses**

DOE	No.	Summary of inputs received	Secretariat response
DOE 1	1	DOE would like to clarify if it is correct mentioning the indicators I <sub>2</sub> in Para 33 (b) referring to indicator I <sub>3</sub> .	It was an editorial error and the correction has been made to reflect the indicator number I <sub>3</sub> in paragraph 33(b).
	2	DOE would like to clarify if there will be a retroactive period of monitoring from 1 Jan 2020 after the date of release of final version (expected 28 March 2020 as per the draft) given that the first 2020's monitoring period would be 1 Jan 2020 to 30 April 2020.	The actual dates of the first monitoring period to be implemented after the adoption of the revised DOE monitoring procedure will be decided by the Board.
	3	<p>Regarding Paragraph 51.: there is a proposed change in the former word "planned" to "added". Given a term of three monitoring periods (i.e. 12 Months) in which a DOE is in yellow zone, a Performance Assessment is to be added. The draft says (or it is understood) that if the DOE following that yellow period, keeps in green zone for other 16 months, one of the "added" PAs can be eliminated. The concern is, the cost of an extra PA to a DOE makes an economic impact that lead the project subjected to the PA to be far away to be cost-effective. If after a period of 12 months in yellow zone, a PA is added, started and executed, the impact would be already done even in the case the next 16 months the DOE is in green zone. After such 16 months in green zone, when the extra PA already caused the impact in the DOE, the procedure now states that one of extra PAs "added" will be eliminated, however, in the posed case, there will be no extra PA to be eliminated as has been already conducted.</p> <p>The conclusions are basically: a) If no mechanism is placed to control the start of an extra PA derived from a yellow period, to place it after the necessary time to check if the DOE has been in green period for 16 months, it reduces the sense of the additional economic impact and the spirit of doing a root cause analysis and implementation of corrective actions in certain process parts, that can allow the DOE to correct the issues leading to a yellow period and to stay in the green period to eliminate the extra PA, given that there might be no way to avoid the extra PA if already started/executed and b) Given the above, and by substituting the word "planned" by "added", the new draft transforms the effort of implementing effective measures to control the performance indicators into only a potential negative potential but there will be no positive potential impact of reducing one of the actually planned PAs when a DOE is performing good.</p>	The revision was made to clarify that the reduction in the number of performance assessments shall be done for the added performance assessments. The reduction shall not be done to the mandatory number of performance assessments. Furthermore, the term "added" was introduced in the corresponding paragraph of the CDM accreditation procedure (v.11.0) at EB 74 (26 July 2013), which has not yet been reflected in the current DOE monitoring procedure as it was adopted at EB 73. Therefore, the proposed change from "planned" to "added" is to align the term with that in the current CDM accreditation procedure. It is also noted that in this proposed change, the condition of triggering an additional performance assessment has been extended from two consecutive monitoring periods (i.e. 8 months) to three consecutive monitoring periods (i.e. 12 months) in order to account for the cost implication.

DOE	No.	Summary of inputs received	Secretariat response
	4	Regarding Paragraph 59.: For an extra PA a DOE needs to stay 3 MPs in yellow zone for one indicator. For a spot-check only once in red zone for a range of two indicators is needed (can happen to be more potential probabilities to be subjected to a spot-check). Given that a PA and a spot-check might be, relatively and depending on the project of the PA, within same range of economic impact to a DOE, there might be a decompensation in the probabilities to activate the extra assessment and incur in such costs.	The only change proposed in the provision of activation of spot-checks is to include the new indicator I <sub>3</sub> to monitor a DOE's performance at the stage of clarification and rejection of requests for approval of PRCs to both project activities and PoAs under the prior-approval track and notifications of changes to CPAs which have not been covered in the current DOE monitoring procedure. The same concept of having two thresholds (i.e. yellow zone and red zone) are kept in the revised DOE monitoring procedure. The purposes of actions triggered from the two thresholds are different: the yellow zone warrants an early warning to sensitize the DOE about its continued decline in performance; and the red zone indicates an intolerable risk of not complying with the relevant CDM rules and requirements. Therefore, they are not comparable but supplement each other. It is important to be noted that the initiation of a spot-check should also be considered in accordance with paragraph 21 of the CDM accreditation procedure (v.14), which has the provision that a spot-check may include a desk review or on-site office assessment, as well as paragraph 187, which stipulates the conditions where a spot-check may not be initiated even if the red zone is reached.
	5	<p>The DOE would like to kindly request for clarification/consideration, as possible, for the following issues:</p> <p>a) Confirmation about clarifications that might be sent back as incomplete after a given deadline, are not counted in any of the indicators/cases (until they turn into incompleteness).</p> <p>b) There might be a lack of clarity on whether there will be a mechanism to avoid that, when a DOE, by demonstrating and justifying the received incompleteness is an error or misunderstanding from UNFCCC leading to raising the finding, such issue will be placed out of the accounting for the indicators.</p> <p>c) There might be a situation, by any reason, in which an incompleteness is solved and another different issue is raised as incompleteness in same stage. There might be a lack of clarity on how to avoid this to account as 2 incompleteness when all the issues could have been detected at once.</p>	<p>a) The minor issues raised at the stage of CC and IRC are not counted unless the submission turns into incompleteness.</p> <p>b) A provision is added in this draft revised procedure for allowing any DOE to seek clarification from the secretariat of the report sent to the DOE if it so wishes.</p> <p>c) A provision is added in this draft revised procedure for allowing any DOE to seek clarification from the secretariat of the report sent to the DOE if it so wishes.</p> <p>d) The activities prior to the submission of requests for registration, issuance, PRC, renewal of crediting period and renewal of PoA period are not within the scope of the DOE performance monitoring procedure.</p> <p>e) A provision is added in this draft revised procedure for allowing any DOE to seek clarification from the secretariat of the report sent to the DOE if it so wishes.</p>

DOE	No.	Summary of inputs received	Secretariat response
		<p>d) It is understood that, the rejection of a Monitoring Report in GSC stage is not considered in any of the performance indicators. The DOE would like to point that agrees with such approach as some of the issues might be considered as a task to be addressed during later stages of the Verification process.</p> <p>e) There might be a lack of clarity on whether there will be a mechanism to avoid the situation in which a DOE is receiving an incompleteness (counting for the indicators) for an issue that has not been raised before for the same/different project and/or same/different DOE in equal circumstances. (see comment below about ambiguity concept).</p> <p>f) The Ambiguity concept to mark as zero a raised issue by UNFCCC is itself ambiguous as there is no defined criteria and/or indicative list that lead the procedure to work in an objective manner or to reach enough level of objectivity. Can a situation like the one posed above be marked as ambiguity? Can a situation in which a DOE received an issue for which there is a clarification (e.g. SSC note published) in which it is recognized the approach is correct, be marked as ambiguity? There might be many situations in which the terminology "ambiguity" can lead to:</p> <p>1. After receiving a monitoring report or advice, keep resources non-productive analysing the potential impact of the subjective consideration of ambiguity in a DOE's risky situation to be reaching thresholds and again the same in case a discussion is initiated with the UNFCCC to determine the subjective meaning of ambiguity for a particular case.</p> <p>2. All the involved actors are humans, of course, so situations like described before and below can occur. Understanding that, it is understood that a DOE shall perform under clear and objective rules to be able to develop an objective assessment with maximum quality guarantees, however, a subjective meaning of "ambiguity" can lead to operate under no objective rules and also to situations in which different DOEs are subjected to different criteria (e.g. situation described in 5 (e)) so causing damage to one of the actors in comparison with others. We understand is not an easy concept to look around for solutions or safeguards to what we can call as "precedents", however, we would like to point this out to be considered by the Board in the frame of reliability of CDM and DOEs image and its impact in the market.</p>	<p>f) The assessments conducted at CC, IRC and summary note stages shall be based on objective evidence which indicates not complying with the relevant CDM rules and requirements. In other words, no issue will be raised if there is no requirement and/or a lack of clarity in the requirements. It is important to note that, as mentioned in paragraph 3 of the revised DOE monitoring procedure, one of the objectives of this procedure is to foster system-wide improvement via identification of issues where guidance or requirements lack of clarity or are non-existent; if such situation is identified, in accordance with the provision specified in section 8.4 of the revised DOE monitoring procedure, the Board may identify any measures to improve its regulatory framework based on the analysis provided by the secretariat.</p> <p>The secretariat will endeavour to ensure that all issues are raised only based on objective evidence and the relevant CDM rules and requirements. It is to be noted that a provision is also added in this draft revised procedure for allowing any DOE to seek clarification from the secretariat of the report sent to the DOE if it so wishes.</p>

DOE	No.	Summary of inputs received	Secretariat response
	6	In general, and only as a personal opinion, it would be good to adapt the terminology of this draft (and if applicable to other CDM regulations) to the ANNEX SL high level ISO structure, particularly when talking about a preventive action, as nowadays it is considered in the development of standards that a management system is itself a preventive mechanism, while the avoidance of repetition of the causes leading to a deviation pertains to the scope of a corrective action.	Validation and verification/certification activities conducted by DOEs are based on CDM rules and requirements. Therefore, the terminology used in the revised DOE monitoring procedure is also based on the relevant CDM rules and requirements instead of terminology applied in the relevant ISO standards. The requirement of preventive actions is based on paragraph 8(m) of the CDM accreditation standard (v.7), which requires that a DOE shall have a quality management system (QMS) for proactively identifying potential sources of non-conformities and areas for improvement and for implementing preventive actions to prevent the occurrence of non-conformities and/or improve the effectiveness of its validation/verification/certification activities. In the end, this DOE performance monitoring system is one indicator or means to see whether the DOE's QMS works well.
DOE 2	1	The entry into force for the procedure has been mentioned 28 March 2020; a) What will be the first monitoring period for 2020? b) Which assignments would be eligible for performance monitoring (start date would be defined by MR/PDD/PoA-DD publication or if final submission for the ongoing assignments falls under the monitoring period would also counted)?	The Board, at EB 106, will decide the effectiveness date of the revised DOE monitoring procedure, including the starting date of the first performance monitoring period. Please refer to section 7.2 of the revised DOE monitoring procedure, which provides the proposed provision of what submissions shall be taken into account in the first and second iterations of the first performance monitoring report.
	2	In case an issue raised during I&R check is resolved during a call and no material changes has been made in the documentation (PDD/MR), would it still contribute to RPN?	The RPN is only applicable for indicators I <sub>2</sub> and I <sub>3</sub> , which cover the review cases and requests for PRC. The RPN is not applicable for information and reporting check.
	3	Performance indicator 3 (I <sub>3</sub> ) on page 9 of the draft document mentions "Indicator I3 = Proportion of the RPN values resulted from requests for clarification and rejected requests for each DOE over the RPN mean value resulted from all requests for review for all DOEs;" would imply a relative performance of the DOEs; However, the method is contradictory to para 6 "This procedure is not intended to provide for comparative ranking of DOEs, but to indicate the level of performance and compliance of individual DOEs with the CDM requirements." of the document. There could be an independent indicator for the performance of individual DOE irrespective to the performance of others.	The indicator I <sub>3</sub> is to indicate relative performance to the average DOEs by comparing each DOE against the performance benchmark, and there is no intention to compare DOEs among themselves and rank DOEs. Therefore, there is no contradiction with paragraph 6 of the revised DOE monitoring procedure.



DOE	No.	Summary of inputs received	Secretariat response
	4	Bootstrap method is understood as a sampling method, application of a sampling method is not understood since each submission shall be considered under performance. Also under para 25 on page 12 "The secretariat shall calculate the respective thresholds $TH_{I1,CC,y}$ and $TH_{I1,IRC,y}$ for indicators $I_{1,CC}$ and $I_{1,IRC}$ it is not understood if there will be common thresholds for all the DOEs irrespective of the amount of projects being handled or it would be relative.	The incomplete submissions at completeness check and information and reporting check are not in a normal distribution, and hence the normality assumption made in the current monitoring procedure does not hold. Several tests were made to check the continuation of applying the parametric method or approximation of the parametric method, but none of these tests match the assumption needed for the use of parametric distribution assumption. The bootstrap method is a non-parametric approach to establish an empirical threshold based on the data generated from the entire population (i.e. all submission made by all DOEs) irrespective of the number of submissions finalized in a given monitoring period, and the common threshold is to be established and applied to all DOEs.

#### 4. Impacts

14. The revised DOE monitoring procedure would enable the operation of the systematic DOE performance monitoring system even when submissions of requests for registration, issuance, etc. are low.

#### 5. Subsequent work and timelines

15. It is proposed that the revised DOE monitoring procedure enter into force on 29 May 2020 with one-year grace period with the following transitional arrangements:
- (a) The monitoring report "CDM-RTP-FORM: Report to the public" as per section 7.1 of the revised DOE monitoring procedure shall not be published to the public during this one-year grace period, given that DOEs might need time to adjust their system to comply with the revised DOE monitoring procedure;
  - (b) The monitoring reports "CDM-RTDOE-FORM: Report to the DOEs" and "CDM-RTEBAP-FORM: Report to the Board and CDM-AP" as per section 7.1 of the revised DOE monitoring procedure shall be published during this one-year grace period;
  - (c) The CDM-AP may provide any recommendations to the Board as necessary after considering the monitoring report "CDM-RTEBAP-FORM";
  - (d) The actions specified as per sections 8.2 and 8.3 of the revised DOE monitoring procedure shall not be undertaken unless the Board requests to take such actions.
16. The process workflow will be modified with the estimated cost of 40,000 Euros once the Board adopts the revised DOE monitoring procedure.

## **6. Recommendations to the Board**

17. The secretariat recommends that the Board:

- (a) Adopt the revised DOE monitoring procedure with the implementation of the first monitoring period starting from 1 May to 31 August 2020;
- (b) Agree on the one-year grace period and the transitional measures as per paragraph 15 above;
- (c) Request the secretariat to establish the process workflow to implement the revisions;
- (d) Request the secretariat to report back on the outcome of implementation of the revised DOE monitoring procedure after the one-year grace period.

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<b>1. INTRODUCTION .....</b>	<b>13</b>
1.1. Background .....	13
1.2. Objective.....	13
<b>2. SCOPE .....</b>	<b>13</b>
2.1. Scope .....	13
2.2. Applicability .....	14
2.3. Entry into force .....	15
<b>3. DEFINITIONS .....</b>	<b>15</b>
<b>4. DATA COMPILATION AND CLASSIFICATION OF INFORMATION ON PERFORMANCE.....</b>	<b>15</b>
4.1. Classification and grading of non-compliances .....	15
4.2. Definition of performance indicators .....	16
4.3. Data compilation and calculation of indicators.....	20
4.3.1. Data compilation and calculation of indicators $I_{1,CC}$ and $I_{1,IRC}$ and $I_2$ .....	20
4.3.2. Data compilation and calculation of indicators $I_{2,REG}$ and $I_{2,ISS}$ .....	20
4.3.3. Data compilation and calculation of the indicators $I_3$ and $I_4$ .....	21
4.3.4. Compilation of data to produce monitoring reports .....	21
<b>5. DEFINITION OF THRESHOLDS .....</b>	<b>22</b>
5.1. Thresholds for indicators $I_{1,CC}$ and $I_{1,IRC}$ .....	22
5.2. Thresholds for indicator $I_2$ .....	23
5.3. Thresholds for indicator $I_3$ .....	24
<b>6. MONITORING PERIODS .....</b>	<b>25</b>
<b>7. REPORTING ON DOE PERFORMANCE .....</b>	<b>25</b>
7.1. Types of Reports.....	25
7.2. Frequency of reporting .....	25
<b>8. ACTIONS TO BE UNDERTAKEN BASED ON THE DOE PERFORMANCE MONITORING .....</b>	<b>26</b>
8.1. Actions to be undertaken by Designated Operational Entities .....	26
8.2. Actions to be undertaken by the secretariat .....	26

8.3.	Actions to be undertaken by the CDM Accreditation Panel.....	27
8.3.1.	Number of performance assessments.....	27
8.3.2.	Preparation of assessment work plans .....	28
8.3.3.	Activation of spot-checks .....	28
8.4.	Actions to be undertaken by the CDM Executive Board.....	28
<b>APPENDIX 1.</b>	<b>MATRIX FOR CATEGORIZATION OF NON-COMPLIANCE ISSUES — REQUESTS FOR REGISTRATION FOR BOTH PROJECT ACTIVITIES AND POAS, REQUESTS FOR RENEWAL OF CREDITING PERIOD OF PROJECT ACTIVITIES, AND REQUESTS FOR RENEWAL OF POA PERIOD REGISTRATION.....</b>	<b>37</b>
<b>APPENDIX 2.</b>	<b>MATRIX FOR CATEGORIZATION OF NON-COMPLIANCE ISSUES — REQUESTS FOR ISSUANCE FOR PROJECT ACTIVITIES AND POAS .....</b>	<b>46</b>
<b>APPENDIX 3.</b>	<b>MATRIX FOR CATEGORIZATION OF ISSUES IDENTIFIED AT REQUESTS FOR APPROVAL OF POST-REGISTRATION CHANGES TO BOTH PROJECT ACTIVITIES AND POAS UNDER THE PRIOR-APPROVAL TRACK AND NOTIFICATION OF CHANGES TO CPAS.....</b>	<b>50</b>
<b>APPENDIX 4.</b>	<b>CALCULATION OF THE THRESHOLD FOR INDICATOR.....</b>	<b>55</b>

## 1. Introduction

### 1.1. Background

1. This “Procedure on performance monitoring of designated operational entities” sets a requirement to monitor performance and address non-compliance by designated operational entities (DOEs) play a vital role under the clean development mechanism (CDM) by performing validation and verification functions in a systematic manner.
2. The impartiality and competence of DOEs are ensured through the application of the “CDM accreditation standard” and “Procedure for accrediting operational entities by the Executive Board of the Clean Development Mechanism” (the “CDM accreditation procedure”). The latter relies in many of its steps (e.g. definition of the number and type of performance assessments, regular on-site surveillance, assessment of non-central sites, and spot-check) on the results of the performance monitoring of the DOEs.

### 1.2. Objective

3. The objective of the “Procedure on performance monitoring of designated operational entities” (herein after referred to as this procedure) is to:
  - (a) Set out the process and requirements to monitor the performance of, and address non-compliance by, DOEs in a systematic manner;
  - (b) Foster improvement of the performance of DOEs, and provide the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) and the CDM Accreditation Panel (CDM-AP) with tools for informed decision-making on actions in the accreditation process;
  - (c) The data compiled shall also foster system-wide improvements via identification of issues where guidance or requirements lack clarity or are non-existent.

## 2. Scope

### 2.1. Scope

4. This procedure monitors the performance of DOEs through the monitoring, classification and rating of the non-compliances identified at the requests for registration, and issuance for both project activities and programmes of activities (PoAs), requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of post-registration changes (PRCs) of both project activities and PoAs under the prior-approval track, and notifications of changes to component project activities (CPAs) or post-registration changes submitted by DOEs. It provides for monitoring, classification and categorization of non-compliance into pre-defined sub-categories and assigns weights to be used for classifying and grading non-compliances. It establishes a rating system for all DOEs’ non-compliances, comparing the indicators with the agreed thresholds and recommending appropriate actions, to be carried out system-wide.
5. The procedure establishes a system to compile information to calculate indicators relevant to the performance of DOEs at the stages of request for registration, request for issuance and request for post-registration changes. It establishes thresholds to evaluate the

performance of DOEs at two stages: request for registration and request for issuance. The current version of the procedure does not provide for thresholds at the request for post-registration changes stage. Once the secretariat has accumulated a statistically relevant amount of information about this stage, the Board may revise this procedure in order to establish thresholds as well as the consequences stemming from reaching these thresholds.

6. This procedure is not intended to provide for comparative ranking of DOEs, but to indicate the level of performance and compliance of individual DOEs with the CDM requirements. Its implementation should be complemented with system-wide analysis and improvement.
7. The results of the DOEs performance monitoring are communicated in the following ways to DOEs, the CDM-AP and the Board.
  - (a) Reporting to DOEs on their performance haswith the three main objectives:
    - (i) Providing feedback on their performance with relevant information that would allow them to conduct a root-cause analysis of the deficiencies in their validation/verification work;
    - (ii) Informing DOEs of their performance and level of their performance indicators so that they are aware whether the thresholds have been reached or are about to be reached;
    - (iii) Informing DOEs of whether any further action has been decided on;
  - (b) Reporting to the CDM-AP shallto provide information tools for anits informed decision-making in accordance with The CDM accreditation procedure relies in many of its steps (e.g. determination of number and type of performance assessments, regular on-site surveillance, assessment of non-central sites, and spot-check) on the results of the DOE performance monitoring;
  - (c) Reporting to the Board as the final decision-making body to provide it with all relevant data for its decision-making in accordance with the CDM accreditation procedure. Such data shall also as well as to allow the Board to make system-wide improvement via the identification of issues where guidance or requirements lack clarity or are non-existent.

## 2.2. Applicability

8. This procedure is applicable to the performance of DOEs during their entire accreditation term; that is, from the date of accreditation of an entity by the Board until the expiry of its accreditation. The provisions of this procedure are not applicable during a suspension of the accreditation of the entityDOEs.
9. The monitoring of the performance of DOEs is based on the compilation of data through the assessment of the requests for registration, and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior-approval track, and notifications of changes to CPAs and requests for post-registration changes submitted by the DOEs regarding CDM project activities. This procedure does not monitor the performance of DOEs with regard to programmes of activities (PoAs). Once the secretariat has accumulated a statistically relevant amount of

information about requests related to PoAs, the Board may revise this procedure in order to monitor the performance of DOEs with regard to PoAs.

## 2.3. Entry into force

10. This procedure shall be applicable from the time at which the first monitoring reports corresponding to requests for registration, issuance and post-registration changes submitted during 2013 are to be issued. Version 4.0 of this procedure enters into force on DD MM YYYY.

## 3. Definitions

11. In addition to the definitions contained in the "Glossary of CDM Terms", the following definitions of terms are used in this document:
- (a) **DOE performance** - how successfully a DOE carries out its validation and verification functions, as defined in the annex to decision 3/CMP.1 (Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol), other decisions of the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol(CMP) and the Board;
  - (b) **Non-compliance** - failure to meet a CDM rules and requirements.

## 4. Data compilation and classification of information on performance

### 4.1. Classification and grading of non-compliances

12. The monitoring of the performance of a DOE is based on the compilation of data through the assessment and review, as applicable, of the requests for registration and, issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, and requests for post-registration changes approval of PRCs to both project activities and PoAs under the prior-approval track, and notification of changes to CPAs submitted by the DOE; the identification of non-compliances, if any, and their classification into predetermined categories that are as follows:
- (a) Issues related to reporting;
  - (b) Issues related to failure to follow procedural requirements;
  - (c) Technical correctness and accuracy issues with regard to failure to identify non-compliance with CDM rules and requirements;
  - (d) Other issues, to analyse system-wide gaps and improve classification.
13. Appendices 1, 2 and 3 detail the above-identified categories into subcategories for the processes of requests for registration for both project activities and PoAs, requests for renewal of crediting period of project activities and requests for renewal of PoA period (appendix 1), requests for issuance for both project activities and PoAs (appendix 2) and requests for approval of PRCs to both project activities and PoAs under the prior-approval track and notification of changes to CPAs post-registration changes (appendix 3). This

further sub-division categorization is provided in order to reduce the level of subjectivity during the identification of non-compliances and to provide sufficient information to DOEs to allow them to understand their performance and appropriately focus their internal improvement efforts.

14. Appendices 1, 2 and 3 also include a weighting for the various categories, based on the severity and potential impact on the credibility of the accreditation processes. A linear scale using values between 1 (minimum) and 5 (maximum) is used in order to minimize subjectivity during the rating while still allowing sufficient differentiation between the issues based on their severity.

## 4.2. Definition of performance indicators

15. Based on the classification and weights referred to in paragraphs 12 to 14 above, the secretariat shall measure for each DOE the performance indicators defined in paragraphs 16 below and 1 below.
16. The secretariat shall calculate, for each of the requests for registration and issuance submitted during a given monitoring period as defined in paragraph 37 below, the following performance indicators:

(a) Indicator  $I_{1,1}$ <sup>1</sup> which includes the following two sub-indicators:

- (i) Indicator  $I_{1,CC}$  (Rate of incomplete submissions at completeness check (CC)) calculated as the number of requests concluded as incomplete at completeness check divided by the number of requests submitted which have completed the cycle,<sup>2</sup> regardless of the number of issues identified in each incomplete submission:
  - a. Indicator  $I_{1,CC}$  = number of requests concluded as incomplete at completeness check / number of requests completed;
  - b. Indicator  $I_{1,CC}$  is to monitor the following types of requests:
    - i. Requests for registration and issuance for both project activities and PoAs;
    - ii. Requests for renewal of crediting period of project activities;
    - iii. Requests for renewal of PoA period;
    - iv. Requests for approval of PRCs to both project activities and PoAs under the prior-approval track;
    - v. Notifications of changes to CPAs;

<sup>1</sup> The indicators  $I_{1,CC}$  and  $I_{1,IRC}$  shall take into account the number of times a particular request is rejected at CC or IRC; therefore if the same request is rejected at CC or IRC multiple times, the re-submission of the same request shall be counted as a different request.

<sup>2</sup> A request for registration/issuance completes its cycle once a final decision (approval, rejection, or withdrawal) is taken in a given monitoring period.



- (ii) **Indicator  $I_{1,IRC}$**  (Rate of incomplete submissions at information and reporting check (IRC)) calculated as the number of requests concluded as incomplete at **IRC information and reporting check** divided by the number of requests submitted which have completed the cycle, regardless of the number of issues identified in each incomplete submission:

a. **Indicator  $I_{1,IRC}$  = number of requests concluded as incomplete at **information and reporting check** / number of requests completed;**

b. **Indicator  $I_{1,IRC}$  is to monitor the following types of requests:**

- i. **Requests for registration and issuance for both project activities and PoAs;**
- ii. **Requests for renewal of crediting period of project activities;**
- iii. **Requests for renewal of PoA period;**

(b) **Indicator  $I_2$ , which includes the following two sub-categories and is to calculate the risk priority number (RPN) value based on the steps specified in appendix 4 at the stage when a request for review is raised:**

- (i) **Indicator  $I_{2,REG}$  Rate of requests for review adjusted by weight of the requests, as referred to in paragraph 14:**

a. **When the number of review cases during a given monitoring period is:**

- i. **Higher than or equal to 3:<sup>3</sup>**

**Indicator  $I_{2,REG}$  = Proportion of the RPN values resulted from requests for review for each DOE over the RPN mean value resulted from all requests for review for all DOEs  $\frac{\text{SUM (weights of request for reviews)}}{\text{Number of requests completed}}$ ;**

- ii. **Less than 3:**

**Indicator  $I_{2,REG}$  = RPN value resulted from requests for review for each DOE;**

b. **Indicator  $I_{2,REG}$  is to monitor the following types of requests:**

- i. **Requests for registration for both project activities and PoAs;**
- ii. **Requests for renewal of crediting period of project activities and requests for renewal of PoA period;**

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<sup>3</sup> This does not include the situation where the k<sup>th</sup> DOE has a request for review case higher than or equal to 3, but this DOE is the only DOE having the request for review cases in a given monitoring period. This type of situation will be treated under the situation of "less than 3".

(ii) Indicator  $I_{2,ISS}$ :

a. When the number of review cases during a given monitoring period is:

i. Higher than or equal to 3:<sup>4</sup>

Indicator  $I_{2,ISS}$  = Proportion of the RPN values resulted from requests for review for each DOE over the RPN mean value resulted from all requests for review for all DOEs;

ii. Less than 3:

Indicator  $I_{2,ISS}$  = RPN value resulted from requests for review for each DOE;

b. Indicator  $I_{2,ISS}$  is to monitor the requests for issuance for both project activities and PoAs;

17. The secretariat shall calculate the following indicators for each of the requests for post-registration changes submitted during a given monitoring period as defined in paragraph 32 below:

(a) ~~Rate of incomplete submissions at completeness check~~ of the post-registration changes calculated as the number of requests concluded as incomplete at completeness check divided by the number of requests submitted which have completed the cycle, regardless of the number of issues identified in each rejection:

(i) ~~Indicator  $I_3$  = number of requests concluded as incomplete at completeness check/number of requests completed;~~

(b) Indicator  $I_3$ , which is to calculate the RPN value based on the steps specified in appendix 4 at the stages of clarification and rejection of Rate of issues required for clarifications from the DOE and requests for approval of PRCs to both project activities and PoAs under the prior-approval track post-registration changes adjusted by weight of the requests and notifications of changes to CPAs:<sup>5</sup>

(i) Indicator  $I_4$  = SUM (weights of 'requests for clarification from the DOE' and number of requests rejected for post-registration changes adjusted by weight of the requests)/number of requests completed. When the number of

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<sup>4</sup> See footnote 3.

<sup>5</sup> As per the respective CDM project cycle procedures for project activities and PoAs (PCPs), the term "requests for clarification from the DOE" is a step in the PCPs where the DOE provides the response to the clarifications raised during the summary note preparation stage of the PRCs process, and the term "rejected request" is a step in the PCPs where the Board rejects the proposed changes.

requests for clarification and rejected requests during a given monitoring period is:

- a. Higher than or equal to 3:<sup>6</sup>

Indicator  $I_3$  = Proportion of the RPN values resulted from requests for clarification and rejected requests for each DOE over the RPN mean value resulted from all requests for clarification and rejected requests for all DOEs;

- b. Less than 3:

Indicator  $I_3$  = RPN value resulted from requests for clarification and rejected requests for each DOE;

- (ii) Indicator  $I_3$  is to monitor the following types of requests:

- a. Requests for approval of PRCs to both project activities and PoAs under the prior-approval track;
- b. Notifications of changes to CPAs.

18. The indicators shall be calculated based on those requests for which a final decision (approval, rejection or withdrawal as per paragraph 19 below) was taken in a given monitoring period.

19. The withdrawal of a submitted request for registration, issuance or post-registration change-registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity, request for renewal of PoA period, request for approval of PRCs to a project activity or PoA under the prior-approval track, or notification of changes to CPAs shall be treated as follows:

- (a) Such withdrawal of a submitted request Any request for withdrawal of request for registration or issuance or post-registration changes shall not be considered/ counted in the calculation of indicators  $I_{1,CC}$  and  $I_{1,IRC}$  and  $I_3$ ;
- (b) Such withdrawal of a submitted request Any request for withdrawal of request for registration or issuance shall:
- (i) Not be considered/ counted in the calculation of indicators  $I_2$  and  $I_3$ , if the withdrawal request is made prior to the respective notification of request for review and requests for clarification and rejected requests of registration or issuance;
- (ii) Be considered/ counted in the calculation of indicators  $I_2$  and  $I_3$ , if the withdrawal request is made after the respective notification of request for review and requests for clarification and rejected requests of registration or issuance;

<sup>6</sup> This does not include the situation where the  $k^{th}$  DOE has requests for clarification and rejected request cases higher than or equal to 3, but this DOE is the only DOE having such cases in a given monitoring period. This type of situation will be treated under the situation of "less than 3".

20. Any request for withdrawal of post-registration changes shall not be considered in the calculation of indicator I<sub>4</sub>.

### 4.3. Data compilation and calculation of indicators

#### 4.3.1. Data compilation and calculation of indicators I<sub>1,CC</sub> and I<sub>1,IRC</sub> and I<sub>2</sub>

21. Once a DOE submits a request for registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity, request for renewal of PoA period, request for approval of PRCs to both project activity or PoA under the prior approval-track, and notification of changes to CPAs registration/issuance, the secretariat shall assess the submitted documentation at two stages, to determine whether it meets the CDM rules and requirements, and shall calculate the indicators as follows:

- (a) At the **CC completeness check stage**: based on this assessment, the submission shall be either deemed complete or incomplete. Based on the rate of submissions concluded as incomplete, the indicator I<sub>1,CC</sub> shall be calculated;
- (b) At the **IRC information and reporting check stage**: based on this assessment, the submission shall be either deemed complete or incomplete. Based on the rate of submissions concluded as incomplete, the indicator I<sub>1,IRC</sub> shall be calculated;
- (c) Indicators I<sub>1,CC</sub> and I<sub>1,IRC</sub> shall be calculated based on the paragraph 16 (a) above.

#### 4.3.2. Data compilation and calculation of indicators I<sub>2,REG</sub> and I<sub>2,ISS</sub>

22. Once a DOE submits a request for registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity or request for renewal of PoA period, the secretariat shall assess the submitted documentation at the stage of request for review to determine whether it meets the CDM rules and requirements and shall calculate the indicators as follows:

- (a) At the **request for review stage**. The following steps have to be followed to calculate indicators I<sub>2,REG</sub> and I<sub>2,ISS</sub>:
  - (i) Non-compliance issues shall be identified and classified into categories and subcategories as specified in appendices 1 and 2;
  - (ii) A weighting factors for the criticality and historical frequency of each issue identified shall be attached to each of the issues identified. Each registration and issuance request will be given an overall weight equal to the sum of RPN value based on the identified weights of individual issues, including those that are closed after the provision of further information/documentation by the DOE;
  - (iii) The weighting of non-compliance issues shall be finalized only after a final decision on the specific request has been made;
- (b) Based on the final weighting of the issues identified, the indicator I<sub>2,REG</sub> and I<sub>2,ISS</sub> shall be calculated based on paragraph 16 (b) above.

#### 4.3.3. Data compilation and calculation of the indicators I<sub>3</sub> and I<sub>4</sub>

23. Once a DOE submits a request for approval of PRCs to both project activity or PoA under the prior-approval track, or notification of changes to CPAs post-registration changes,<sup>7</sup> the secretariat shall assess the submitted documentation in two stages, to determine whether it meets the CDM rules and requirements and shall calculate the indicators as follows:

- (a) At the completeness check stage: based on this assessment, the submission shall be either deemed complete or incomplete based on the compliance with the relevant checklist. Based on the rate of incomplete submissions the indicator I<sub>3</sub> shall be calculated;
- (b) When the secretariat prepares a **summary note** and requests the DOE to provide a **clarification** of the PRCs post-registration changes requested ("clarification stage") and when the request for approval of PRCs post-registration changes is **rejected** ("rejected request stage") following these steps:
  - (i) Non-compliance issues shall be identified and classified into categories and subcategories as specified in appendix 3;
  - (ii) A weight factors for the criticality and historical frequency of each issue identified shall be associated with each of the issues identified at the clarification and rejected request stages. Each PRCs post-registration request will be given an overall weight equal to the sum of RPN value based on the identified weights of individual issues, across the sub-types of PRCs post-registration changes, including those that are closed after the provision of further information/documentation by the DOE;
  - (iii) The weighting of non-compliance issues shall be finalized only after a final decision on the specific request has been made;
- (c) Based on the final weighting of the issues identified, the indicator I<sub>4</sub> shall be calculated based on paragraph 16 (c) above.

#### 4.3.4. Compilation of data to produce monitoring reports

24. During the assessment of the requests for registration and issuance, the secretariat shall compile the data specified in appendix 4 (tables 1 to 4). The secretariat shall classify the non-compliance issues identified at the request for review stage and at the final stage, i.e. when a decision about a registration or issuance is adopted according to the matrix provided in appendix 5 for the registration process and in the matrix provided for in appendix 6 for issuance process.

25. During the assessment of the requests for post-registration changes, the secretariat shall compile the data specified in appendix 4 (tables 5 to 8). The secretariat shall classify the non-compliance issues identified at the preparation of summary note stage and at the rejected request stage, i.e. when a decision about the post-registration changes request is adopted according to the matrix provided in appendix 7.

<sup>7</sup> Given that the PCPs allows all five sub-types of PRCs post-registration changes to be submitted together in a single submission, the submission shall be assessed as a whole, covering all sub-types of PRCs.

## 5. Definition of thresholds

### 5.1. Thresholds for indicators $I_{1,CC}$ and $I_{1,IRC}$

26. The secretariat shall calculate the respective thresholds  $TH_{I_{1,CC},y}$  and  $TH_{I_{1,IRC},y}$  for indicators  $I_{1,CC}$  and  $I_{1,IRC}$  for each DOE for each given  $y^{th}$  monitoring period using the following formula bootstrapping method as specified in appendix 4:

$$UCL = T_{iy} = p_y + k \frac{\sqrt{p_y(1-p_y)}}{\sqrt{n_{iy}}}$$

Where:

- $T_{iy}$  = Threshold for  $i^{th}$  DOE for  $y^{th}$  monitoring period;
- $p_y$  = Values to be used in calculation of  $T_{iy}$  and is determined as per method in paragraph 24 below;
- $n_{iy}$  = Number of submissions of registration or issuance from  $i^{th}$  DOE for  $y^{th}$  monitoring period that have completed the cycle (for which the final decision has been made);
- $k$  = Quantiles of standard normal distribution, set to 2 for the thresholds of indicators corresponding to requests for registration and to 1 for the thresholds of indicators corresponding to requests for issuance.

27. The method for determination of  $p_y$  is calculated as below:

- (a) When  $y = 1$  (first monitoring period),

$$p_y = p_1$$

- (b) When  $y = 2, 3, 4, \dots$  (second monitoring period and above)

$$p_y = \text{Lower value of } p_{y-1} \text{ and } I_{iy}$$

Where:

- $I_{iy}$  = Sum of total number of requests concluded as incomplete at CC or IRC for all DOEs for  $1^{st}$  to  $y^{th}$  monitoring period / Sum of total number of requests completed at CC or IRC for all DOEs for  $1^{st}$  to  $y^{th}$  monitoring period;
- $p_1$  = Sum of total number of requests concluded as incomplete at CC or IRC for all DOEs for  $1^{st}$  monitoring period / Sum of total number of requests completed at CC or IRC for all DOEs for  $1^{st}$  monitoring period.

28. The application of the equation for determination of thresholds to completeness check (CC) and information and reporting check (IRC) for requests for registration and issuance for each  $i^{\text{th}}$  DOE within the  $y^{\text{th}}$  monitoring period is expressed in the table below:

**Table 1. Options for proposed thresholds**

CC/IRC	Indicator	$T_{iy}$	Equation to determine threshold
Registration (CC)	$I_{1,CC}$	$X_{iy}$	$T_{iy} = X_{iy} = p_y + k \frac{\sqrt{p_y(1-p_y)}}{\sqrt{n_{iy}}}$
Registration (IRC)	$I_{1,IRC}$	$Y_{iy}$	$T_{iy} = Y_{iy} = p_y + k \frac{\sqrt{p_y(1-p_y)}}{\sqrt{n_{iy}}}$
Issuance (CC)	$I_{1,CC}$	$Z_{iy}$	$T_{iy} = Z_{iy} = p_y + k \frac{\sqrt{p_y(1-p_y)}}{\sqrt{n_{iy}}}$
Issuance (IRC)	$I_{1,IRC}$	$\beta_{iy}$	$T_{iy} = \beta_{iy} = p_y + k \frac{\sqrt{p_y(1-p_y)}}{\sqrt{n_{iy}}}$

29. The defined thresholds for the  $i^{\text{th}}$  DOEs within the  $y^{\text{th}}$  monitoring period are reached when:

30. AtFor the CC stageregistration process: The threshold is reached when the value of  $I_{1,CC}$  is  $> TH_{I1,CC,y} X_{iy}$  or  $I_{1,IRC}$  is  $> Y_{iy}$ ;

31. AtFor the IRC stageissuance process: The threshold is reached when the value of  $I_{1,IRC}$  is  $> TH_{I1,IRC,y} Z_{iy}$  or  $I_{1,IRC}$  is  $> \beta_{iy}$ .

32. The  $k^{\text{th}}$  DOE is considered to be in the “green zone” if its indicator  $I_{1,CC}$  is equal to or less than  $TH_{I1,CC,y} X_{iy}$  or its indicator  $I_{1,IRC}$  is equal to or less than  $TH_{I1,IRC,y} Y_{iy}$  (indicators for the registration process) and/or its indicator  $I_{1,CC}$  is equal to or less than  $Z_{iy}$  or its indicator  $I_{1,IRC}$  is equal to or less than  $\beta_{iy}$  (indicators for the issuance process).

33. The  $k^{\text{th}}$  DOE is considered to be in the “red zone” if its indicator  $I_{1,CC}$  is more than  $TH_{I1,CC,y} X_{iy}$  or its indicator  $I_{1,IRC}$  is more than  $TH_{I1,IRC,y} Y_{iy}$  (for the registration process) and/or its indicator  $I_{1,CC}$  is more than  $Z_{iy}$  or its indicator  $I_{1,IRC}$  is more than  $\beta_{iy}$  (for the issuance process).

## 5.2. Thresholds for indicator $I_2$

34. For the Indicators  $I_{2,REG}$  and  $I_{2,ISS}$  each of the registration and issuance processes, thetwo respective thresholds are identified as follows:

(a) For the registration process:

(i) First threshold is reached when  $I_2$  is  $> 0.5$ ;

(ii) Second threshold is reached when  $I_2$  is  $> 3$ ;

~~(b) For the issuance process:~~

~~(i) First threshold is reached when  $I_2$  is  $> 0.5$ ;~~

~~(ii) Second threshold is reached when  $I_2$  is  $> 1.5$ .~~

~~35. According to the thresholds defined, a DOE shall be considered to be:~~

(a) When the number of review cases is higher than or equal to 3 in a given monitoring period, the DOE is considered to be:

(i) In the "**green zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is equal to or less than 0.65 for both the registration and issuance processes;

(ii) In the "**yellow zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is higher than or equal to 0.6 above 0.5 but equal to or less than 0.83 for the registration process or between 0.5 and 1.5 for the issuance process;

(iii) In the "**red zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is higher than or equal to above 0.83 for the registration process or above 1.5 for the issuance process.;

(b) When the number of review cases is less than 3 in a given monitoring period, the DOE is considered to be:

(i) In the "**green zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is less than 6;

(ii) In the "**yellow zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is higher than or equal to 6 but less than 10;

(iii) In the "**red zone**" if its indicator  $I_{2,REG}$  or  $I_{2,ISS}$  is higher than or equal to 10.

### 5.3. Thresholds for indicator $I_3$

36. For the Indicators  $I_3$ , the respective thresholds are identified as follows:

(a) When the number of clarification and rejection of requests cases is higher than or equal to 3 in a given monitoring period, the DOE is considered to be:

(i) In the "**green zone**" if its indicator  $I_3$  is less than 0.6;

(ii) In the "**yellow zone**" if its indicator  $I_3$  is higher than or equal to 0.6 but less than 0.8;

(iii) In the "**red zone**" if its indicator  $I_3$  is higher than or equal to 0.8;

(b) When the number of clarification and rejection of requests cases is less than 3 in a given monitoring period, the DOE is considered to be:

(i) In the "**green zone**" if its indicator  $I_3$  is less than 6;

(ii) In the "**yellow zone**" if its indicator  $I_3$  is higher than or equal to 6 but less than 11;

(iii) In the "**red zone**" if its indicator  $I_3$  is higher than or equal to 11.



## 6. Monitoring periods

37. The performance of DOEs shall be monitored and the performance indicators calculated based on requests for ~~registration or issuance or post-registration changes~~ registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior-approval track, and notification of changes to CPAs submitted during monitoring periods of four months. Each year, a monitoring period starts on 1 January and ~~ends~~ finishes on 30 April, followed by the next monitoring period, ~~which that~~ starts on 1 May and ends on 31 August, and, the final monitoring period, ~~which that~~ starts on 1 September and ends on 31 December.
38. The secretariat shall gradually calculate the indicators at the end of the monitoring period as the requests become finalized.
39. A DOE shall be subject to monitoring of its indicator I2 only after it has finalized a seventh request of registration or issuance in a given monitoring period.

## 7. Reporting on DOE performance

### 7.1. Types of Reports

40. The secretariat shall prepare reports on the performance of DOEs (DOE performance monitoring reports) using the following forms:
  - (a) CDM-RTDOE-FORM: Report to the DOEs;
  - (b) CDM-RTEBAP-FORM: Report to the Board and CDM-AP;
  - (c) CDM-RTP-FORM: Report to the public.
41. DOEs may seek clarification from the secretariat on the content of the report to DOEs referred to in paragraph 40(a) above, by e-mail through a dedicated e-mail address. The secretariat shall consider the clarification requests and provide responses.
42. In addition to the DOE performance monitoring reports, the secretariat shall prepare on an ~~bi~~ annual basis an analysis report containing a detailed analysis of the issues arising from the performance of DOEs, in particular any issues that highlight shortcomings in the existing standards or procedures. This report shall provide information to the Board and assist it in developing or revising its workplans and those of its panels and working groups.

### 7.2. Frequency of reporting

43. The secretariat shall prepare the first iteration of the DOE performance monitoring reports based on the data related to requests for ~~registration, issuance and post-registration changes~~ registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior approval-track, and notification of changes to CPAs finalized within three months of the end of each monitoring period. The first iteration of such reports shall be issued no later than four months after the end of each monitoring period, ~~and if the first iteration does not cover the finalization of 95 per cent of the requests,~~ the second iteration shall cover the requests

that are finalized within six months of the end of each monitoring period or finalization of 95 per cent of the requests, whichever comes first. The secretariat shall be issued the second iteration no later than seven months after the end of the same monitoring period or no later than one month after the finalization of 95 per cent of the requests, whichever comes first.

44. Subsequent iterations of the DOE performance monitoring reports shall be issued at three-monthly intervals after the second iteration of the reports is issued and until all submitted requests for registration or issuance or post-registration changes have been finalized.

45. Notwithstanding paragraphs 37 and 38 above, if submissions of requests for registration, issuance and post-registration changes from all DOEs are below 100, 400 and 100, respectively, during a monitoring period, the secretariat shall prepare only one iteration of the report for the monitoring period based on the data related to the requests for registration, issuance and post-registration changes finalized within six months after the end of the monitoring period. This report (considered as "iteration 2") shall be issued no later than seven months after the end of the same monitoring period.

## 8. Actions to be undertaken based on the DOE performance monitoring

46. Based on the outcome of the DOE performance monitoring, different actors shall take a set of actions as described in the paragraphs that follows.

### 8.1. Actions to be undertaken by Designated Operational Entities

47. If any of the DOE performance monitoring reports show that a DOE has reached the threshold for the indicators  $I_{1,CC}$  and/or  $I_{1,IRC}$  or is in the yellow zone or red zone of indicators  $I_2$  or  $I_3$ , the secretariat shall formally request the DOE shall undertake a root-cause analysis to identify the causes of the deficiencies in its system, and implement appropriate corrective/preventive and/or preventative/corrective actions to improve its performance.

48. The DOE shall be responsible for ensuring that corrective and/or preventative actions identified as a result of the root-cause analysis carried out are adequate and address the identified issues in a systematic manner.

### 8.2. Actions to be undertaken by the secretariat

49. The information contained in the DOE performance monitoring reports shall be used to prepare the work-plan of the regular surveillance assessment or the reaccreditation assessment, whichever is to be conducted earlier.

50. If the second iterations final version of the DOE performance monitoring reports corresponding to two consecutive monitoring periods show that a DOE has been in the red zone with regard to performance indicators  $I_{1,CC}$  or  $I_{1,IRC}$  for either registration or issuance,<sup>8</sup> the workplan CDM-AP shall include an instruction a request for to the

<sup>8</sup> The first iteration report will be considered as the final version of the DOE performance monitoring report, if the first iteration report covers 95 per cent of requests. The second iteration report will be considered as the final version of the DOE performance monitoring report if the first iteration report does not cover 95 per cent of requests.

assessment team (CDM-AT) to assess whether the DOE has carried out a root-cause analysis as a result of the DOE performance monitoring and that ~~corrective~~preventive and/or ~~preventive~~corrective actions identified were correctly undertaken in the next site visit (regular surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.

51. If the final version~~any~~ of the DOE performance monitoring reports show that a DOE is in the yellow zone of indicators  $I_2$  or  $I_3$  ~~for either the registration or issuance process~~, the ~~workplan~~CDM-AP shall include an ~~instructional request~~ for the CDM-AT to assess whether the ~~corrective~~preventive and/or ~~preventive~~corrective actions identified were correctly undertaken in the next site visit (non-central site, regular ~~on-site~~ surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.
52. If the final version of the DOE performance monitoring reports show that a DOE is in the red zone for indicators  $I_2$  or  $I_3$ , the secretariat shall report the cases to the CDM-AP in accordance with paragraph 63 below.

### 8.3. Actions to be undertaken by the CDM Accreditation Panel

53. Based on the data reported by the secretariat to the CDM-AP, including instances where the Board approved the requests but issues pertaining to the submissions identified by the Board indicate a decline in the DOE performance in validation or verification, the CDM-AP at its next meeting or the subsequent meeting ~~after~~, shall decide on the number and type of performance assessments, ~~the number of non-central sites to be assessed, and the areas to be assessed during the performance site assessments, and regular on-site surveillance assessments and re-accreditation assessments, and/or any appropriate recommendation in accordance with the CDM accreditation procedure.~~

#### 8.3.1. Number of performance assessments

54. If the ~~second iteration~~final version of the DOE performance monitoring reports shows that a DOE is in the yellow zone ~~for of the~~ indicator  $I_2$  in ~~three~~two consecutive monitoring periods ~~in the registration or issuance process~~, the CDM-AP shall add one additional performance assessment to the number of planned performance assessments. The nature of this performance assessment shall be defined considering the process that reached the threshold:
  - (a) If the threshold is reached as a result of the registration process, a validation performance assessment shall be conducted;
  - (b) ~~Likewise, a verification performance assessment shall be conducted if the threshold is reached as a result of the issuance process, a verification performance assessment shall be conducted.~~
55. These performance assessments, when possible, shall be on the sectoral scopes and/or methodologies where ~~at the~~ DOE recurrently fails to perform appropriately according to the results of the DOE performance monitoring reports.
56. The CDM-AP shall reduce one performance assessment from ~~those added~~the number of ~~planned~~ performance assessments for a DOE ~~in accordance with the CDM accreditation procedure~~ when four consecutive monitoring periods show that the indicator  $I_2$  has remained in the green zone.

57. The CDM-AP may consider reducing the number of non-central offices to be assessed during the regular surveillance after reaccreditation, when the indicator I2 of a DOE has remained in the green zone during four consecutive monitoring periods.

### 8.3.2. Preparation of assessment work-plans

58. The secretariat shall provide the CDM-AP with the information about the issues identified in the performance monitoring reports, when a DOE reaches the yellow zone, detailing the specific CDM requirements where the DOE has failed to comply.

59. The information contained in the DOE performance monitoring reports shall be used to prepare the work plan of the regular surveillance assessment or the reaccreditation assessment, whichever is to be conducted earlier.

60. If the second iterations of the DOE performance monitoring reports corresponding to two consecutive monitoring periods show that a DOE has been in the red zone with regard to performance indicators I1, CC or I1, IRC for either registration or issuance, the CDM-AP shall include a request for the assessment team (CDM-AT) to assess whether the DOE has carried out a root-cause analysis as a result of the DOE performance monitoring and that preventive and/or corrective actions identified were correctly undertaken in the next site visit (regular surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.

61. If any of the DOE performance monitoring reports show that a DOE is in the yellow zone of indicator I2 for either the registration or issuance process, the CDM-AP shall include a request for the CDM-AT to assess whether the preventive and/or corrective actions identified were correctly undertaken in the next site visit (non-central site, regular surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.

62. The CDM-AP may consider reducing the number of non-central offices to be visited during the regular surveillance after reaccreditation, when the indicator I2 of a DOE has remained in the green zone during four consecutive monitoring periods.

### 8.3.3. Activation of spot-checks

63. The CDM-AP shall initiate a spot-check of a DOE, if the DOE is in the red zone of indicators I<sub>2</sub> and I<sub>3</sub> in the first iteration report if such report covers 95 per cent of the requests, or in the second iteration report if the first iteration report does not cover 95 per cent of the requests. The second iterations of the monitoring reports show that the DOE is in the red zone for the indicator I2 in either the registration or issuance processes, the CDM-AP shall initiate a spot-check of the DOE in accordance with the CDM accreditation procedure.

### 8.4. Actions to be undertaken by the CDM Executive Board

64. The Board, based on the information reported by the secretariat, shall take note of the performance of DOEs.

65. The Board may also, based on the analysis provided by the secretariat, identify any measures to improve its regulatory framework.

## Appendix 1 Categorization and weighting of issues identified at requests for registration

Classification of issues		Weight
<b>I</b>	<b>Issues related to reporting</b>	
<b>1</b>	This category includes errors covering: <ul style="list-style-type: none"> <li>Inconsistencies in the information presented in the documents presented/information supplied;</li> <li>Incomplete information/missing data;</li> <li>DOE has not fully reported how the requirements are being complied with;</li> <li>The latest project design document (PDD) template was not used.</li> </ul>	<b>1</b>
<b>II</b>	<b>Issues related to failure to follow procedural requirements</b>	
<b>1</b>	<ul style="list-style-type: none"> <li>The DOE did not raise a FAR during validation to identify issues related to project implementation that required review during the first verification of the project activity (VVS, para. 27);</li> <li>The DOE raised a FAR that relates to the CDM requirements for registration (VVS, para. 27).</li> </ul>	<b>4</b>
<b>2</b>	CAR/CLs in validation reports which are not closed out correctly: <ul style="list-style-type: none"> <li>Where the CAR resolution indicates that the PDD has been updated but it has not (VVS, para. 28);</li> <li>Where a CAR/CL is marked as closed without explanation (VVS, para. 29).</li> </ul>	<b>2</b>
<b>3</b>	Failure to carry out the global public stakeholder consultation in line with the CDM requirements (VVS, paras. 34–36).	<b>3</b>
<b>4</b>	Failure to visit project site or provide justification (VVS, paras. 65, 66, and 69).	<b>4</b>
<b>5</b>	Failure to request a deviation from the methodology when non-compliance of the project activity with the requirements of the methodology has been identified (VVS, para. 87).	<b>4</b>
<b>III</b>	<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements</b>	
<b>1</b>	This sub-category includes cases for which the DOE has not precisely validated the project in accordance with the requirements of the VVM or VVS, however the failure is not likely to alter the validation opinion: <ul style="list-style-type: none"> <li>Failure to ensure precise project start date where the change in the date does not impact additionality;</li> <li>Failure to fully validate all minor input values in an investment analysis;</li> <li>Failure to ensure that the common practice analysis has been conducted fully in accordance with the requirements;</li> <li>Failure to ensure that the LoA refers to the precise title of the proposed project activity;</li> <li>Failure to assess compliance with environmental impacts and/or local stakeholder consultation.</li> </ul>	<b>3</b>

Classification of issues		Weight
2	<p>This sub-category includes cases for which the DOE has failed to ensure compliance with a requirement which may ultimately be resolved during verification/issuance:</p> <ul style="list-style-type: none"> <li>The monitoring plan is incomplete;</li> <li>The validation report or PDD contains conflicting information regarding the baseline which may lead to a request for review at issuance.</li> </ul>	4
3	<p>This sub-category includes cases for which the DOE's failure to ensure compliance with CDM requirements is likely to have an impact on the projects, or similar future project's, eligibility to receive the estimated quantity of CERs:</p> <ul style="list-style-type: none"> <li>Errors in validation of additionality that would lead to a failure to identify non-additional projects;</li> <li>Failure to apply or the misapplication of the requirements of the methodology that would lead to a non-applicable methodology being applied or the baseline being incorrectly established.</li> </ul>	5
IV	<b>Other issues, to analyse system-wide gaps and improve classification</b>	
1	Absence of requirement/guidance by the Board.	0
2	Ambiguity of interpretation of requirements of methodology/guidance.	0

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## Appendix 2 Categorization and weighting of issues identified at requests for issuance

Classification of issues		Weight
<b>I</b>	<b>Issues related to reporting</b>	
1	This category includes errors covering: <ul style="list-style-type: none"> <li>– Inconsistencies in the information presented in the documents presented/information supplied;</li> <li>– Incomplete information/missing data;</li> <li>– DOE has not fully reported how the requirements are being complied with.</li> </ul>	1
<b>II</b>	<b>Issues related to failure to follow procedural requirements</b>	
1	This sub-category covers: <ul style="list-style-type: none"> <li>– CAR/CLs in verification reports are not appropriately closed out (VVS, para. 222);</li> <li>– Failure to follow up FAR from previous verification (VVS, para. 223).</li> </ul>	2
2	This sub-category covers failure to conduct a site visit as per the requirements of the verification process, or provide justification (VVS, para. 227).	4
3	This sub-category covers: <ul style="list-style-type: none"> <li>– Failure to submit changes as part of a request for issuance, if the changes are solely of the types listed in appendix 1 of the Project Standard (VVS para. 249 (a));</li> <li>– Failure to submit changes via the request for approval, if the changes do not fall within the types listed in appendix 1 of the Project Standard (VVS para. 249 (b)).</li> </ul>	4
<b>III</b>	<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with CDM requirements</b>	
1	This sub-category covers basic verification to ensure the quality of required data measured and reported: <ul style="list-style-type: none"> <li>– Failure to verify equipment/systems/protocols/procedures;</li> <li>– Failure to cross-check reported data/no clear audit trail (data generating, aggregating, reporting);</li> <li>– Failure to identify calculation errors in the supporting documents/spreadsheets due to omissions or data transposition.</li> </ul>	3
2	This sub-category covers failure to apply the conservativeness approach when required.	4
3	This sub-category covers failures to correctly apply methodological requirements which may lead to incorrect issuance of CERs: <ul style="list-style-type: none"> <li>– Failure to verify installation of monitoring system as per the methodology;</li> <li>– Parameters required by methodology not being monitored;</li> <li>– Incorrect application of methodology and formulae, factors, default values.</li> </ul>	5
<b>IV</b>	<b>Other issues, to analyse system-wide gaps and improve classification</b>	
1	Absence of requirement/guidance by the Board.	0
2	Ambiguity of interpretation of requirements of methodology/guidance.	0

## Appendix 3 Categorization and weighting of issues identified at requests for post-registration changes

Classification of issues		Weight
<b>I</b>	<b>Issues related to reporting</b>	
<b>1</b>	<p>This category includes errors covering:</p> <ul style="list-style-type: none"> <li>– Inconsistencies in the information presented in the documents presented/information supplied;</li> <li>– Incomplete information/missing data;</li> <li>– DOE has not fully reported how the requirements are being complied with;</li> <li>– Situations where the revised PDD does not address all the required changes.</li> </ul>	<b>1</b>
<b>II</b>	<b>Issues related to failure to follow procedural requirements</b>	
<b>1</b>	The DOE submitted a wrong request, instead of the other applicable post-registration changes (PCP, para. 130).	<b>3</b>
<b>2</b>	The DOE incorrectly requested approval of change in start date of the crediting period more than once for each registered project (PCP, para. 136).	<b>3</b>
<b>3</b>	Failure to visit project site for change in project design or provide justification (VVS, paras. 271 and 272).	<b>4</b>
<b>III</b>	<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with CDM requirements</b>	
<b>1</b>	<p>This sub-category includes cases for which the DOE has not precisely made the assessment of the post-registration change in accordance with the requirements of the VVS, although the failure is not likely to alter the assessment opinion:</p> <ul style="list-style-type: none"> <li>– Failure to determine impact of proposed changes on emission reductions where the omission does not impact emission reductions;</li> <li>– Failure to fully validate whether the request complies with the requirements of the applicable methodology;</li> <li>– Failure to take into account the findings of previous verification reports;</li> <li>– Failure to prevent reporting of conflicting information regarding the baseline, additionality, scale of the project, monitoring requirements, emission reduction calculations in the assessment report or PDD which may not change the final outcome/assessment opinion.</li> </ul>	<b>3</b>



<b>Classification of issues</b>		<b>Weight</b>
<b>2</b>	<p>This sub-category includes cases for which the DOE's failure to ensure compliance with CDM requirements is likely to have an impact on this or similar future post-registration change requests, with regard to the decision to issue the real quantity of CERs:</p> <ul style="list-style-type: none"> <li>– The request and the assessment report violates the requirements of the applicable methodology;</li> <li>– Failure to identify technical issues which impact emission reductions and may lead to over-issuance of CERs;</li> <li>– The assessment report incorrectly states that the changes ensure that the level of accuracy and completeness of the monitoring is not reduced;</li> <li>– Failure to identify technical issues which may impact emission reductions baseline, additionality, scale of the project, monitoring requirements and emission reduction calculations and will lead to non-compliance/possible rejection.</li> </ul>	<b>4</b>
<b>IV</b>	<b>Other issues, to analyse system-wide gaps and improve classification</b>	
<b>1</b>	Absence of requirement/guidance by the Board.	<b>0</b>
<b>2</b>	Ambiguity of interpretation of requirements of methodology/guidance.	<b>0</b>

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## Appendix 4—Data compiled for the DOE performance monitoring process

### 1. Request for registration/issuance stage

Table 1. Request for registration/issuance stage

UN ID	Project title	DOE	Scale	Host country	Sectoral scope	Methodology	Version	Validation /verification date	Monitoring period start date	Monitoring period end date	First Sub-mission date	Withdrawn date

Table 2. Completeness check stage

Completeness check	Request considered incomplete	Times considered incomplete	Reasons of incompleteness	Date	Resubmission # date	Reporting check date	Request considered incomplete	Reasons for incomplete	Times considered incomplete	Date	Resubmission # date	Publication date	Automatic registration /issuance?	Automatic registration /issuance date

**Table 3. Review stage**

Issue raised in request for review	Category of issue	Subcategory of issue	PS/VVS requirement	Other requirements	Weighting

**Table 4. Final decision stage**

EB decision	EB decision date	Final issue	Category of issue	Subcategory of issue	PS/VVS requirement	Other requirement	Final weighting

## 2. Request for post-registration changes stage

**Table 5. Request for post registrations stage**

UN ID	Project title	DOE	Scale	Host country	Sectoral scope	Methodology	Version	Validation /verification date	Monitoring period start date	Monitoring period end date	First submission date	Withdrawn date

**Table 6. — Completeness check stage**

Completeness check	Request incomplete?	Times considered incomplete	Reason for incompleteness	Date	Resubmission # date	Publication date

**Table 7. — Preparation of summary note and request for clarification to DOE stage**

Non-compliance issue raised	Category of issue	Subcategory of issue	PS/VVS requirement	Other requirements	Weighting

**Table 8. — Final decision stage**

EB decision	EB decision date	Final issue	Category of issue	Subcategory of issue	PS/VVS requirement	Other requirement	Final weighting

## Appendix 1. Matrix for categorization of non-compliance issues – Requests for registration for both project activities and PoAs, requests for renewal of crediting period of project activities, and requests for renewal of PoA period Registration

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
			Prior consideration	Additionality demonstration option	Investment analysis	Barrier analysis	Common practice analysis	Project boundary	Baseline identification	Compliance with applicability conditions	Algorithms and/or formulae to determine emission reductions:	Compliance of the Monitoring Plan (i.e. list of parameters complete or not)	Implementation of the Monitoring Plan (i.e. monitoring arrangement feasible or not)	Scale of project	Bundling & dDe-bundling		Letter of Approval (LoA)	Achievement of sSustainable development	Local stakeholder consultation
I	Weight	Issues related to reporting																	
1	1	Inconsistencies in the information presented in the documents presented/ information supplied.																	

Criteria for classification of R&I issues			Additionality						Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
2	1	Incomplete information/missing data;																		
3	1	DOE has not fully reported how the compliance with the requirements <b>is</b> being met.																		
4	1	<b>Not</b> the latest project design document (PDD) template <b>has not been</b> used.																		
II		Issues related to failure to follow procedural requirements																		

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
1	4	The DOE did not raise a forward action request (FAR) during validation to identify issues related to project implementation that required review during the first verification of the project activity or PoA (VVS, para. 27).																	
2	4	The DOE raised a FAR that does not relate to the CDM requirements for registration (VVS, para. 27).																	

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
3	2	Corrective action request (CAR)/ clarification requests (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 (VVS, para. 28); - Where a CAR/CL is marked as closed without explanation (VVS, para. 29).																		
4	3	Failure to carry out the global public stakeholder consultation in line with the CDM requirements (VVS, paras. 34–36).																		



Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
5	4	Failure to visit project site or provide justification (VVS, paras. 65, 66, and 69).																	
6	5	Failure to request a deviation from the methodology when non-compliance of the project activity or PoA with the requirements of the methodology has been identified (VVS, para. 87).																	
III		<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements.</b>																	
1	3	This sub-category includes cases for which the DOE has not precisely validated the project activity or PoA in accordance with the																	

		<p>requirements of the VVM or CDM validation and verification standard (VVS) for project activities and PoAs, but however the failure is not likely to alter the validation opinion:</p> <ul style="list-style-type: none"><li>- Failure to ensure precise project start date where the change in the date does not impact additionality;</li><li>- Failure to fully validate all minor input values in an investment analysis;</li><li>- Failure to ensure that the common practice analysis has been conducted fully in accordance with the requirements;</li><li>- Failure to ensure that the LoA refers to the precise title of the</li></ul>																	
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Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
		proposed project activity <b>or PoA</b> ; - Failure to assess compliance with environmental impacts and/or local stakeholder consultation.																	
2	4	This sub-category includes cases for which the DOE has failed to ensure compliance with a requirement which may ultimately be resolved during verification/issuance: - The monitoring plan is incomplete; - The validation report or PDD contains conflicting information regarding the baseline, which may lead to a request for review at issuance.																	

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
3	5	<p>This sub-category includes cases for which the DOE's failure to ensure compliance with CDM requirements is likely to have an impact on the project's, or similar future projects', eligibility to receive the estimated quantity of certified emission reductions (CERs):</p> <ul style="list-style-type: none"> <li>- Errors in validation of additionality that would lead to a failure to identify non-additional projects;</li> <li>- Failure to apply or the misapplication of the requirements of the methodology that would lead to a non-applicable methodology being applied or</li> </ul>																		

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of the monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
		the baseline being incorrectly established.																	
IV		<b>Other issues, to analyse system-wide gaps and improve classification:</b>																	
1	0	Absence of requirement/guidance by the Board.																	
2	0	Ambiguity of interpretation of requirements of methodology/guidance.																	

## Appendix 2. Matrix for categorization of non-compliance issues — Requests for Issuance for project activities and PoAs

Categorization and weighting of issues identified at requests for issuance			Implementa- tion of the project activities or PoAs	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
<b>I</b>	Weight	<b>Issues related to reporting</b>					
1	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 requirements are being complied with.					
<b>II</b>		<b>Issues related to failure to follow procedural requirements</b>					
1	2	This sub-category covers: - CAR/CLs in verification reports are not appropriately closed out (VVS, para. 222); - Failure to follow up FAR from previous verification (VVS, para. 223).					

Categorization and weighting of issues identified at requests for issuance			Implementation of the project activities or PoAs	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
2	4	This sub-category covers failure to conduct a site visit as per the requirements of the verification process, or provide justification (VVS, para. 227).					
3	4	This sub-category covers: - Failure to submit changes as part of request for issuance, if the changes are solely of the types listed in appendix 1 of the Project Standard (VVS para. 249 (a)); - Failure to submit changes via the request for approval, if the changes do not fall within the types listed in appendix 1 of the Project Standard (VVS para. 249(b)).					
III		<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements.</b>					

Categorization and weighting of issues identified at requests for issuance			Implementation of the project activities or PoAs	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
1	3	This sub-category covers basic verification to ensure the quality of required data measured and reported: <ul style="list-style-type: none"> <li>- Failure to verify equipment/systems/protocols/procedures;</li> <li>- Failure to cross-check reported data/no clear audit trail (data generating, aggregating, reporting);</li> <li>- Failure to identify calculation errors in the supporting documents/spreadsheets due to omissions or data transposition.</li> </ul>					
2	4	This sub-category covers failure to apply the conservativeness approach when required.					



Categorization and weighting of issues identified at requests for issuance			Implementation of the project activities or PoAs	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
3	5	This sub-category covers failures to correctly apply methodological requirements, which may lead to incorrect issuance of CERs: - Failure to verify installation of monitoring system as per the methodology; - Parameters required by methodology not being monitored; - Incorrect application of methodology and formulae, factors, default values.					
IV		<b>Other issues, to analyse system-wide gaps and improve classification.</b>					
1	0	Absence of requirement/guidance by the Board.					
2	0	Ambiguity of interpretation of requirements of methodology/guidance.					

### Appendix 3. Matrix for categorization of issues identified at requests for approval of post-registration changes to both project activities and PoAs under the prior-approval track and notification of changes to CPAs

Categorization and weighting of issues identified at requests for post-registration change (PRC)		Weight	Temporary deviation from the monitoring plan as described in the registered project design document (PDD) or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoAs	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
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 requirements are being complied with; - Situations where the revised PDD does not address all the required changes.	1					
II	Issues related to failure to follow procedural requirements						
1	The DOE submitted a wrong request, instead of the other applicable PRCs post-registration changes (PCP, para. 130).	3					

Categorization and weighting of issues identified at requests for post-registration change (PRC)		Weight	Temporary deviation from the monitoring plan as described in the registered project design document (PDD) or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoAs	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
2	The DOE incorrectly requested approval of change in start date of the crediting period more than once for each registered project activity and PoA (PCP, para. 136).	3					
3	Failure to visit project site for change in project design or provide justification (VVS, paras. 271 and 272).	4					
III	<b>Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements</b>						
1	This sub-category includes cases for which the DOE has not precisely made the assessment of the PRC post-registration change in accordance with the requirements of the VVS, although the failure is not likely to alter the assessment opinion: - Failure to determine impact of proposed changes on emission reductions where the omission does not impact emission reductions;	3					

<b>Categorization and weighting of issues identified at requests for post-registration change (PRC)</b>	<b>Weight</b>	<b>Temporary deviation from the monitoring plan as described in the registered project design document (PDD) or the monitoring methodology</b>	<b>Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology</b>	<b>Permanent changes: changes to the project or programme design in the registered CDM project activity or PoAs</b>	<b>Permanent changes: changes to the start date of the crediting period</b>	<b>Permanent changes: corrections</b>
<ul style="list-style-type: none"> <li>- Failure to fully validate whether the request complies with the requirements of the applicable methodology;</li> <li>- Failure to take into account the findings of previous verification reports;</li> <li>- Failure to prevent reporting of conflicting information regarding the baseline, additionality, scale of the project, monitoring requirements, and emission reduction calculations in the assessment report or PDD which may not change the final outcome/assessment opinion.</li> </ul>		DRAFT				

Categorization and weighting of issues identified at requests for post-registration change (PRC)	Weight	Temporary deviation from the monitoring plan as described in the registered project design document (PDD) or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoAs	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
<p>2 This sub-category includes cases for which the DOE's failure to ensure compliance with CDM requirements is likely to have an impact on this or similar future PRCs post-registration change requests, decision to issue the real quantity of CERs:</p> <ul style="list-style-type: none"> <li>- The request and the assessment report violates the requirements of the applicable methodology;</li> <li>- Failure to identify technical issues which impact emission reductions and may lead to over-issuance of CERs;</li> <li>- The assessment report incorrectly states that the changes ensure that the level of accuracy and completeness of the monitoring is not reduced;</li> <li>- Failure to identify technical issues which may impact emission reductions baseline, additionality, scale of the project, monitoring requirements and emission reduction calculations and will lead to non-compliance/possible rejection.</li> </ul>	4	DRAFT				

Categorization and weighting of issues identified at requests for post-registration change (PRC)		Weight	Temporary deviation from the monitoring plan as described in the registered project design document (PDD) or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoAs	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
IV	Other issues, to analyse system-wide gaps and improve classification						
1	Absence of requirement/guidance by the Board.	0					
2	Ambiguity of interpretation of requirements of methodology/guidance.	0					

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## Appendix 4. Calculation of the threshold for indicator

### 1. Calculation of the threshold for indicator $I_1$

1. The bootstrap method applied to establish the thresholds for indicators  $I_{1,CC}$  and  $I_{1,IRC}$  comprises the following steps:
  - (a) Observe  $k$  subgroups of size  $n$  for a total of  $n \cdot k = N$  observations ( $k$  refers to the  $k^{\text{th}}$  DOE and  $n$  to the number of submissions for each DOE);
  - (b) Draw a random sample of size  $n$ , with replacement, from the pooled sample of  $N$  observations. This sample,  $x^*1, x^*2, \dots, x^*n$ , is a bootstrap sample;
  - (c) Compute the sample mean ( $\overline{X^*}$ ) from the bootstrap sample drawn in step (b);
  - (d) Repeat steps (b)–(c)  $M$  times;
  - (e) Sort the  $M$  bootstrap estimates:  $\overline{X_1^*}, \overline{X_2^*}, \dots, \overline{X_M^*}$ ;
  - (f) Find the smallest ordered  $\overline{X^*}$  such that  $(1 - \alpha) \cdot M$  values are below it, which is the threshold for indicators.
  - (g) It is required that:
    - (i) The size of the random samples in each group (i.e. monitoring periods) is the number of submissions in each monitoring period;
    - (ii) The value of  $M$  is 10,000;
    - (iii) The value of  $\alpha$  is 0.05.

### 2. Calculation of indicators $I_2$ and $I_3$

2. Both indicators  $I_2$  and  $I_3$  are to calculate the RPN value, which comprises the following steps:
  - (a) Weight of frequency for issues of each type raised ( $F_j$ ):
    - (i) Count the number of issues of each type identified and rank them from lowest to highest;
    - (ii) Transform the rank into a 5-scale system;
    - (iii) Determine the square root of 5-scale values, which is the value of  $F_j$ ;

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<sup>9</sup> The value of  $M$  (10,000) is selected based on the standard recommended by the scientific community in order to avoid bias between the real population and the bootstrapping result. The value of  $\alpha$  (0.05) is the most-used threshold applied in the scientific literature and the effectiveness of this value in improving the quality of validation and verification processes should be analysed during the inception of the implementation of this procedure.

(iv) Note that:

- a. The term “j” indicates issues of each type raised as per the categorization listed in the appendixes 1 to 3;
- b. If the number of issues is repeated for two different types, then these two issues get the minor value on the scale between these two types of issues;
- c. The frequency of issues of each type raised is derived from at least 5 monitoring periods from the past. If the number of request for review cases is less than 20, the past monitoring periods shall be extended further to ensure at least having 20 request for review cases. This historical frequency is used to establish the RPN mean value;
- d. If the number of review cases is less than 3 in a given monitoring period, the value of  $F_j$  is defaulted as 1, while calculating the average RPN value;

(b) Weights of criticality for issues of each type ( $C_j$ ): Respective weights for classification of issues are defined in appendixes 1 to 3;

(c) RPN calculation:

- (i) Multiply  $F_j$  by  $C_j$  with number of issues raised ( $N_j$ ) to calculate RPN value for each request for review cases;
- (ii) Calculate the RPN mean value from each request for review RPN values;
- (iii) Note that for the indicator  $I_2$ , if the number of review cases is 2 for the  $k^{\text{th}}$  DOE in a given monitoring period (i.e. under the category of less than 3), the average RPN values of these 2 cases will be used as the indicator  $I_2$  for the  $k^{\text{th}}$  DOE;

(iv) Note that for the indicator  $I_3$ :

- a. If the number of requests for clarification and rejected requests is 2 for the  $k^{\text{th}}$  DOE in a given monitoring period (i.e. under the category of less than 3), the average RPN values of these 2 cases will be used as the indicator  $I_3$  for the  $k^{\text{th}}$  DOE;
- b. If multiple attempts of clarification were requested for the same request for clarification for the  $k^{\text{th}}$  DOE, the average RPN values of those multiple attempts will be used as the indicator  $I_3$  for the  $k^{\text{th}}$  DOE;

(v) Note that for both indicators  $I_2$  and  $I_3$ , as referred in the footnotes 3,4 and 6 in this procedure, where the  $k^{\text{th}}$  DOE has requests higher than or equal to 3, but this DOE is the only DOE having the request cases in a given monitoring period, the average RPN values of those request cases will be used as the indicator for the  $k^{\text{th}}$  DOE.



### **3. Example of the indicator $I_2$ by applying the request for issuance submissions**

3. Table 1 below is an example of the application of provisions specified in section 2 above. There are 30 requests for review raised in a given monitoring period. Based on the respective values of  $C_j$ ,  $F_j$  and  $N_j$  from each request for review case, the respective RPN value for each case can be calculated from which the RPN mean value (i.e. 11.17) can be established.

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Table 1. Example of case scenario

		Number of issues (Nj) raised under the categorization of 5 non-compliance items (C1: Implementation of the project activities or PoAs, C2: Compliance of the monitoring plan with the monitoring methodology, C3: Compliance of monitoring with the monitoring plan, C4: Assessment of data and calculation of greenhouse gas emission reductions and C5: Procedural and related requirements) and their corresponding 9 weight items (I.1, II.1 to 3, III.1 to 3 and IV. 1 to 2) of each issue as per appendix 2 for request for issuance submissions												
		C5	C3	C5	C5	C1	C4	C4	C1	C2	C3	C4	C5	
PA/PoA No.	DOE	I.1	I.1	II.3	II.3	III.1	III.1	III.2	III.3	III.3	III.3	III.3	IV.1	RPN
1	A											1		11.18
2	A	1			1					1				18.39
3	B	1												1.73
4	C											1	1	11.18
5	D				1		1							11.00
6	A											1		11.18
7	A										1			11.18
8	A										1			11.18
9	E											1		11.18
10	A			1										4.00
11	F				1									8.00
12	G											1		11.18
13	H										1			11.18
14	I					1					1			17.18
15	I					1					1			17.18
16	I					1					1			17.18
17	J								1					5.00
18	D											1		11.18
19	A										1			11.18
20	K							1						4.00

		Number of issues (Nj) raised under the categorization of 5 non-compliance items (C1: Implementation of the project activities or PoAs, C2: Compliance of the monitoring plan with the monitoring methodology, C3: Compliance of monitoring with the monitoring plan, C4: Assessment of data and calculation of greenhouse gas emission reductions and C5: Procedural and related requirements) and their corresponding 9 weight items (I.1, II.1 to 3, III.1 to 3 and IV. 1 to 2) of each issue as per appendix 2 for request for issuance submissions												
		C5	C3	C5	C5	C1	C4	C4	C1	C2	C3	C4	C5	
21	J										1			11.18
22	B										1			11.18
23	A											1		11.18
24	A											1		11.18
25	A											1		11.18
26	L		1								1			13.18
27	H		1									1		13.18
28	M								1			1		19.84
29	N		1								1	1		24.36
30	N											1		11.18
	Mean													11.77
	Total no. issues (Nj)	2	3	1	3	3	1	1	1	2	11	13	1	
	5-scale ranking	3	4	1	4	4	1	1	1	3	5	5	1	
	Freq. weights (Fj)	1.7	2.0	1.0	2.0	2.0	1.0	1.0	1.0	1.7	2.2	2.2	1.0	
	Criticality weights (Cj)	1	1	4	4	3	3	4	5	5	5	5	0	

4. Table 2 below illustrates the conclusion of the performance monitoring outcome as follows:

- (a) Both DOE I and DOE A have the number of review cases higher than or equal to 3 during the monitoring period (i.e. 3 and 10 requests for review raised for DOE I and DOE A, respectively), and therefore both DOE I and DOE A apply the threshold specified as per paragraph 34(a) of this procedure. The conclusions of the performance monitoring are as follows:
- (i) All 3 requests for review cases by DOE I have the same RPN value (i.e. 17.18, 17.18 and 17.18), which is above the RPN mean value (i.e. 11.77). The proportion of cases over the RPN mean value (i.e. 1, which is due to all 3 cases being above the RPN mean value) is higher than 0.8, so the DOE I is in the red zone;
- (ii) DOE A has 10 requests for review cases and only 1 project (i.e. PA No.2), whose RPN value (i.e. 18.39) is higher than the RPN mean value (i.e. 11.77). The proportion of cases over the RPN mean value (i.e. 0.1, since there is only 1 case out of 10 that is higher than the RPN mean value) is lower than 0.6, so the DOE A is below the yellow zone;
- (b) The other 12 DOEs have less than 3 requests for review cases and therefore the threshold is defined as per paragraph 34(b) of this procedure. The conclusions of the performance monitoring are as follows:
- (i) DOE M's RPN value (i.e. 10) is equal to 10 and therefore it is in the red zone;<sup>10</sup>
- (ii) DOE L's RPN value (i.e. 6) is equal to 6 and therefore it is in the yellow zone;
- (iii) DOE N's RPN value (i.e. 8) is higher than 6 but lower than 10, and therefore it is in the yellow zone.

**Table 2. Example of performance monitoring outcome**

DOE	No. Request for Review	No. cases over RPN mean value	% cases over RPN mean value	Result (If cases ≥ 3)		Result (If cases < 3)		
				Red Zone	Yellow Zone	Ave. RPN	Red Zone	Yellow Zone
M	1	1	100%	NA	NA	10	Warning	Warning
G	1	0	0%	NA	NA	5	NA	NA
L	1	1	100%	NA	NA	6	NA	Warning
I	3	3	100%	Warning	Warning	NA	NA	NA
K	1	0	0%	NA	NA	4	NA	NA
D	2	0	0%	NA	NA	5.5	NA	NA
B	2	0	0%	NA	NA	3	NA	NA

<sup>10</sup> DOE M has one case (PA/PoA No. 28) with two raised issues. One issue (i.e.  $N_j = 1$ ) with a weight of criticality of 5 (i.e.  $C_j = 5$ ) was raised under category C2.III.3 and one issue (i.e.  $N_j = 1$ ) with a weight of criticality of 5 (i.e.  $C_j = 5$ ) was raised under the category C4.III.3. Therefore, the RPN is 10 ( $= 1 \times 5 + 1 \times 5$ ).

DOE	No. Request for Review	No. cases over RPN mean value	% cases over RPN mean value	Result (If cases $\geq 3$ )		Result (If cases $< 3$ )		
				Red Zone	Yellow Zone	Ave. RPN	Red Zone	Yellow Zone
C	1	0	0%	NA	NA	5	NA	NA
N	2	1	50%	NA	NA	8	NA	Warning
E	1	0	0%	NA	NA	5	NA	NA
J	2	0	0%	NA	NA	2	NA	NA
H	2	1	50%	NA	NA	5.5	NA	NA
A	10	1	10%	OK	OK	NA	NA	NA
F	1	0	0%	NA	NA	4	NA	NA

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## Document information

<i>Version</i>	<i>Date</i>	<i>Description</i>
04.0	27 April 2020	<p>Published as an annex to the annotated agenda of EB 106.</p> <p>Revised to:</p> <ul style="list-style-type: none"> <li>Extend the scope of performance monitoring of DOEs to cover all types of activities (requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to PoAs under the prior-approval track, and notifications of changes to CPAs);</li> <li>Apply non-parametric bootstrapping approach to establish the threshold for indicator <math>I_1</math> based on the data generated from all types of validation and verification activities;</li> <li>Apply the failure modes and effects analyses to establish the indicator <math>I_2</math> and its threshold to monitor the performance through the stage of requests for review raised for project activities and PoAs;</li> <li>Apply the failure modes and effects analyses to establish the indicator <math>I_3</math> and its threshold to monitor the performance through the stages of requests for clarification or rejection raised for request for approval of PRCs;</li> <li>Include the provision that the CDM-AP can decide on appropriate actions based on the issues concerning the performance of DOEs that were identified by the Board in the instances where the Board approved requests, but where issues were identified with regard to the performance of the validating/verifying DOEs;</li> <li>Change the frequency of reporting, the actions to be undertaken from different actors;</li> <li>Introduce editorial corrections.</li> </ul>
03.1	7 August 2015	This version has been issued to editorially correct the limits in paragraph 39
03.0	24 July 2015	<p>EB 85, Annex 24</p> <p>Revised to:</p> <ul style="list-style-type: none"> <li>Cancel publication of iteration 1 and iteration 3 of the DOE performance monitoring reports where requests for registration, issuance and <del>PRCs post-registration changes</del> fall below a certain threshold<sup>3, 4</sup>;</li> <li>To publish only one DOE performance monitoring report for both the Board and CDM-AP<sup>5, 6</sup>;</li> <li><del>Introduce E</del>editorial improvements.</li> </ul>

<i>Version</i>	<i>Date</i>	<i>Description</i>
02.0	31 May 2013	<p>EB 73, Annex 14</p> <p>Revised to:</p> <ul style="list-style-type: none"> <li>Align the procedure with the CDM project cycle procedure and CDM validation and verification standard, splitting the completeness check process into completeness check and information and reporting check and including the monitoring of DOEs in post-registration changes requests;</li> <li>Improve the data reporting process;</li> <li>Replace indicator <math>I_1</math> with indicators <math>I_{1cc}</math> and <math>I_{1IRC}</math>;</li> <li>Replace fixed thresholds with dynamic thresholds based on a statistical method for indicators <math>I_{1cc}</math> and <math>I_{1IRC}</math>;</li> <li>Change the process of actions to be taken by the CDM-AP and provide reference to the relevant provisions in the CDM accreditation procedure.</li> </ul>
01.1	3 December 2010	This version has been issued to editorially correct cross-references in paragraph 13.
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