Energy Efficiency Program Administration

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Overview of Talk

• Key functions in administering and delivering EE
• Summary of State experience with alternative approaches to administering energy efficiency
• Pros and cons of alternative approaches
What does it take to administer and deliver Energy Efficiency programs?

- General Administration and Coordination
  - Propose & manage budget for portfolio of programs; maintain contracts with primary contractors; maintain IT system for reports to PUC, legislature

- Program Development, Planning, and Budgeting
  - Facilitate public planning and input process; propose general program descriptions and budgets

- Program Administration and Management
  - Manage budget and sub-contracts for individual programs; provide detailed program design; propose program changes based on experience and market response

- Program Delivery and Implementation
  - Market individual programs; provide program delivery services (e.g., energy audits, tech. assistance, rebates); develop M&V guidelines; develop individual projects

- Program/Market Assessment and Evaluation

KEY QUESTION: What functions are done by Energy Efficiency Administrator (EEA) and/or Third Parties?
Energy Efficiency Program Administration (and Governance) Models

Selection Process

1) Continue Utility Administration
2) Use Existing State Agency (and Expand their Scope)
3) Create New Non-Profit Corporation with Board of Directors

Eligible Bidders
- Non-profit organizations
- For-profit firms
- Utilities (?)
- State agencies (?)
Energy Efficiency Administration: Connecticut

- Utility administration with a public/stakeholder advisory board (ECMB)

- Accomplishments
  - facilitates DPUC regulatory approval of C&LM programs, budgets, goals, incentives, M&V
  - coordinated statewide programs
**Energy Efficiency Administration: California**

- **Utility Administration with informal advisory groups**
  - PRG: sub-set of non-financially interested PAG members who assess utility portfolio plans and solicitations
  - PAG: provide input on program design

- **Third-Party Program Contractors:**
  - 20% of EE budget reserved for programs designed & administered by third-parties
Energy Efficiency Administration: New York

- **Expanded Scope for Existing State Agency (NYSERDA)**
  - MOU between NYPSC and NYSERDA; NYPSC approves 5 year Operating Plan
  - 5-yr SBC Funding is $1.1B thru 2011: EE ($547M), LI ($232M) and R&D ($279M)

- **In NYC, utility also administers programs**
  - 2-yr Funding for targeted congestion relief: NYSERDA ($112M) and ConEd ($112M)
Energy Efficiency Administration: Wisconsin

- Existing State Agency model (2002 to July 2007)
  - 3-yr. contract between DOA and Program Area Administrators (+ 1-yr. extensions); Budget = $40M/year in 2005
- Significant “raiding” by state legislature and Governor has led to new approach
Energy Efficiency Administration: New Jersey

- NJ BPU provides regulatory oversight of EE and renewables programs; and appointed a Clean Energy Council to provide advice and input.
- New Jersey issued RFP to select Market Managers to administer EE and renewable public benefit programs; Few bidders responded.
Energy Efficiency Administration: Vermont

- RFP Process: 3-yr contract with Efficiency Vermont (+3 yr extension)
- Evolved from prescribed core programs to program area targets
- “One-stop shopping”
• Energy Trust is non-profit corporation; grant agreement with OR PUC
• ~40 staff: $62M/year budget
Continued Utility Administration

• Pros
  - Technical and administrative experience on utility staff
  - Well-developed regulatory channels for oversight and accountability
  - Often have established infrastructure and network with market participants (e.g., vendors)

• Cons
  - Financial disincentives to pursue energy efficiency
  - Potential and perceived (by market participants) conflicts of interest
  - Service territory boundaries may lead to market and administrative inefficiencies

• Suggestion
  - Establish Advisory Committee process to facilitate stakeholder input
Existing State Agency Model

• Pros:
  - Statewide scope can harness economies of scale
  - Agency objectives/mission are potentially compatible with EE goals

• Cons:
  - State procurement requirements may limit ability to select “best-value” programs/proposals
  - Lack of experience and ability to attract qualified staff
  - Potentially greater political exposure of program funds
Third-Party Administration: Create New Non-Profit Organization

• Pros:
  - Structure and mission can be strongly aligned with policy goals
  - Ability to create lean, efficient administration
  - High probability of attracting qualified administrative and technical staff

• Cons:
  - Institution building takes long time and significant political will and resources (e.g. typically requires enabling legislation)
  - Warranted only if funding duration is sufficiently long
Lessons Learned: Changing Administration

• Regulatory vs. Contract model?
  - Expect high switching costs if move toward contract model (CA, NJ)
  - Contract model: Min. 3 year term with option to renew for multi-year period (VT, WI)
  - Be creative: inter-agency (NY) or grant (OR) agreement

• Plan for transition
  - Prepare for unexpected (e.g., how to transfer $$ from utility, potential lawsuits)
  - Longer than expected (~2-3 years minimum)
  - Minimize disruption in program offerings to customers and loss of EE services infrastructure and capability
Lessons Learned: Changing Administration (cont.)

• Require New EE Administrator to develop a long-term strategic plan (and ST action plan)
  - Energy Trust of Oregon is good example

• Non-profit corporation model needs:
  - Broad political/legislative support
  - “Independent” Board of Directors
  - Accountability/oversight (strategic plan, budget, annual report, advance notice of LT contracts, indpt. mgmt review)
  - Procurement guidelines
Lessons Learned: Utility Administration with Advisory Process

• Advisory committees can facilitate and broaden stakeholder input and enhance EE portfolio and programs

• Advisory Boards to PUCs
  - Act like an Exec. Board not a “staff” Board (CT ECMB vs. CA CBEE)
  - Hire technical consultants; plan to spend ~1-2% of EE budget
  - Establish processes (e.g. bylaws, members, officers, voting rules, public notice)