

Implementing Third Party Energy Efficiency Programs at PG&E

Ila Homsher
Manager, Third Party Programs
Customer Energy Efficiency

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Background

Commission's Objective for Third-Party Programs

- “...to solicit innovative ideas and proposals for improved portfolio performance”

D.05-01-055, mimeo, p. 90

- All capable entities implement programs chosen through solicitations (with a minimum of 20% of the portfolio reserved for Third-Party programs)
- PG&E to maintain a “level playing field” among all implementers

PG&E's 2006–2008 Energy Efficiency Portfolio Design

- Developed new market–segment based program delivery
 - Replaced former collection of programs developed over many years under different policy frameworks with programs organized around customer/end–use markets
- Recognized that achieving 2006–2008 CPUC–adopted savings targets would be challenging and require effective contributions from multiple channels, including:
 - PG&E “Core” Programs
 - Third Party Program Implementers (at least 20%)
 - Partnerships with Local Governments, UC/CSU, Community Colleges, and Department of Corrections

PG&E's Market-Segment Based Programs

- Mass Market:
 1. Residential
 2. Small Commercial

- Targeted Markets:
 1. Agricultural and Food Processing
 2. Schools, Colleges and Universities
 3. Retail
 4. Heavy Industrial and Fabrication
 5. Health Care/Biotech: Hospitals, Clinics, etc.
 6. Large Commercial and Institutional
 7. Hospitality: Hotels, Motels, etc.
 8. High Technology
 9. Residential New Construction

Third Party Solicitation Overview

Third Party Solicitation Overview

- PG&E sought bids to reflect all of its 2006–08 portfolio
- Bidders submitted proposals for all markets including
 - Mass Market
 - Targeted Markets (9 market segments)
 - Hybrid (both residential and non–residential)
- The following areas were excluded
 - Non–resource programs (ultimately funded two)
 - Programs that duplicate PG&E’s 2006–2008 statewide consistent program delivery strategies
- PG&E also identified portfolio gaps and sought to fill these through third party programs

Bid Process

- Two-stage solicitation developed through open and transparent public process
 - Solicitation and process reviewed by public, PG&E Program Advisory Group, and PG&E Peer Review Group
- National expertise for bid review
 - Bid evaluation team consisted of internal and external evaluators who are nationally-recognized experts in markets and technologies covered by the bid
- PG&E selected evaluators using the following criteria
 - Combination of internal and external evaluators to provide impartiality
 - Nationally-regarded external energy efficiency and demand-side professionals
 - Evaluator group experienced in all market sectors
 - High integrity to ensure fairness

Evaluation Criteria

- Levelized Cost (\$/kWh) 40 points
- Portfolio Fit/Improved Portfolio Performance 25 points
- Comprehensiveness/Lost Opportunities 15 points
- Experience 10 points
- WMDVBE 10 points

PG&E's Third Party Program Portfolio

PG&E's 2006–08 Third Party Portfolio

- \$200 million was allocated.
- PG&E selected 11 PY 2004–05 third party programs to continue
- PG&E issued two solicitations for additional funding
- A total of 46 continuing and new programs were selected
 - Proposals on par with or better than PG&E's 2006–08 Core Portfolio
 - PAC Levelized Cost of less than \$0.035/kWh, \$0.20/therm

PG&E's 2006–08 Third Party Portfolio

- 30 distinct implementers deliver 46 unique programs
- Programs span multiple market segments including:
 - Agriculture
 - Food Processing
 - Fabrication Process
 - High Technology
 - Hospitality
 - Hospitals
 - Large Commercial
 - Lodging & Hotels
 - Medical Facilities
 - Multi-Family
 - Non-Res Mass Market
 - Residential Mass Market
 - Res New Construction
 - Retail
 - Schools & Preschools
 - Heavy Industry & Manufacturing
 - Education & Training

Managing Third Party Programs

Contract Development and Ramp Up

- PG&E negotiated performance-based contracts with each successful bidder vs. time and materials.
 - Performance payment structure helps mitigate the performance risk.
- Negotiations were complex due to need to systematically coordinate and integrate each of the 46 third party programs into PG&E's portfolio. Each contract includes a coordination agreement.
- Unlike the core programs that had existing infrastructure in place, 35 of the 46 programs were new and required time to set up program processes and infrastructure.

Program Management

- To expedite third party program ramp-up standard documents across all contracts included:
 - standard access agreements
 - standardized language in payment terms
 - checklists to help contracts facilitate the development of:
 - program applications, policy and procedures, and marketing materials
- Ten Program Managers oversee four to five contracts each.
- Market-segment based contract assignments help facilitate coordination.
- Coordination sessions were held and continue among Third Parties, Local Government Partnerships, PG&E Core Program Managers and Service and Sales representatives.

Program Management

- Standardization among all aspect of contracts, management, language, reporting, etc. is very important.
 - Reporting to CPUC and Measurement and Evaluation
- All third party implementers submit a monthly report on the 15th of each month that details the previous month's performance.
- PG&E Contract Managers review the monthly reports and supporting documentation, verify the reported savings, work with implementers to resolve questions regarding savings claims or inspection fails, and authorize payments after approving the monthly reports.

Challenges

- Most third party programs target a single market segment and thus have less flexibility to shift program focus should the customers not respond as expected.
- Actual program savings and levelized cost are likely to vary from the contract forecast.
- The internal data process to incorporate accomplishments from 46 disparate savings programs into PG&E databases has been a challenge.
- Overlapping elements that were not contemplated in the original coordination agreements with third parties has caused some concerns and confusion among third parties and Service and Sales employees.

2006–2008 Energy Efficiency Goals

	Three Year Goal	Achieved as of 4/2008	Forecast for end of 2008
MW	112	32	71
GWH	715	208	500
MMTh	15	1.8	5.47

Accomplishments To-date

- Savings are starting to ramp-up after a late and slow start.
- Plan to continue at least 30 of the 46 contracts into 2009-11, pending meeting mid-year milestones.
- Mass Market Direct Install programs continue to provide savings.
- Many long-lead time programs have savings committed, looking forward to completion.

2009–2011 RFP Process

- Budget Target = \$300 Million
 - \$80 million for new programs
 - \$220 million requested from continuing programs

Contracts to manage = 50–55

Would like to hold back some funds for successful contracts

2009–2011 Solicitation Process

- 2009–2011 Solicitation Process
 - Statewide General–2 stage process
 - 17 Targeted solicitations
 - Peer Review Group (PRG) reviewed all criteria and proposed selections
 - Announcement of successful bidders on April 21
 - Contracts in place by November 1.

Strategies to Ensure Success

- Field Team – Service and Sales extremely important in supporting Third Parties.
 - understand third party program offerings
 - on-going coordination meetings to implement coordination strategies to help minimize customer confusion and maximize customer participation
- PG&E is providing customer data to help third parties identify eligible customers in their allowable contract service territory.

Strategies to Ensure Success

- Have a back-up plan. Expect that ramp up time will be slow.
 - In 2007, PG&E's "Core" programs made up the Third Party Program's savings shortfall.
- Set short and long term milestones to allow for flexibility of fund shifting, ID weaknesses and provide support if needed.
- Hold back additional funding if possible to award more funding to successful programs. Ten programs received additional funding and goals in late 2007.

Lessons Learned

- Coordination needs to be spelled out before contracts signed.
- Levelize incentive structure whenever possible.
- Risk involved when single focus market sector does not respond as planned.
- Pro-actively manage contracts and provide linkage to all utility services.
- Long-lead time programs—engineers are good at auditing and accessing, not always able to deliver on time.