

DSM Implementation Contracts and Stakeholder Advisory Groups: Considerations for DSM Program Managers

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When this session is over, you will know...

Design considerations for:

- Outsourcing DSM delivery contracts
- Stakeholder group formats
- Pros/Cons
- Joined the debate

Primary Audience:

- New DSM Program Administrator
- Mandate to outsource
- Quick launch urgency

Agenda

Part 1: Introduction- DSM Everywhere!

Part 2: Third-Party Implementation Contract Designs

- Options
- Pros/Cons

Part 3: Stakeholder Advisory Group Designs

- Options
- Pros/Cons

Part 4: Discussion

Part 1: DSM Everywhere!

- Large budgets
- Aggressive savings goals
- No time
- New markets
- Stakes are high
- Short staffed

- First Steps after Program Approval...
 - Implementation strategy
 - Stakeholder engagement strategy

Part 2: Third Party Implementation Contract Options

Three Major Options:

- a) Program Specific Contracts
- b) Sector Specific Contracts
- c) Total Portfolio Contract

Option A: Program Specific

When to Consider:

Phased launch of DSM programs

Utility has resources and experience to manage

Pros

- Diversify contractor risk
- Improve chances of hiring “best in class” for niche delivery areas

Cons

- More management /oversight responsibilities
- Decreases likelihood of cross-program promotion
- Inefficiency in cross-program functions (e.g., data tracking, delivery, marketing)

Option B: Sector Specific

Context: Releasing RFPs by “bundle”



When to Consider:

- Phased launch of similar programs
- Limited utility staff and experience

Pros

- Encourages cross-program promotion and delivery efficiency
- Reduces contract management

Cons

- May result in “arranged marriage” with unpredictable consequences!
- Less than preferred subcontractors
- Teaming = Mark-Up/Overhead Expenses

Option C: Total Portfolio

Context: Single RFP for turn-key delivery of ALL programs

Pros

- Quick administrative launch....not necessarily field launch
- Facilitates utility oversight with limited staff
- Utility role is: “contract manage” vs. “program manage”
- Delivery efficiencies (marketing, data tracking, regulatory support)

Cons

- Delivery team start-up challenge (bandwidth)
- “arranged marriage” risk
- might not be selecting best-in-class contractors
- Extreme incumbency reduces competition on next re-bid

Contractor Compensation

Traditional

- Time and materials (T&M) re-imbusement up to an annual limit

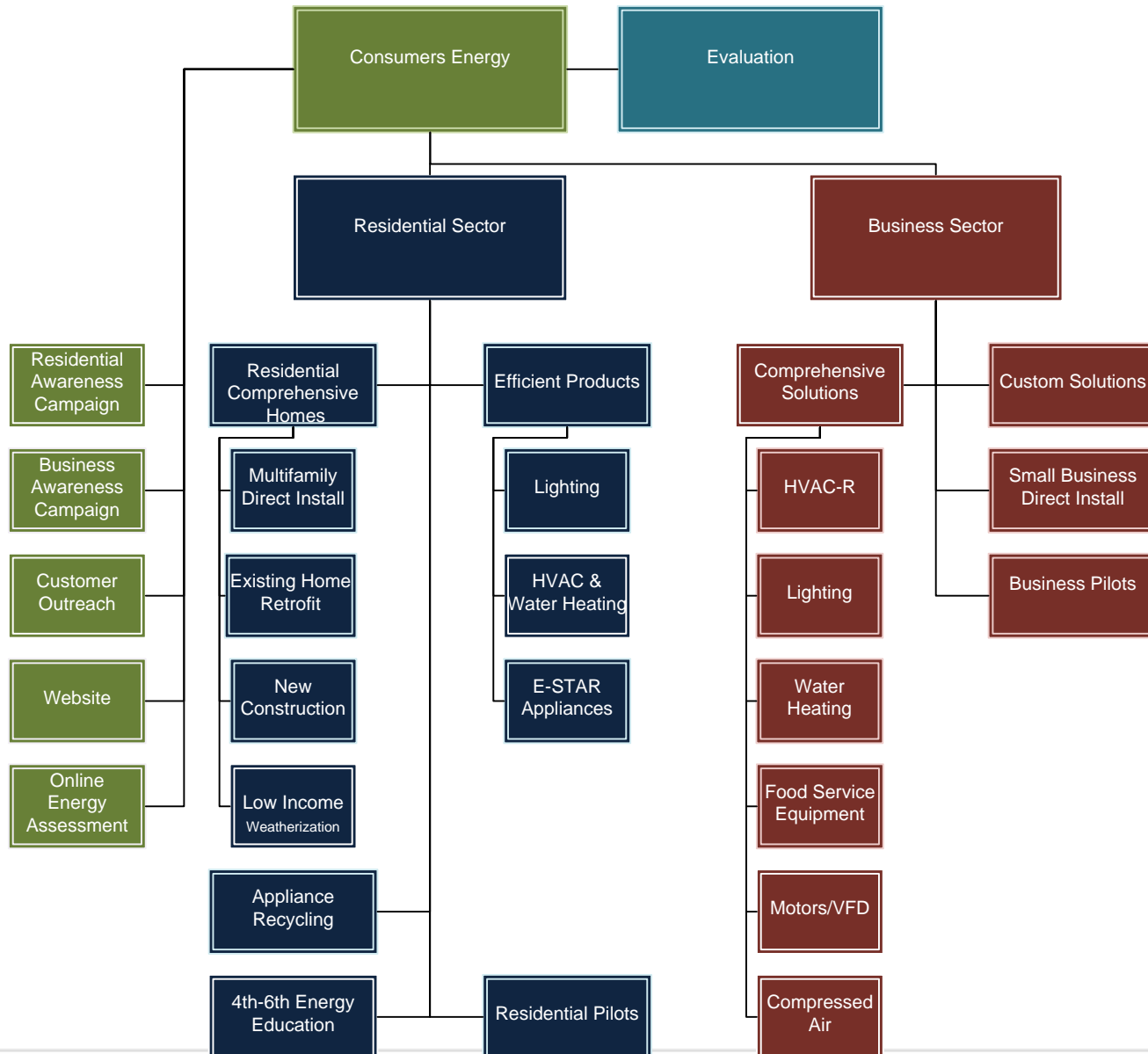
Alternative

- T&M with performance incentives and penalties
- Partial T&M and Performance Based
- Pay for performance (\$/kWh/kW saved)
- Hold Back
- Other

Comparative Contract Review

Issue		1. Sector-Specific	2. Program-Specific	3. Master Umbrella
		Two Sectors: Residential and Commercial / Industrial	Multiple Programs in Both Sectors	All Sectors
1	Programs bundled by sector	yes	sometimes	yes
2	Demand response included in bundle	yes	sometimes	yes
3	Number of contracts awarded	one or two	multiple	one
4	Contract length	may vary	may vary	single
5	Gradual program design or phased programs roll out	by sector	by program	by sector or program
6	Program launch	single	staggered	single or staggered
7	Promotes cross-promotional opportunities	yes	no	yes
8	Bidders form partnerships	yes	sometimes	yes
9	Encourages competitive bids at program level / selecting most appropriate / specialized contractor for specific program area	no	yes	no
10	Diversifies contractor risk	partially	yes	no
11	Simplicity of managing contracts / contractors coordinate activities amongst their subcontractors	yes	no	yes
12	Program marketing, incentive processing, data tracking by implementation contractors	yes	yes	yes
13	Examples	New Jersey, Ameren Illinois Utilities, AmerenUE	Energy Trust Oregon, NYSERDA, National Grid	Efficiency Maine, Wisconsin Focus on Energy, Efficiency Vermont

Case Study / Consumers Energy: 6 Years / \$500 Million



Consumers RFP Design

Partial Bundling Solution:

- RFP #1: Business Solutions
- RFP #2: Residential Efficient Products
- RFP #3: Residential Comprehensive Homes
- RFP #4: Residential Appliance Recycling
- RFP #5: Grades 4-6 Energy Education program

Contractor Options:

- Respond to all
- Respond to select few

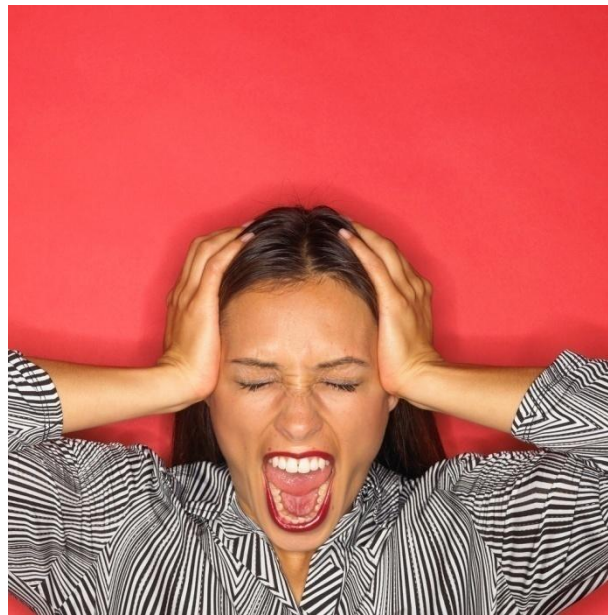
RFP Logic

- Provide flexibility
- Contractors can self-select
- Increase competition
- Realize efficiencies in program delivery

Results:

- 25 responses (5 per RFP)

Part 3: Stakeholders: Can't Live With Them, Can't Live Without Them



Birth of DSM Stakeholder Groups

- 1) Utility pro-active engagement
- 2) Re-active engagement to stakeholder demands
- 3) Regulatory order

Benefits:

- Provide transparency to the process
- Increase trust
- Identify program enhancements
- Partial-to-full sense of shared responsibility



Three Stakeholder Models

- Working Group
- Advisory Committee
- Collaborative

Working Group

Operation

- Most informal model
- Meets only as needed and typically at discretion of utility
- Engagement is one of primarily information exchange only
- Participation is often self-selection or upon invitation

Pros:

- Informality can increase level of trust and comfort
- Can be organized quickly and as needed
- Good starting option

Cons:

- Stakeholders can be resentful of limited and infrequent “seats at the table”
- If not well run, can be a complete waste of time

Advisory Committee

Operation

- More formal, 5-15 members
- Members appointed/approved by regulator
- Comment on program goals/budgets - but no final authority
- Expert technical support (sometimes)

Pros:

- Establishes regular forum for engagement
- Increase trust and understanding
- More dialogue may lead to better programs

Cons:

- Decision making is delayed
- Resource intensive to manage /educate the Committee

Collaborative

Operation

- Most formal and empowered
- Budget and program design authority
- Appointed membership (8-15 members)
- Expert technical support is common

Pros:

- Leads to sense of “shared responsibility”
- Can reduce or eliminate contentious regulatory proceedings
- Intensive/frequent engagement in program design can lead to innovation/excellence

Cons:

- Time and labor intensive

Comparative Review-Stakeholder Groups

Issue		A. Working Group Ad Hoc / Informal	B. Advisory Committee More Formal	C. Collaborative Formal
		1	Initiated by	program administrator or stakeholders
2	Number of members	no limit	eight to fifteen	eight to fifteen
3	Use of outside DSM experts funded by administrator or regulator	no	maybe	yes - multiple
4	Dedicated Website	no	yes	yes
5	Meeting frequency	typically at request of program administrator	defined (monthly to quarterly range)	defined (monthly to quarterly range)
6	Public notice of meetings	maybe	usually	yes
7	Public/potential stakeholders included in meetings	maybe	usually	yes
8	Votes taken	maybe	usually	yes
9	Notes recorded	maybe	yes	yes
10	Input to decisions	proposed	advisory	consensus/voted
11	Level of engagement / example	seat at table: provide input to program design, may influence decisions	advisory: reviewing final program designs; establishing agreed-upon performance metrics; reviewing evaluations and plan progress; reviewing program additions or discontinuations; reviewing new proposed programs; reviewing program budget shifts and need for carry-over of unspent funds	fully empowered: have oversight and ultimate budgetary and program design and goals authority over administrator
12	Decision making by	program administrator or regulator	majority vote with final decisions by program administrator or regulator	collaborative via consensus or majority vote
13	Example	Baltimore Gas and Electric, Arkansas	Efficiency Vermont, Energy Trust of Oregon	Massachusetts Joint Utility Collaborative, Connecticut Energy Conservation Management Board

Recommendations for DSM Managers on Stakeholder Groups

- Engage and be proactive
- Invest in stakeholder education (hire technical experts)
- Establish ground rules
- Informal exchange beats formal
- Plan for stakeholder process evolution
- Make interactions worthwhile- or implement change

Part 4: Open Discussion / Questions

Additional suggestions for the new
DSM program manager?

Lessons from the audience?

Thank You

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