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Presentation Title: Pay for Performance: The Critical Role of the “E” in an M&V 2.0 World

Abstract: The rise of smart meters, the growing interest in transforming energy efficiency into a grid resource, and aggressive energy conservation policy goals in multiple states have sparked a new generation of pay-for-performance (P4P) programs. While P4P programs have the potential to simplify energy efficiency program operations and EM&V processes, current P4P programs are inherently complex. Program designs based on paying implementers for savings as they accumulate has put increasing focus on M&V 2.0 methods that use smart meter data to measure savings from programs in near real time. As these program designs are still emerging, there is great value in exploring how these programs are performing from a process perspective and identifying common opportunities for program improvements can help maximize savings and support program scaling. Drawing on experience evaluating multiple P4P pilot programs, including interviews with key staff from P4P program administrators, implementers, and program participants, and complemented by a secondary literature review on current P4P programs, this paper synthesizes key findings and identifies common challenges across these programs. Key challenges seen in multiple P4P programs include low rates of participation due to customer and implementer hesitancy to accept risks associated with savings uncertainty, the need to wait for incentive payments, limited program scalability due to incentive structures that motivate “cherry-picking” of customers, and complex data management processes. We provide recommendations for changes to program designs to address these challenges and highlight areas of early P4P program successes. In addition, we discuss the implications that these early program findings hold for the evaluation community, and we identify promising areas of future research to help support the development of P4P programs. This presentation will provide insights to help utilities, M&V 2.0 software providers, evaluators, and implementers develop and implement more efficient and effective P4P programs.