Assessing Interactions Between Statewide and Utility Energy Efficiency Program Offerings

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Introduction

Meeting statewide energy efficiency goals can be accomplished through a variety of program administrative structures. This paper addresses the program administration approach taken by states that split DSM program delivery into a set of mandated statewide programs, supplemented by additional utility-administered programs, in order to meet savings goals. We will refer to this approach as the dual-administration approach. This dual-administration approach raises several considerations for program design, administration, and evaluation. Program design under this framework presents several challenges including meeting the energy savings goals of a diverse range of utilities, accounting for the loss of economies of scale when establishing a program management framework, and maintaining customer participation in a market that involves multiple program administrators and implementation contractors. We have completed a number of program evaluations that are implemented within this regulatory structure and are expanding upon these findings to addresses the issues raised above.

Benefits of the Dual-Administration Approach

The dual-administration framework seeks to realize benefits that would not likely occur if the energy efficiency programs were operated exclusively at the local utility level, or exclusively at the statewide level. Programs administered statewide ensure equal access to a set of key energy efficiency program offerings, regardless of utility service territory boundaries. Statewide programs also allow for economies of scale in program marketing and help to develop a clear, statewide branding of efficiency. Customers are often more aware of these statewide programs than of the programs offered by the local utility. In some cases, customers who are aware of the statewide programs seek incentives for projects that may be more aligned with a utility-administered program. Thus, the consolidated marketing efforts not only increase awareness of the statewide program offerings, but may also indirectly promote the programs offered by local utilities.

Utilities can supplement state-administered programs with programs that are more tailored to the energy efficiency potential in their service territories in order to meet energy savings goals.

Challenges of the Dual-Administration Approach

Although there are benefits to offering statewide and utility efficiency programs, there are also a number of challenges that are created by this administration approach.

The use of different implementation contractors for statewide and utility implemented programs tends to create complications for customers and affiliated trade allies. Dual administered programs make it difficult to provide potential customers with a single point of contact when inquiring about energy efficiency options and offerings. A finding from our evaluation efforts is that statewide program staff spent time referring customers to utility program staff or vice versa. Although these customers are referred to the appropriate program, the added effort required of the customer may result in a loss of interest. Different implementation contractors may also make programs that work well together less effective. For example, a utility audit program may recommend the implementation of measures that are incentivized through statewide programs. This raises the question, would a utility's implementation contractor be less inclined to recommend measures incented by state-run programs?

Another concern, as noted by trade allies, is the difficulty in keeping track of which incentive programs are applicable to different measures. From the trade ally perspective, two measures may seem similar but one qualifies for the statewide program while the other qualifies for the utility sponsored program.

Although the administration framework produces efficiencies by allowing the consolidation of marketing and administrative efforts, it also can increase administrative requirements for utilities managing sets of statewide and utility sponsored programs. Utility staff must manage multiple implementers and evaluators and must adhere to multiple sets of reporting requirements.

Optimal program design can be complicated in the dual-administration framework, which requires the development of utility programs to target potential savings that are outside of the scope of statewide programs. Targeting the remaining potential savings in a service territory can be challenging because it is difficult to offer a comprehensive program while avoiding measure overlap, i.e., supplementing a state-administered prescriptive lighting program with a utility-administered custom lighting program.

The dual-administered approach also creates evaluation challenges. Some programs are designed to complement one another, and a lack of established relationships with implementers from each administration can hinder the evaluation effort. For example, an audit program may provide recommendations for equipment incentivized under another program. The evaluation of the audit program would benefit from understanding how many customers proceeded to participate in other efficiency programs due to referrals received through the audit program. However, if under the dual administration structure there are different evaluators for the incentive programs and the audit program, this question may go unanswered.

The attribution of savings is also complicated by the dual administration structure. An example of an attribution question that arises from this dual administration structure is: to which program should savings from an incentive project that was identified by an audit be attributed when one program is a statewide program and the other is a utility program? When both programs are administered by the implementer and there is one set of savings goals to meet, this may be less of an issue than when multiple implementers are involved and utilities have goals for both statewide and utility administered programs. A second question is: when a customer initiates contact with program staff for a statewide program, but the proposed project is a better fit for a utility based program, are the savings more attributable to the statewide program or the utility program?

Key Questions

1. How can efficiency programs operating under a dual administration framework be organized to make participating simple and straightforward for customers and contractors?
2. What program design process will result in utility programs that best compliment statewide program offerings while minimizing their operation costs relative to realized savings?
3. What type of policy framework be developed for the attribution of savings in an environment where statewide and regional investments in energy efficiency are made?