MEMORANDUM

To: John Sykes, Delaware Interfaith Power and Light
From: Brian D. Buckley, Northeast Energy Efficiency Partnerships (NEEP)
CC: Natalie Hildt Treat, NEEP
Date: August 25, 2015
Re: Principles for Shared Program Administration

Background

As Delaware moves towards an expansion of their energy efficiency programs under the direction of the Advisory Council and Senate Bill 150, it has come to NEEP’s attention that identification of regional best practices regarding shared efficiency program administration could provide value to Delaware stakeholders.

An excellent primer on this subject matter is the Regulatory Assistance Project (RAP)’s “Who Should Deliver Ratepayer Funded Energy Efficiency?“ which summarizes hybrid, or shared program administration models on pages 25-26.1 However, in the four years since publication of the above-mentioned report, efficiency program administration models have experienced extensive evolution. Below we outline three guiding principles and three regional examples which can help guide Delaware stakeholders as they consider the framework of their shared program administration model.

Principles for Shared Program Administration

- Establishing clear and distinct roles for each program administrator in overlapping service territories will be key to avoiding inefficiencies related to market and customer confusion.

- Recognizing opportunities and constraints of each program administrator according to their grant of authority, funding structure, communication channels, and customer awareness.

- Coordination between program administrators in planned filings can vastly simplify the efficiency portfolio proposal and implementation process. For example, this could include both gas and electric utilities throughout the state, as well as non-utility program administrators, allowing for stakeholders with previous program administration experience and capacity to guide preliminary discussions and filings.

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New York’s Shared Energy Efficiency Program Administration Model

New York’s energy efficiency programs are administered by electric and gas utilities ("joint utilities"), as well as the New York State Energy Research and Development Authority (NYSERDA). NYSERDA is a quasi-government entity — a state-chartered corporation with a Board of Directors appointed by the Governor — that works with stakeholders throughout New York to develop, invest, and foster conditions that: (1) attract private sector capital investment needed to expand New York’s clean energy economy; (2) overcome barriers to using clean energy at a large-scale in New York; and (3) enable New York’s communities and residents to benefit from energy efficiency and renewable energy.

In the wake of utility failures during Super Storm Sandy, the State published the Moreland Commission Report on Utility Storm Preparedness and Response. On pages 27-35, the report examines shortcomings of the shared program administration model:

“Nineteen of the twenty-five stakeholders agreed that this competition [between administrators] creates confusion in the marketplace (only two stakeholders supported this competition; the remaining four stakeholders didn’t express an opinion). Furthermore, a number of stakeholders noted that when customers are confused about how the programs offered to them differ or how to evaluate which program is most appropriate for their needs, they tend to back away from the programs and not pursue any offering.”

In their February 2015 Order Adopting a Regulatory Policy Framework and Implementation Plan, the New York State Public Service Commission built upon these lessons to alter the shared delivery framework, clarifying each entities’ unique responsibilities and areas of possible overlap. They specified that the Joint Utilities and NYSERDA should work in coordination, with the utilities continuing their focus on traditional “resource acquisition” activities through rebates and subsidies, while NYSERDA’s efficiency program administration would focus on “market transformation” activities. As outlined in their most recent Clean Energy Fund Information Supplement, the focus of NYSERDA’s programs will include (et.al.):

- Upstream activities to help move efficient products to market;
- Supporting energy code compliance and adoption in new construction;
- Community outreach and education of consumers regarding the benefits of energy efficiency;
- Supporting product standards;
- Supporting workforce development; and
- Direct resource acquisition activities in the hard-to-reach low-to-moderate income sector.

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3 id. at 28.
5 See Con Edison’s Efficiency Transition Implementation Plan for an example of their resource acquisition responsibilities.
Other Regional Examples- Maryland

The Maryland Energy Administration (MEA) and Maryland Electric and Gas Utilities (“Joint Utilities”) share some responsibilities for energy efficiency program administration. MEA supports work on energy codes and appliance standards, champions a community-based program known as “Smart Energy Communities,” and performs high level evaluation work meant to improve program administration. The joint utilities fulfill the traditional resource acquisition role, while the Department of Housing and Community Development is an efficiency program administrator covering the low-to-moderate income sector. In fact, a recurring trend throughout the region is that state governments or similarly situated quasi-governmental program administrators are often responsible for oversight and administration of low-to-moderate income programs, due to their access to weatherization assistance program funding and reduced cost-effectiveness constraints relative to regulated utilities.

Other Regional Examples- Massachusetts

Massachusetts’ joint utilities share some responsibility for administering energy efficiency programs with the community aggregator Cape Light Compact, the Massachusetts Department of Energy Resources (MA DOER), the Massachusetts Clean Energy Center (MA CEC). Cape Light Compact is a regulated efficiency program administrator, while the MA DOER and MA CEC are not. After several iterations of individually filed three years program administration plans, Massachusetts’ joint utilities began collaboratively designing and jointly filing program plans. Such a process lowers administrative burden on regulators, as well as any council which has been granted to authority to review such a plan. A similar model exists in Connecticut, where program administrators also file joint plans.

Conclusion

Please accept this memorandum in the spirit it is intended: to inform Delaware stakeholders regarding experiences in neighboring jurisdictions, identifying guiding principles and practices for shared efficiency program administration. It is our hope that this guidance will assist Delaware stakeholders in securing for ratepayers a more affordable, reliable, cleaner and sustainable energy future.

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