

## Pay for Performance

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## Eligibility

### What constitutes program eligibility?

Pay for Performance is available to existing buildings with a peak electric demand in excess of 100 kW in any of the preceding twelve months. Buildings that fall into one of the following five customer classes are not required to meet the 100 kW eligibility requirement in order to participate in the program: hospital, public colleges and universities, 501(c)(3) non-profits, affordable multifamily housing, and local governmental entities (including K-12 schools).

### Could gas consumption (therms) be combined with the kW to reach the minimum demand requirements?

No, only the electric demand can be used in determining eligibility.

### Is Pay for Performance available for both public and private customers?

The program is available to all commercial, industrial, institutional, and multi-family customers with a peak demand in excess of 100 kW in any of the preceding twelve months who contribute to the societal benefits charge (i.e. customers of at least one of New Jersey's public utility companies). Buildings that fall into the following five customer classes are not required to meet the 100 kW demand in order to participate in the program: hospital, public colleges and universities, 501(c)(3) non-profits, affordable multifamily housing, and local governmental entities (including K-12 schools).

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## Incentives

### To whom are the incentives paid?

Incentives are paid to the participant (customer).

### Can the incentive payments be assigned to partners?

No, the partner will be paid by the participant.

**Under certain programs, the partner must be paid and documentation must be provided prior to the participant receiving an incentive payment. Will Pay for Performance work this way?**

The partner must ensure the contract structure with the participant covers this item.

### **Are the incentives adjustable or fixed per project?**

There will be three incentives. Incentive #1 is based on the size of the facility and Incentives #2 and #3 are based on the level of savings in kWh and/or therms. View the [existing buildings incentive structure](#) and the [new construction incentive structure](#) documents for details.

### **What if actual post-retrofit savings are higher than estimated?**

Incentive Payment #2 represents 50% of the total performance incentive, based on estimated savings predicted by the simulation results. Savings in excess of (or less than) the estimate will result in a re-calculation of the total performance incentive. This will be “trued-up” with Incentive Payment #3.

### **The payment per kWh and therm saved is for what period?**

Incentive payments #2 and #3 are based on annual electric kWh and natural gas savings, as applicable (not to exceed 50% of total project cost).

### **What incentives can be expected for a multi-building (campus type) situation where there are only two meters?**

The entire campus must be treated as one project, unless sub-metering has been established. The 15% savings will be achieved on a campus-wide level and one set of incentives will be paid out. The established incentive cap will remain \$1,000,000 per electric and gas utility account, not to exceed \$2,000,000 per project.

### **How much of a reduction in kWh (or therms) is required to receive an incentive?**

A minimum of 15% source energy reduction is required, which can be achieved through a combination of electric, gas and other fuel source reductions, but incentives will only be paid for electric and natural gas savings.

### **What are the 15% savings based on?**

The 15% savings represents source energy savings (estimated Btu site energy savings converted to Btu source energy) and can include electric, natural gas and other fuels (i.e. fuel oil, steam, chilled water, etc.).

### **Can fuel oil reduction be included as savings?**

Fuel oil (and other fuels) may be included in the savings to meet the 15% source reduction requirement, however no incentives are provided for these fuel types.

### **Do other available incentives jeopardize Pay for Performance incentives?**

Incentives will not be paid from multiple Clean Energy Programs for the same energy efficiency measures. Local Government Energy Audit participants will have their first Pay for Performance incentive reduced by 50% to acknowledge the value of the audit.

### **What is the average amount in incentives expected for a typical project?**

The average incentive per project is roughly 40% of the total project cost, or \$350,000.

## **Do interruptible gas clients qualify for incentives for therms saved?**

Yes, as long as the interruptible gas client has an active account for gas service and pays the Societal Benefits Charge they are eligible for incentives from the program.

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## Energy Reduction Plan

### **What if the 15% source savings cannot be met after the audit is performed?**

The program will not provide Incentive #1 if the savings cannot be met or the installation of measures does not move forward. The partner must inform the participant and should make certain that their contract covers this situation. Identified measures could then apply for NJ SmartStart Buildings incentives.

### **What is the reason behind the 15% savings not being allowed from a single energy conservation measure?**

Pay for Performance is designed to be comprehensive in nature, thus savings are anticipated to be provided by multiple energy conservation measures. If savings are anticipated to be derived from a single measure (such as lighting), the participant should be referred to the prescriptive or custom tracks offered as part of the NJ SmartStart Buildings Program.

### **Can solar PV panels and other renewable projects contribute to the 15% savings?**

No. Renewable measures that generate power cannot be included in the 15% savings. Solar water heaters and thermal storage are OK.

### **Once I complete my energy reduction plan am I required to continue with the rest of the program?**

You are not required to continue with the program, but you will not receive Incentive #1. Incentive #1 is distributed contingent on the installation of the energy efficient measures outlined in your energy reduction plan.

### **Is it a requirement that all energy conservation measures evaluated must be implemented?**

The decision on implementation of energy conservation measures (ECMs) is to be determined by the participant with input from the partner. It is not a requirement that all ECMs be implemented as long as the ones selected yield the minimum 15% savings. Section III of the ERP requires a list of recommended ECMs (with associated savings), and listing of non-recommended ECMs with an explanation as to why these are not included. Any change in the list of ECMs to be installed after ERP approval requires approval from the program manager.

### **Can energy savings from operation & maintenance items be included (e.g. if economizers are not working)?**

Retro-commissioning type items may be incorporated into the ERP, however savings estimates associated with these should be well documented.

### **What about electric demand reduction measures (e.g. thermal storage)?**

Pay for Performance is designed for, and provides incentives for, energy reduction measures. Electric demand reduction measures may benefit the participant and can be included in the ERP, however no incentive is specifically associated with demand savings.

**Is the use of Portfolio Manager required?**

Yes. The data entered into Portfolio Manager provides pre- and post-benchmarking for the project, including the actual source energy reduction.

**What effect would a change in operating hours have on the project?**

If a substantial change in operating hours occurs during the construction and/or post-retrofit period, this change would be accounted for by documenting the changes and adjusting the hours of operation in Portfolio Manager. In some cases, a change to the baseline simulation model may also be required. Contact program representatives.

**Since the program is designed around utility billing history, how will the Partner get this when in many cases this goes to corporate management offices?**

The program manager is available to facilitate the process; however partners will need to make arrangements with the participant to obtain the utility history.

**Will utility release forms be available?**

Yes, utility release forms can be obtained by contacting the market manager.

**Is it a requirement to meter each piece of equipment?**

Any existing equipment or recommended measure that cannot be incorporated into the simulated building model will require pre and post metering. Have your partner refer to the program guidelines.

**ASHRAE 90.1-2004 is currently in effect; will this change to ASHRAE 90.1-2007?**

ASHRAE 90.1-2007 was adopted in September 2010 with a 6-month grace period for ASHRAE 90.1-2004. New construction and major renovation projects will be required to reduce their energy costs 15% below current applicable code. If building permits were already obtained for ASHRAE 90.1-2004, then this will be the code used. All other projects will be required to use ASHRAE 90.1-2007 as their baseline.

**Is the internal rate of return calculated on an individual energy conservation measure basis, or on a total project basis?**

The internal rate of return for the entire project must be 10% or greater. There is no IRR requirement for individual measures.

**What can be included in total project cost?**

Partner fees, equipment and installation costs, design fees, construction management, measurement and verification / commissioning fees are included.

**What if another energy conservation measure is found during the construction phase?**

This would be considered a scope change and may require re-submittal of the ERP. The performance incentives would be recalculated to include the additional estimated energy savings.

### **Can the participant choose a different partner after the energy reduction plan has been submitted and approved?**

The participant can choose to change partners. Partners should make certain that their contract covers this situation so they are paid for their services. Should the participant choose not continue in the Pay for Performance Program, the funds associated with Incentive #1 must be returned by the participant.

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## Implementation

### **Some participants such as school districts may not be able to commit to the Pay for Performance process, due to New Jersey laws that require such entities to go out to bid.**

Pay for Performance must comply with any state and local procurement laws, but will work with partners and participants in these particular situations on how best to proceed. Keep in mind that partner services are considered “professional services” and may be subject to alternative procurement requirements. If the physical installation of recommended energy efficiency measures is bid to a different company from the partner company, make sure that the partner remains involved to ensure installation is done per the energy reduction plan and to develop the post-construction benchmarking report.

### **What types of bid and/or construction documents are required?**

The partner role is to perform services as necessary to ensure that the measures are bid, designed, and installed as presented and modeled in the ERP. Submission of these documents is not required.

### **What happens if construction costs are higher than those estimated, which would lead to a lower internal rate of return?**

Pay for Performance only considers the initial cost and internal rate of return provided in the ERP. This will not be modified.

### **If a participant requires a multiple bid process and must select the low bidder, which is not the partner, is the applicant still entitled to Incentives #2 and #3?**

The participant can only receive Incentives #2 and #3 if an approved partner remains with the project in some capacity. Partners should be aware of the procurement requirements of the participant to guard against this.

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## Post-Construction Benchmarking

### **What happens if the building becomes vacant, or if there is a shift in operation due to economic issues, after the baseline is developed?**

This must be adjusted in Portfolio Manager pre- and post-benchmarking data. There will be a case-by-case review if this causes source savings to drop below the required 15%.

**What happens if the 15% source energy reduction target is not met after the post-construction benchmarking?**

If the minimum 15% savings is not met using 12 months of post-construction billing history, an additional 6 months will be allowed to accomplish this goal. If, after the 18 month period the reduction is not met, Incentive #3 will not be paid. Incentives #1 and #2 are not in jeopardy.

**Certain programs allow payment in shorter time period if performance criteria are met (i.e. 6 months worth of billing history), will New Jersey's Clean Energy Program consider this?**

No. Incentive #3 will be calculated based on 12 months of post-construction utility bills.

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Building Simulation

**Can tax incentives associated with EPACT be applied to a Pay for Performance project?**

Yes. Information on EPACT tax incentives can be found at <http://www.energy.gov/taxbreaks.htm>.

**Do the simulation guidelines require modeling of the actual utility rate tariff?**

Yes.

**Can you provide tariff inputs for simulation?**

Due to the number of approved simulation programs and wide variation in regulated tariffs and 3rd party energy provider contracts, the program manager cannot provide tariff inputs.

**What is the purpose of calibrating the baseline model?**

Calibration of the baseline model with actual utility bills is required to ensure that the model accurately represents energy use at the facility. This will result in higher accuracy of estimated savings.

**Suppose weather conditions are an anomaly in the post-retrofit year?**

Portfolio Manager normalizes for weather.

**Is there a method for ranking the energy conservation measures?**

It is up to the partner and participant to determine the ranking of the measures. Reference program guidelines for additional information.

**What is the basis of the site to source conversion?**

Site to source conversions are based on EPA's Portfolio Manager software.

**The simulation software reports energy use in terms of site energy, will we need to convert it to source energy units?**

The conversion is done automatically in Portfolio Manager and in the ERP tables provided, however the energy units must be input in kBtu.

## **Are Incentives #2 and #3 based on site or source energy?**

Incentives are calculated based on site energy, in standard units (kWh or therms).

## **If a building is being brought up to code (e.g. more ventilation, etc.), will there be any allowance for this in the modeling?**

The model must incorporate recommended measures as they will actually affect the building. Energy increases will count against the 15% savings.

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Combined Heat and Power (CHP)

## **For CHP projects, is downtime for maintenance to be included?**

The partner is to estimate real usage, so inherently downtime is included.

## **Where are system parasitics entered?**

Outputs of the system are net of parasitics.

## **Is the funding for a CHP study part of the ERP?**

No, the cost of the study should be included in the cost of the CHP project.

## **How would the installation of an absorption chiller under the ERP be handled if it is intended to utilize the CHP waste heat?**

The partner must achieve the 15% source energy reduction under the ERP, and the waste heat from the CHP cannot be factored in.

## **If the building is efficient (i.e. an ERP would not be able to achieve the 15% source reduction), what requirements are there to install CHP.**

A CHP system may be installed on an ENERGY STAR® Certified building. For building types that cannot obtain ENERGY STAR Certification the LEED-EB approach may be used to determine energy efficiency of the building. See the [CHP program page](#) for additional information.

## **Can a maintenance contract be included?**

The required 5 year maintenance contract can be included in the cost.

## **Are we requiring the manufacturer to warranty a specific level of operation (e.g. 75%, 90%), as there may be a large cost associated with this?**

Reasonable service requirements are expected.

## **At what point is the CHP incentive committed?**

When the detailed feasibility study is approved by the program manager and the BPU approves the incentive request, the incentive dollars are set aside.

## Can incentives be combined?

Cost for CHP projects is net of incentives, and cannot be combined with any other incentives from New Jersey's Clean Energy Program.

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High Energy Intensity Customers - Industrial, Manufacturing, Water Treatment, Datacenters

## What if achieving 15% savings in my building is impossible?

There is an exception to the 15% energy reduction requirement for the Existing Buildings component of Pay for Performance. A custom savings threshold may be offered to customers whose annual energy consumption is heavily weighted to manufacturing and process loads. This approach will be reviewed on a case-by-case basis and must be pre-approved by program representatives. In order to be considered for a custom savings threshold (i.e., other than a 15% reduction in total building source energy consumption), the project must involve:

- A manufacturing facility, including such industries as plastics and packaging, chemicals, petrochemicals, metals, paper and pulp, transportation, biotechnology, pharmaceutical, food and beverage, mining and mineral processing, general manufacturing, equipment manufacturers and datacenters.
- Manufacturing and/or process-related loads, including data center consumption, consume 50% or more of total facility energy consumption.

Custom savings threshold will require a minimum energy savings of 100,000 kWh, 350 MMBtu or 4% of total facility consumption, whichever is greater.

**Industrial/Manufacturing** buildings may participate in Pay for Performance. The entire building must be considered, including all process equipment, and minimum savings must be achieved through multiple measures. If the project scope is limited to one specific improvement (e.g. conveyor belt controls), and/or the minimum energy savings is not feasible, the project should apply for incentives under the Prescriptive and Custom Measures component of NJ SmartStart Buildings.

**Water/Waste-Water Treatment** sites, landfill sites, and similar open-plan facilities may participate in Pay for Performance. The entire site must be treated as one project, all buildings and process equipment must be considered, and minimum savings must be achieved through multiple measures. Incentive #1 will be based on total site square footage, which will include the total square feet of all buildings and process equipment bound by property lines. Aerial photos or site-plans demonstrating the total square footage must be submitted with the Application. If the project scope is limited to one specific improvement (e.g. VFDs on pumps), and/or the minimum energy savings is not feasible, the project should apply for incentives under the Prescriptive and Custom Measures component of NJ SmartStart Buildings.

**Datacenters** may participate in Pay for Performance. The entire building, datacenter included, must be treated as one project, and minimum savings must be achieved through multiple measures. The project should apply for incentives under the Prescriptive and Custom Measures component of NJ SmartStart Buildings if:

- a. The project scope is limited to one specific improvement (e.g. HVAC controls), and/or the minimum energy savings is not feasible, or
- b. The datacenter is a stand-alone facility (i.e. is not part of a larger office building, or other complex, or
- c. The datacenter is part of a larger building, but improvements are limited to the datacenter.

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## Multifamily Buildings

### **Should I enroll my multifamily building in the Home Performance Program or Pay for Performance Program?**

Download the [multifamily flow chart](#) to determine whether your multifamily building fits into the Residential Home Performance Program or the Commercial Pay for Performance Program. If you believe your project has fallen into the wrong category please contact program representatives at 866-NJSMART.

### **What if my multifamily building consists of multiple garden-style buildings?**

Garden style apartment complexes usually consist of multiple low-rise apartments, cooperatives, condominiums and/or townhouses surrounded by landscaped grounds.

These types of complexes will be treated as one project under Pay for Performance. In other words, if there are 10 garden-style buildings that are part of one multifamily community, all 10 will be aggregated into one Pay for Performance application. The 100kW participation threshold will be met through this aggregation (including common area and in-unit billing). The 15% savings requirement (as well as all other program requirements) will be achieved in aggregate, as well. The same process will apply for affordable-rate housing, except for the fact that they will not need to meet the 100kW requirement to participate. Only one set of incentives will be paid per project, and all incentive caps apply. All other program rules apply.

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Other

### **Will Pay for Performance have a portal?**

It is not currently planned. Communication will be via email through [P4P@trcsolutions.com](mailto:P4P@trcsolutions.com)

### **What is the estimated timeframe for receiving incentive money?**

Between 45 and 60 days from incentive authorization.

### **Would a loan program help Pay for Performance to be more successful?**

A loan program (MEEIP) is currently established for New Jersey Housing and Mortgage Finance Agency's properties. Contact NJHMFA directly or [visit their website](#) for more information. The Economic Development Authority does provide financial assistance for qualified projects from time to time. Please see the "[EDA Programs](#)" page for more information.

### **Can an ENERGY STAR rating be achieved through Pay for Performance?**

Yes, the measures installed under Pay for Performance could result in the building being eligible for the ENERGY STAR Label.

### **Can the partner seek work through the program or must they wait to be contacted by a potential participant?**

Partners are encouraged to seek participants and bring them into the program.

### **As one of the 5 special classes of P4P exempt from the 100 kW requirement,**

- **Hospitals**
- **Nonprofits**
- **Public Universities/Colleges**
- **Governmental entities not receiving Direct Energy Efficiency and Conservation Block Grants**
- **Affordable multi-family housing (“affordable” is defined as low income, subsidized, HUD, etc.)**

**when should we apply for Direct Install (DI) and when should we apply for Pay for Performance (P4P)?**

If you have the option of pursuing either P4P or DI, consider TWO things:

- 1) Diversity of measures – DI has a very specific equipment list for which it provides incentives and currently does not include building envelope measures. The P4P Program is open to a wide range of energy efficiency upgrades as long as they result in measurable energy savings and meet minimum performance requirements.
- 2) Budget - P4P is time intensive, which translates to a bigger investment. There really needs to be considerable savings involved to make P4P worthwhile - especially for smaller facilities.

Here are some cases where Direct Install would be better for smaller nonprofits:

- 1) Most or all of the work involves lighting, HVAC or smaller internal measures OR
- 2) You have a “tight” budget OR
- 3) You have a “short” deadline OR
- 4) The scope of work is somewhat standard (to a point where modeling a facility would be a waste of time).

Here are some cases where Pay for Performance would be better:

- 1) The scope of work involves lighting, HVAC and more intricate type improvements OR
- 2) The scope of work involves building envelope OR
- 3) You are interested in pursuing Combined Heat & Power OR
- 4) You have complex technologies in the building

When in doubt, have a preferred Direct Install contractor perform a free energy assessment and evaluate the results. If the results are not meeting your needs, then Pay for Performance may be a better route. Keep in mind that some of the Direct Install contractors are also P4P partners.