

U.S. Department of Energy
Washington, DC

ORDER

DOE O 540.2

Approved: 10-28-2024

SUBJECT: INDEPENDENT ASSESSMENTS OF PROJECTS RECEIVING \$100 MILLION OR MORE IN FEDERAL FINANCIAL ASSISTANCE OR OTHER TRANSACTION AUTHORITY

1. PURPOSE. To prescribe the requirements and responsibilities for Department of Energy (DOE) Departmental Elements to 1) conduct Independent Assessments of projects receiving \$100 million or more in federal financial assistance or other transaction authority and to 2) notify the Demonstration and Deployment Advisory Board (DDAB) of such projects and Independent Assessment results.
2. CANCELS/SUPERSEDES. Not applicable.
3. APPLICABILITY.
 - a. Departmental Applicability. This order applies to all Departmental Elements that oversee projects receiving \$100M or more in federal financial assistance or other transaction authority.
 - b. DOE Contractors. This Order does not apply to contractors.
 - c. Equivalencies/Exemptions for DOE O 540.2.

Exemption. The National Nuclear Security Administration (NNSA), the Office of Science, Power Marketing Administrations (PMAs), Federal Energy Regulatory Commission (FERC), and projects financed with loans or loan guarantees are exempt from the requirements in this Order (See 2 C.F.R. 200.1).
4. REQUIREMENTS.
 - a. Covered Projects.
 - (1) Demonstration and deployment projects funded through greater than or equal to \$100 million in federal financial assistance or other transaction authority must be identified as “Covered Projects.”
 - (2) DDAB must be notified of any Covered Projects, including upon issuance of a solicitation that is reasonably expected to generate a Covered Project(s) and upon Selection of Covered Project(s).

b. Independent Assessments.

- (1) All Covered Projects must be reviewed via Independent Assessments (with timing at the discretion of the cognizant Departmental Element and to be coordinated with major investment decision(s) and/or in response to emergent risks).
- (2) Internal Independent Assessments. If a Departmental Element pursues an internal Independent Assessment for a Covered Project(s),
 - (a) The Departmental Element's internal policies and procedures for Independent Assessments must be presented to the DDAB; then
 - (b) The Independent Assessment(s) must be conducted according to the Departmental Element's internal policies and procedures for Independent Assessments.
- (3) Independent Assessments by the Office of Clean Energy Demonstrations (OCED). If a Departmental Element pursues an Independent Assessment by OCED for a Covered Project(s),
 - (a) The Departmental Element must request that OCED perform such Independent Assessment(s) on behalf of that Departmental Element; then
 - (b) The Departmental Element must provide OCED a project schedule with identified critical funding decision points to align Independent Assessment schedules; then
 - (c) OCED must share a schedule and cost estimate for the Independent Assessment with the cognizant Departmental Element; then
 - (d) OCED must perform the work for the cognizant Departmental Element on a cost reimbursable basis consistent with current DOE procedures for internal DOE reimbursable work arrangements; then
 - (e) OCED must conduct the Independent Assessment according to the defined scope and provide results to the Departmental Element; then
 - (f) The Departmental Element must work with the DDAB Executive Secretariat to provide DDAB with a briefing on the Independent Assessment results.
- (4) Independent Assessments must not be distributed outside DOE.
- (5) Independent Assessment results must be shared with DDAB.

5. RESPONSIBILITIES.

- a. Secretary or their designee. Delegates to Heads of Departmental Elements the responsibility to ensure that Covered Projects undergo Independent Assessments.
- b. Head of Departmental Elements or their designee must
 - (1) Notify the DDAB of any Covered Projects.
 - (a) Upon issuance of a solicitation (e.g. Notice of Funding Opportunity or otherwise) that is reasonably expected to generate a Covered Project(s), notify the DDAB within 30 calendar days in the form of an email to the DDAB Executive Secretariat.
 - (b) Upon Selection of a Covered Project(s), notify the DDAB within 30 calendar days via email to the DDAB Executive Secretariat and answer reasonable follow up questions from the DDAB in a timely manner.
 - (2) Ensure that Covered Project(s) undergo Independent Assessments.
 - (3) For each Covered Project(s), determine whether to pursue internal Independent Assessments or Independent Assessments by OCED.
 - (4) Internal Independent Assessments. If a Departmental Element pursues an internal Independent Assessment for a Covered Project(s),
 - (a) Coordinate with the DDAB Executive Secretariat to present its internal policies and procedures for Independent Assessment to the DDAB; then
 - (b) Conduct the Independent Assessment according to its internal policies and procedures for Independent Assessments.
 - (5) Independent Assessments by the Office of Clean Energy Demonstrations (OCED). If a Departmental Element pursues an Independent Assessment by OCED for a Covered Project(s),
 - (a) Request that OCED perform such Independent Assessment(s) on behalf of that Departmental Element; then
 - (b) Provide OCED a project schedule with identified critical funding decision points to align Independent Assessment schedules; then
 - (c) Engage with OCED on a cost reimbursable basis consistent with current DOE procedures for internal DOE reimbursable work arrangements; then

- (d) Work with the DDAB Executive Secretariat to provide DDAB a briefing on the results of the Independent Assessment (as conducted by OCED).
- (6) Share Independent Assessment results with DDAB.
- c. Office of Clean Energy Demonstrations must
 - (1) Serve as Executive Secretariat to the DDAB.
 - (2) Internal Independent Assessments. If a Departmental Element pursues an internal Independent Assessment for a Covered Project(s), coordinate with the Departmental Element(s) so that such Departmental Element(s) presents its internal policies and procedures for Independent Assessment to the DDAB.
 - (3) Independent Assessments by the Office of Clean Energy Demonstrations. If a Departmental Element pursues an Independent Assessment by OCED for a Covered Project(s),
 - (a) Review the project schedule with identified critical funding decision points (as provided by the Departmental Element) and align Independent Assessment schedules; then
 - (b) Share a schedule and cost estimate for the Independent Assessment with the cognizant Departmental Element; then
 - (c) Perform the work for the cognizant Departmental Element on a cost reimbursable basis consistent with current DOE procedures for internal DOE reimbursable work arrangements; then
 - (d) Conduct the Independent Assessment according to the defined scope and provide results to the Departmental Element and then work to ensure that the Departmental Element provides DDAB with a briefing on the Independent Assessment results.
- d. Demonstration and Deployment Advisory Board must
 - (1) Serve as a forum for members of DOE senior leadership to review the findings of Independent Assessments and provide non-decisional recommendations and advice to Covered Projects.
 - (2) When a Departmental Element pursues an internal Independent Assessment for a Covered Project(s), review the Departmental Element's policies and procedures for Independent Assessments.

6. INVOKED STANDARDS. This Order does not invoke any DOE technical standards or industry standards as required methods. Note: DOE O 251.1D, Appendix J provides a definition for “invoked technical standard.”
7. REFERENCES.
 - a. Energy and Water Development and Related Agencies Appropriations Act, 2024, Pub. L. No. 118-42, Div. D § 304 (Mar. 9, 2024).
 - b. Energy and Water Development and Related Agencies Appropriations Act, 2023, Pub. L. No. 117-328, Div. D § 310 (Dec. 29, 2022).
8. DEFINITIONS.
 - a. Demonstration and Deployment Advisory Board (DDAB). Provides non-decisional advice on the successful execution of Covered Projects. The requirements in this directive are designed to ensure that Independent Assessments are implemented in a transparent, efficient, and constructive manner to support the safe and secure accomplishment of DOE’s missions.
 - b. Executive Secretariat. Provides support to the DDAB. For the purposes of this directive, OCED serves as the Executive Secretariat.
 - c. Covered Projects. Demonstration and deployment projects funded through greater than or equal to \$100 million in federal financial assistance (excluding loans or loan guarantees) or other transaction authority.
 - d. Departmental Elements. A Departmental element is defined as a first-tier organization at Headquarters. First tier at Headquarters includes the Secretary, Deputy Secretary, Under Secretaries, and Secretarial Officers (Assistant Secretaries and Staff Office Directors).
 - e. Independent Assessment. Independent Assessments are objective, evidence-based, topic-specific evaluations conducted by topical subject matter experts (internal and external), performed for scheduled evaluation points and as-needed in response to risk observations. Independent Assessments will include whole-project assessments with specific element quality reviews on cost, schedule, scope, and other lines of inquiry, and the resulting risks. To be independent, Independent Assessments must be conducted by individuals that have no line management or policy-making responsibilities or authorities over the Covered Project. The scope and cost of an Independent Assessment will vary according to the specifics of individual projects. The primary purpose of performing Independent Assessments is to inform project management oversight. Independent Assessments should follow robust, standardized procedures developed and documented by the executing Departmental Element. Independent Assessments may be conducted on Covered Projects in two ways: (1) internal Independent Assessments, where Departmental Elements conduct Independent

Assessments on their own Covered Projects; OR (2) Independent Assessments by OCED, where OCED conducts Independent Assessments on Covered Projects.

- f. Notice of Funding Opportunity. Announcement of grants or cooperative agreements that are to be competed, where such announcement includes (a) summary information, (b) availability period, and (c) full text of the funding opportunity.
 - g. Selection. Following a merit review process, the selection or identification, by the officially designated Selection Official, of recipients most likely to be successful in delivering results based on the program objectives.
9. CONTACT. Questions concerning this Order should be directed to the Office of Clean Energy Demonstrations at 202-586-OCED (6233) or oced@hq.doe.gov.

BY ORDER OF THE SECRETARY OF ENERGY:



DAVID TURK
Deputy Secretary