General Program Advice

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Beyond the decision of what programs to support, the Commission will need to decide many issues surrounding program implementation. We hope the Commission will consider the following points.

Use a Multi-year Planning Cycle for Programs

Programs should be approved and funded for more than one year. If programs are funded for just one year, there can be significant disruption in the energy efficiency marketplace and will not lead to any long-term transformation in the market. This is particularly true if programs are initially under-funded, so that funding runs out in only a few months. A three to five year planning cycle may provide a good balance of program responsiveness and flexibility on one hand, and market stability on the other. Whether directly as a part of program design or indirectly as a matter of the marketplace, effective programs will rely upon a network of energy efficiency allies and service providers. These include manufacturers' reps, lighting contractors, design engineers, and traditional ESCOs. These entities can only promote the program effectively if they know that the funding will be available at the end of their sales cycle. Many projects, particularly ESCO performance contracts, have very long sales cycles.

Focus on the Program Portfolio Rather than Individual Programs.

Rather than mandating specific programs, the PUC may wish to allow the administrator to develop programs that then require Commission approval. The administrator(s) should be given a set of cost-effectiveness and portfolio impact goals, and some guidance on the mix of programs. This guidance might include: a) the PORTFOLIO of programs must be cost effective (based on Total Resource Cost or other tests), b) the program mix should allow all customer classes to be served, c) some effort should be made to serve hard-to-reach customers like low-income residential and small commercial.

Require Accountability

The program administrator should be required to conduct 3rd-party program impact and process evaluations. These typically contribute less than 10% to the program cost. They are critical in determining the effectiveness of the programs and their impact on statewide energy demand. They are also the primary vehicle for uncovering opportunities for improving the programs from year to year.

Allow a Limited Role for Third-party Programs

Most programs should be administered by the primary program administrator. However, this administrator should be encouraged to examine the cost-effectiveness of distributing a portion (perhaps 10%) of funds to 3rd party providers as a few states are doing now. This fosters innovation while keeping most funds dedicated to "core" programs. Puget Sound Energy and Rocky Mountain Power recently had RFP processes to solicit third-party programs. Third-party programs are a part of the CA mix also. The third-party contracts should make payment be at least partially tied to program performance.