

OFFICIAL DOCUMENTS

Supplemental Letter

ENERGY EFFICIENCY SERVICES LIMITED

August 28, 2018

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

INDIA: Loan No. 8857-IN; Guarantee No. G2580-IN
(Energy Efficiency Scale-Up Program)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

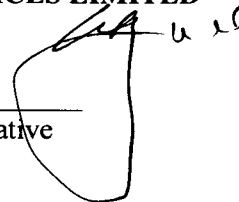
We refer to Section III of Schedule 2 to the Loan Agreement of even date between Energy Efficiency Services Limited (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”).

Unless otherwise agreed with the Bank, we shall monitor and evaluate the implementation of the Project in accordance with the Performance Monitoring Indicators attached to this letter.

Very truly yours,

ENERGY EFFICIENCY SERVICES LIMITED

By _____
Authorized Representative



Attachment – Performance Monitoring Indicators

N.B. Legend: Disbursed linked indicator (DLI); Program Action Plan (PAP); Results Framework (RF)

Results Framework Matrix
India: Energy Efficiency Scale-Up Program

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	Indicator	DLI #	Unit of Meas.	Baseline (Year)	End Target (Year)
	PDO Indicator 1¹ - Projected lifetime energy savings from LED bulbs, LED tube lights, energy efficient ceiling fans and LED street lights sold via EESL programs		1		GWh	197,900 (2017)	403,400 (2022)
	PDO Indicator 2 – Avoided CO2 emissions associated with projected lifetime energy savings from LED bulbs, LED tube lights, energy efficient ceiling fans and LED street lights sold via EESL programs (see footnote for assumptions)		2		MtCO2	160.7 (2017)	326.8 (2022)
	PDO Indicator 3 – Amount of commercial financing leveraged by the IBRD guarantee		3		US\$	0 (2017)	\$200,000,000 (2022)
		IR Indicator 1.0 – Direct employment (number of jobs) created (of which women) ²	1.0		number	366 (of which 16% women); (2017)	500 (of which 25% women) (2022)
Results Area 1 - Energy savings and EE market transformation in		IR Indicator 1.1 – Number of LED bulbs and tube lights sold via EESL program	1.1	DLI1	Number	216,000,000 (2017)	437,000,000 (2022)
		IR Indicator 1.2 – Estimated number of beneficiaries (of which women) of LED bulbs sold via EESL program ³	1.2		Number	336 million (163 million) (2017)	656 million (318 million) (2022)

¹ Key assumptions for calculations: of PDO 1 and 2: (i) LED bulbs: energy savings per equipment per year: 130 kWh/yr per equipment (as per EESL dashboard); estimated lifetime: 7 years; (ii) LED tube lights: energy savings per equipment per year: 36 kWh/yr per equipment (as per EESL dashboard); estimated lifetime: 10 years; (iii) EE fans: energy savings per equipment per year: 93 kWh/yr per equipment (as per EESL dashboard); estimated lifetime: 10 years; and (iv) LED street lights: energy savings per equipment per year: 141 kWh/yr per equipment (as per EESL dashboard); estimated lifetime: 8 years. Grid emissions factor: 0.00081 tCO2/kWh

² Target for the indicator is based on additional hires above the 2017 baseline. Achievement of the indicator assumes sufficient applications from eligible female candidates are received for advertised positions.

³ The following assumptions are used to estimate the indicator: (i) an average of 3 LED bulbs per household are sold via the EESL UJALA program; (ii) the average household size data (4.7 people per household) is taken from the India's 2011 populations census; (iii) the average male-female ratio of households (940 females per 1000 males) is also taken from India's 2011 population census.

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	Indicator	DLI #	Unit of Meas.	Baseline (Year)	End Target (Year)
the residential sector		IR Indicator 1.3 - Number of energy efficient ceiling fans sold via EESL program	1.3	DLI2	number	587,795 (2017)	6,408,000 (2022)
		IR Indicator 1.4 – Approval of EESL strategy for sustainable LED market transformation in residential lighting, including set of indicators EESL will monitor and track.	1.4		Y/N	(2017) No strategy	(2022)
Results Area 2 – Energy savings and EE market transformation in public street lighting		IR Indicator 2.1 - Number of LED street lights installed under SLNP	2.1	DLI3	number	1,967,000 (2017)	9,167,000 (2022)
		IR Indicator 2.2 - Number of municipalities/towns/villages/gram panchayats ⁴ with LED street lights installed through SLNP	2.2		number	500 (2017)	1250 (2022)
Results Area 3 – Development of sustainable business models in new EE market segments		IR Indicator 3.1 – EESL implementation of the three EE AC sustainability actions approved. ⁵	3.1	DLI4	Y/N	(2017)	(2021)
		IR Indicator 3.2 – EESL approval of business model for collaboration with private sector ESCOs in the implementation of EESL’s Building EE activities	3.2	DLI5	Y/N	(2017)	(2020)
Results Area 4 – Institutional Strengthening for sustainable EE scale-up	PDO Indicator 4 – Establishment of Sustainable Development unit. The unit shall (i) have direct reporting to EESL’s Managing Director; (ii) be resourced with budget and dedicated full-time qualified staff; and (iii) approved TOR.; and		4	DLI6	Y/N	(2017)	(2020)

⁴ The gram panchayats in India are the local self-governments in the villages of the country.

⁵ As described in Table 3 of PAD main document with the full description of DLI4, the EE AC actions to be implemented by EESL are: (i) dissemination of consumer guide on safe refrigerant replacement and disposal and of buy-back options (where available) in the packaging of EESL-procured AC; (ii) Inclusion, in EESL’s bidding documents for energy efficient ACs, of request to manufacturers to report (through a reporting template) on AC refrigerant disposal and recycling, including Registered E-Waste Dismantler/Recycler’s verification (or evidence) of disposal, in conformity with India’s Environmental Protection Act to enable monitoring and recording of AC disposal and recycling actions by manufacturers participating in EESL bids; and (iii) conducting stakeholder consultations on safe refrigerant disposal with e-waste providers and AC stakeholders

Results Areas Supported by PforR	PDO/Outcome Indicators (Key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results Indicators (critical processes, outputs or intermediate outcomes indicators needed to achieve each aspect of the PDO)	Indicator	DLI #	Unit of Meas.	Baseline (Year)	End Target (Year)
	Unit delivers report on implementation of updated EHSS Manual covering all EESL programs under implementation. (See Note (1))						
		IR Indicator 4.1 – Periodic independent evaluations of EESL programs	4.1		Y/N	(2017)	(2022)
		IR Indicator 4.2 Approval of capacity building and training program for EE private sector to facilitate support/facilitate private sector participation in EE market segments	4.2		Y/N	(2017)	(2020)
		IR Indicator 4.3 – Adoption by EESL management of standardized procurement documents: “Guidelines”, SBDs and MOU format,	4.3		Y/N	(2017)	(2019)

2.1 Indicator Description

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
PDO Indicator 1	Projected lifetime energy savings from LED bulbs, LED tube lights, energy efficient ceiling fans and LED street lights sold via EESL programs	Annual	EESL Dashboard	Compilation of equipment sold from dashboard [<i>*see assumptions for calculation of indicator</i>]	EESL		
PDO Indicator 2	Avoided CO2 emissions associated with projected lifetime energy savings from LED bulbs, LED tube lights, energy efficient ceiling fans and LED street lights sold via EESL programs	Annual	EESL Dashboard	Compilation of equipment sold from dashboard (<i>*see footnote with assumptions for calculation of indicator</i>)	EESL		
PDO Indicator 3	Amount of commercial financing leveraged by the IBRD guarantee]	Once	EESL annual report; commercial lead arrangers	Compilation of information from loan agreements signed or bonds issued	EESL		

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 1.0	Direct employment (number of jobs) created (of which women)	Annual	EESL	EESL employment records	EESL		
IR Indicator 1.1	Number of LED bulbs and tube lights sold via EESL program	Annual	EESL dashboard and its reporting system; EESL sales receipts	Compilation from EESL dashboard and verification of EESL's reporting system for EESL dashboard, including random sampling to test reporting system's integrity to confirm quantities in dashboard	EESL	Independent verification agency	Yes
IR Indicator 1.2	Estimated number of beneficiaries (of which women) of LED bulbs sold via EESL program	Annual		Estimate, taking into account number of bulbs sold (assuming per household 3 LED bulbs sold via EESL UJALA program) and household data from India Population census	EESL		
IR Indicator 1.3	Number of energy efficient ceiling fans sold through EESL program	Annual	EESL dashboard and its reporting system; EESL sales receipts	Compilation from EESL dashboard and verification of EESL's reporting system for EESL dashboard, including random sampling to test reporting system's integrity to confirm quantities in dashboard	EESL	Independent verification agency	Yes
IR Indicator 1.4	Approval of EESL strategy for sustainable market transformation of residential lighting, including activities associated with EESL roles/functions (as outlined in PAP) At end of Program, EESL report on key strategy indicators (listed in PAP and agreed in approved strategy)	In year 2 and end of Program	EESL Board Meeting Notes (or signed document issued by the relevant official(s) to whom the decision has been delegated by the Board of Directors through the adoption of a resolution); ELCOMA and third party market data	EESL Board meeting minutes, as certified by the Company Secretary (or signed document issued by the relevant official(s) to whom the decision has been delegated by the Board of Directors through the adoption of a resolution); approved strategy; report on key strategy indicators	EESL		

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 2.1	Number of LED street lights installed under SLNP	Annual	EESL Dashboard and EESL reporting system; sales receipts	Compilation from EESL dashboard and verification of EESL's reporting system for EESL dashboard, including random sampling to test reporting system's integrity to confirm quantities in dashboard	EESL	Independent verification agency (IVA)	Yes
IR Indicator 2.2	Number of municipalities/towns/panchayat with LED street lights installed under SLNP	Annual	EESL contracts with Urban / Rural Local Bodies or State Governments/other Departments as the case may be; Weekly MoP report to Cabinet	EESL compiles information from weekly MoP report to Cabinet	EESL		
IR Indicator 3.1	EESL implementation of EE AC sustainability actions	Annual	EESL Board meeting minutes, as certified by the Company Secretary (or signed document issued by the relevant official(s) to whom the decision has been delegated by the Board through the adoption of a resolution); EESL website; EESL documents; EESL consultations report; random sampling of EESL ACs.	EESL submits relevant documentation to IVA; IVA checks EESL website;	EESL	Independent verification agency (IVA)	Not Applicable
IR Indicator 3.2	EESL approval of business model for collaboration with private sector ESCOs in the implementation of EESL Building EE activities	Once	EESL Board meeting minutes, as certified by the Company Secretary (or signed document issued by	EESL submits relevant documents to IVA	EESL	Independent verification agency (IVA)	Not Applicable

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
			the relevant official(s) to whom the decision has been delegated by the Board of Directors through the adoption of a resolution); Final report on business model				
PDO Indicator 4	Establishment of Sustainable Development Unit, and report on implementation of updated EHSS Manual covering all EESL programs under implementation. (See note (1))	Annual	EESL Board meeting minutes, as certified by the Company Secretary (or signed document issued by the relevant official(s) to whom the decision has been delegated by the Board of Directors through the adoption of a resolution); organizational chart; staffing and scope of work as per ToRs (as per Annex VII of ESSA, and acceptable to World Bank) Report submitted to EESL management on activities of Sustainable Development Unit and implementation of EHSS Manual	EESL submits relevant documentation to IVA	EESL	Independent verification agency (IVA)	Not Applicable

Indicator Name (#)	Description	Frequency	Data Source	Methodology for data collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
IR Indicator 4.1	Periodic independent evaluations of EESL programs	Annual	Plan adopted by EESL Management; at least 2 final independent evaluation reports	EESL submits relevant documents to World Bank	EESL		
IR Indicator 4.2	Approval of capacity building and training program for EE private sector to facilitate support/facilitate private sector participation in EE market segments	Annual	EESL management approval; report of first training;	EESL submits documents to World Bank	EESL		
IR Indicator 4.3	Adoption by EESL management of standardized procurement documents: "Procurement Guidelines", SBDs, and MOU format,	Once	Report to EESL Management recording adoption of standardized procurement documents (Guidelines, SBDs and MoU format)	EESL submits document to World Bank	EESL		

***Note (1):**

For the purpose of DLI6 and PDO Indicator 4, an EESL program is deemed "under implementation" when the following conditions are met:

EESL will determine whether a project is classified as "under implementation" by March 31 of each year based on the following criteria:

- i. EESL has completed at least three rounds of procurement and deployment, as per the technical specifications set forth in the relevant procurement documents; or EESL has made investments of at least INR 2 billion in projects of that program, and has received management approval to continue program deployment in the subsequent year, whichever is earlier; and
- ii. EESL's investment projections for the subsequent financial year for the project in question is higher than the investment made during the financial year that is ending

The EHSS Manual will be updated to include within 12 months of a project being deemed "under implementation.