NEEA Strategic Planning Outreach Summary Report

Executive Summary

JULY 22, 2008

NORTHWEST
ENERGY
EFFICIENCY
ALLIANCE

www.nwalliance.org

529 SW Third Avenue, Suite 600
Portland, Oregon 97204
(tel) 503-827-8416 (fax) 503-827-8437

EXECUTIVE SUMMARY

On April 2, 2008, the Northwest Energy Efficiency Alliance (NEEA) kicked off a comprehensive strategic planning outreach effort. NEEA's 2010- 2014 Strategic Plan will define the organization's mission, values, guiding principles, goals and strategies, and set direction and priorities for NEEA's future efforts in support of regional energy efficiency.

To make the process open and collaborative, NEEA sought broad regional input from stakeholders about trends and challenges facing them, where the Northwest is headed with energy efficiency and how NEEA could deliver the greatest value to the region. NEEA encouraged a broad range of stakeholders to participate, including Northwest utilities, public utility commissions, state energy offices, government officials, energy efficiency consultants, trade allies and contractors, members from advocacy organizations, and other interested parties.

NEEA utilized a variety of outreach mechanisms to solicit and gather stakeholder input. These mechanisms included a web survey, regional in-person workshops, one-on-one meetings, and presentations at regional stakeholder organizations. The findings documented in this report reflect stakeholder input from in-person meetings at 58 organizations, nearly 200 participants at seven regional workshops, and 114 completed online surveys NEEA sought feedback in four general areas:

- Trends and challenges facing the stakeholder organization
- Future vision for energy efficiency in the Northwest, and the obstacles to and opportunities for achieving that vision
- NEEA's role and perceived value
- Specific issues, including whether NEEA should adopt a fuel-blind mission, NEEA's portfolio balance, and the importance of regional equity and customer class equity.

TRENDS & CHALLENGES

NEEA asked stakeholders to provide feedback on trends and key challenges their organizations are facing now and that they anticipate in the future. Several themes emerged, including;

- Increasing energy demand coupled with mounting supply constraints,
- Workforce shortages,
- Economic, environmental and legislative uncertainties, and
- Changing energy technologies.

These trends are accompanied by upward pressure on energy prices, which many stakeholders expect will continue. Stakeholders face uncertainty with respect to the timing, magnitude, and volatility of energy prices.

Increasing energy demand and mounting supply constraints

Increasing demand. Stakeholders view population increases and the proliferation of consumer electronics products as primary drivers of growing energy demand. Respondents are also concerned about the potential impact on energy load from the electrification of transportation. Regional air conditioning use has increased dramatically and is expected to continue increasing. This trend could lead to increases in summer peak demand, where historically the region has been winter peaking.

Increasing supply constraints. Generation options to meet increasing demand are becoming more limited due to consumer, environmental, and economic pressures. In addition, transmission and distribution challenges are increasing and infrastructure costs are particularly steep and rising.

Workforce shortages

The energy and energy efficiency communities are experiencing a lack of skilled, qualified employees, suppliers, and contractors in all aspects of the business. Many organizations expect to lose additional experienced personnel in the coming years due to an aging workforce reaching retirement and to more lucrative job opportunities elsewhere. This situation is not unique to the Northwest, and the Northwest is already facing competition from other parts of the country for the limited pool of skilled workers. A significant gap exists between the retiring and newly recruited portion of the workforce, raising questions on how best to transfer knowledge, shorten learning curves, and build capability.

Economic, environmental and legislative uncertainties

Economic Uncertainty. The majority of stakeholders mentioned uncertainties surrounding the economy, specifically the future access to and cost of capital for utilities, as well as rising and volatile prices for raw materials such as natural gas and metals.

Climate Change and Legislative Uncertainty. Growing awareness and concerns over climate change and the potential for associated legislation at the federal, state and local levels is an area that many stakeholders feel is critical to monitor and influence, yet they lack adequate resources to so. Some respondents also believe a new federal administration will have a substantial impact on priorities. Washington stakeholders said that they face challenges with interpretation and implementation of new state legislative requirements (I-937).

Changing Technology

Advanced metering intiatives (AMI) and the development of "Smart Grid" appliances and other demand response technologies are changing the landscape for electric distribution utilities. These technological changes combined with occupant feedback systems such as in-home displays or peak-shedding rate structures create the potential for powerful tools to manage peak demand and energy loads. However, capturing these benefits requires purchasing and installing costly AMI infrastructure that will require many changes in the distribution utility. It also brings new questions about actual aggregated consumer behavior and price response and persistence of behavioral changes when using these technologies.

NORTHWEST ENERGY EFFICIENCY VISION, OBSTACLES & OPPORTUNITIES

NEEA asked stakeholders for feedback on the future of energy efficiency, as well as their perceptions of obstacles to and opportunities for achieving greater levels of energy efficiency. Stakeholders expressed remarkably consistent visions for the future of energy efficiency; most stakeholders anticipate that energy efficiency will play an important role in reducing future energy load. Several themes emerged with respect to obstacles and opportunities that need to be addressed in order to achieve greater energy efficiency, including:

- the lack of regional vision, goals, and coordinated program efforts;
- a measurement paradigm that encourages short-term thinking;
- insufficient resource commitment to energy efficiency;
- making it easier for consumers/end-users to be energy efficient
- building market relationships and supply chain infrastructure
- augmenting energy efficiency skills and workforce development and retention;
- increasing education and awareness
- innovation in energy efficiency technology, building practices, business practices, and communications
- greater sharing of energy efficiency information, learning, and best practices
- adequate funding for research and evaluation
- leveraging economies of scale
- competition for capital; higher first costs for energy efficiency
- energy prices that are still too low in the region
- a rate structure that encourages energy efficiency and conservation
- tax incentives
- climate change (policies to address the issue and changing attitudes/increased receptivity to messages)
- more stringent energy codes & standards
- collaboration with California

More detail about these perceived obstacles and opportunities for greater energy efficiency can be found in the full report.

NEEA'S ROLE

The funding organization questionnaire and the online survey asked respondents to value and "rank order" six specific roles that NEEA currently plays. Value and rankings varied to some degree by respondent type. On average, however, stakeholders ranked the following three roles to be the highest priorities for NEEA:

- Bring new energy efficient technologies to market (Note: stakeholders generally did not see NEEA working in traditional research and development, but rather being the link between the labs/private sector and early commercialization efforts in the Northwest).
- Increase the market adoption of commercially available energy efficient technologies in ways that are more difficult or costly for utilities acting individually. Upstream efforts are considered particularly valuable.

- Develop comprehensive market strategies to increase the market adoption of energy efficient technologies, services and practices.

The following three roles were also considered valuable but were less frequently ranked as one of the top three items in the "forced rank ordering":

- Develop the region's capability to build and operate buildings/systems efficiently via activities such as education, training, and technical support.
- Increase the energy efficiency level of building energy codes and standards for consumer and business equipment.
- Conduct regional market research, assessment, and evaluation that support resource and program planning.

It should be noted, however, that although these roles scored lower in a forced ranking, they were rated nearly as valuable as the other three roles (4 out of 5 on a 5-point scale). Discussion in the outreach meetings and workshops reinforced the perceived importance of these roles.

In addition to those listed above, stakeholders also identified these potential roles for NEEA:

- Regional coordination to ensure regional consistency for the market, leverage economies-of-scale opportunities, provide account management, and develop turnkey programs (note: there is disagreement regarding level of role in program design/implementation)
- Serving as an "information clearinghouse" for energy efficiency best practices
- Research, development and possibly implementation of a regional behavior change effort
- Develop the region's capability to build and operate buildings/systems efficiently via activities such as education, training, and technical support

Stakeholders also shared their thoughts about where NEEA should ***not*** play a role.

Policy development. Stakeholders do not see NEEA as a leader or active participant in policy development (e.g., advocating climate change policy; the exception is involvement in codes and standards support) or in utility rate structuring activities.

Program design and implementation. Several utilities indicated that NEEA plays an important role in upstream efforts, but that it absolutely should not be designing or implementing incentive programs (i.e., resource acquisition programs) on the local level. Smaller and rural utilities, however, stated that they need the support of turnkey programs.

ISSUES

NEEA asked stakeholders for feedback on a number of strategic issues including: adopting a "fuel-blind" mission for the organization; the types and balance of projects in NEEA's portfolio; and the importance of regional equity and customer class equity.

NEEA Mission

Pursue fuel-blind energy efficiency. Most stakeholders believe NEEA's current mission should be broadened to include overall energy efficiency—not just electric energy efficiency –in order to align with the consumer perspective. End users are generally concerned with overall energy consumption and efficiency (BTUs) and would benefit from greater integration. Some utilities, however, are concerned about expanding the mission beyond electric energy efficiency. Major concerns include whether it would cause NEEA to dilute its mission and to lose focus; adamant opposition to support any effort that supports fuel-switching; and making sure that gas utilities and others who benefit from NEEA's activities contribute to funding. Some stakeholders pointed out that an expanded mission would allow NEEA to pursue funding from gas utilities for work that it's already doing. Stakeholders agree that if the mission were to be fuel-blind, NEEA would need to commit to funding equity and an agreement that fuel switching would not be part of any program efforts.

Include all stakeholders. NEEA's current mission states that it works in alliance with utilities, but it doesn't mention any other market actors, thereby seeming to exclude them. In the regional workshops, where they were specifically asked to comment on the mission, most stakeholders suggested the mission should be broadened to include other stakeholders and market actors.

Mission should be memorable and inspirational. Many stakeholders suggested that the current mission be made more succinct and inspirational.

NEEA Portfolio

Cost-effectiveness. For several NEEA funders, cost-effectiveness is prerequisite for continued participation in NEEA; quite simply, regulatory requirements demand it. It appears, however, that meeting an overall cost-effective portfolio is sufficient, as opposed to measuring each individual activity. Other funders, however, felt strongly that NEEA should cease its measurement and reporting of aMW savings altogether.

"Next-generation" Technologies. Some stakeholders strongly advocate that NEEA dedicate a portion of its portfolio to next-generation/emerging technologies (e.g., zero-energy homes), while others prefer to see NEEA focus on only commercially available technologies. There is broad consensus that NEEA should not be in the role of "hard" research and development (R&D), nor act as a venture capital entity. Many stakeholders agree that NEEA's role should include: identifying new opportunities to fill the pipeline for energy efficiency opportunities; coordinating regional demonstrations; and serving as an intermediary between the labs and the market.

Consumer Behavior Change Efforts. A large number of respondents indicated that the opportunity is ripe for behavior change efforts. Many felt NEEA was in a good position to research and develop strategies to address consumer behavior, and possibly even help implement such a campaign (akin to California's *Flex Your Power* campaign). However, some stakeholders believe that any NEEA role would be most appropriately confined to market research and messaging, if anything at all.

Incorporation of Renewables into NEEA Efforts. Although some respondents suggested NEEA begin to incorporate renewables into its portfolio, others asserted that NEEA should be helping to stress efficiency first. Adding renewables may dilute

NEEA's mission and focus when it's already struggling to meet other priorities with limited resources. Most stakeholders agreed that for now, any consideration of renewables should be confined to on-site renewables in the context of NEEA's broader market strategies (e.g., new construction, building operations, industrial efficiency).

Regional Equity. The majority of stakeholders agreed that some degree of regional equity is critical to NEEA's ongoing existence as a regional organization. Moreover, for a number of funders regional equity is closely tied to cost-effectiveness. They and their respective regulators need to see direct customer benefits from NEEA activities. Thus, some degree of regional equity is critical.

Customer Class Equity. Customer class equity was far less important to stakeholders than regional equity. The common theme was "reasonable balance."

CONCLUSIONS

NEEA's outreach process identified the major trends and challenges facing its stakeholders, many of which point to an increasingly important role for energy efficiency. Workshop participants confirmed this vision for the future of energy efficiency. Stakeholders identified many obstacles to and opportunities for achieving greater energy efficiency—several of which they believed NEEA should help address.

Notable among the suggested roles for NEEA were:

- developing comprehensive market strategies that will help the region work in concert to transform markets;
- developing and maintaining relationships with upstream, regional, and national market actors;
- identifying and facilitating the market availability of emerging energy efficiency technologies;
- facilitating energy efficiency training and education;
- disseminating information on energy efficiency best practices;
- conducting regional research;
- and helping to improve the stringency of energy efficiency codes and standards.

There was broad stakeholder support for a broader NEEA mission that takes a fuel-blind approach to energy efficiency and is better aligned with the customer perspective. Stakeholders vary in their opinions regarding NEEA's portfolio of projects, but they do agree that its work on long-term market transformation projects is important. For several funders, continued funding will depend on a regionally balanced portfolio that delivers some level of cost-effective energy savings.

Recommended NEEA Vision and Mission Statements

Vision:
Energy efficiency is the cornerstone of a vibrant sustainable Northwest.

Mission:
Mobilize the Northwest to become increasingly energy efficient for a sustainable future.

CORPORATE VALUES

1. **Excellence**
   NEEA will be a high performance organization as evidenced by its focus on and commitment to ***accountability*** and ***continuous improvement***. In order to deliver on its promise of excellence, NEEA will embrace human resources policies and practices that effectively attract and retain high-performing talent.

2. **Teamwork/Collaboration**
   Effective teamwork and collaboration—both internally and among all stakeholders— is essential to NEEA's ability to deliver value to the region. In order to collaborate effectively, NEEA must engage in clear and open communication, and embrace diversity of opinion and perspective.

3. **Innovation**
   NEEA's success to date has largely depended on pursuing innovative and creative market strategies. NEEA will continue to innovate in its market approaches, as well as strive for innovation in communications and coordination.

4. **Nimbleness**
   Given the dynamic nature of the energy business, NEEA's future success will likely depend on the ability to respond to unanticipated changes. It will be important for NEEA to have a structure of governance and management that supports the ability to adjust to such changes.

5. **Integrity**
   Integrity includes honesty—both by the organization and the individual conduct of staff and management—as well as transparency/openness.

6. **Supportive work environment**
   NEEA is committed to a supportive environment for its employees, including work-life balance, and a culture of respect and kindness. In addition, NEEA encourages and engages in community citizenship.

7. **Sustainability**
   NEEA is committed to the practice of sustainability in its day-to-day operations and decision-making.

NEEA Guiding Principles

NEEA will conduct its business according to the following guiding principles:

1. ***Fairness and Equity.*** NEEA will balance its portfolio of projects to deliver equitable direct regional benefits. Because cost-effective aMW savings is mandatory to some funding organizations, NEEA is committed to working together with stakeholders to identify a fair way to measure and report these savings.

2. ***Partnership.*** NEEA will work in partnership with its funders and stakeholders. Its activities will complement—not duplicate—those of local utilities and other energy efficiency entities.

3. ***Long-term orientation/sustained change.*** NEEA has a unique role to play in developing and holding the long-term vision for changing northwest markets.

4. ***Collaboration.*** NEEA works with and through regional partners and market actors to accomplish its goals and objectives.

5. ***Holistic thinking.*** NEEA will encourage and employ processes that look at entire systems and the complex interactions between the many components of systems. This is true both in the way we look at markets as well as the way we approach efficiency opportunities.

6. ***Continuous Improvement/Adaptive Management.*** NEEA is committed to working with markets and must adapt quickly to changes in market dynamics. NEEA will also strive to learn from these changes both in the markets it serves as well as in internal operations.

7. ***Leverage.*** NEEA will work to leverage the efforts of other market actors and the aggregated market power of the region.

8. ***Strengthen the market.*** NEEA will work to ensure that interventions in markets foster market capability and a competitive marketplace wherever it will yield increased adoption of energy efficiency.

9. ***Cost-effectiveness over a long-term planning horizon***
   NEEA will adopt a portfolio of projects that delivers annual cost-effective energy savings.

NEEA Strategic Goals & Strategies

Mission:
Mobilize the Northwest to become increasingly energy efficient for a sustainable future.

Strategic Goals (our strategic priorities, which will lead to achieving our mission):

1. Increase Market Adoption
   Increase/accelerate adoption of energy efficient technologies, business practices, and behaviors among business, industry and consumers.

2. Help Utilities Achieve their Goals
   Support utility energy efficiency efforts in areas where a regional organization can be more effective than individual programs.

3. Build Market Knowledge & Capability
   Augment energy efficiency knowhow and technical skills among business, industry, consumers

4. Facilitate Innovation & New Opportunities
   Facilitate a continuous pipeline of commercially available new energy efficiency technologies and practices

5. Promote Energy Efficiency
   Increase awareness of energy efficiency as the first priority for meeting energy supply constraints and environmental challenges

6. Facilitate holistic regional energy efficiency planning & implementation.

Strategies (for achieving those Goals):

1. Increase Market Adoption
   Increase/accelerate adoption of energy efficient technologies, business practices, and behaviors among business, industry and consumers.
   a. Develop/maintain relationships with regional & national market actors (e.g., manufacturers, retailers, designers, builders, service providers and other supply-side market actors) in order to influence increased availability of energy efficient products and services
   b. Develop/maintain relationships with national standards-setting organizations (e.g., EPA, DOE, ASHRAE) in order to promote more energy efficiency standards.
   c. Develop/maintain relationships with regional/national organizations that influence building energy codes to promote more energy efficient building codes
   d. Work with influential companies in targeted vertical industries to demonstrate the value of strategic energy management/continuous energy improvement and build demand for energy efficient business practices.
   e. Leverage "green" efforts of prominent national market actors (e.g., USGBC, AIA, BOMA); develop/maintain relationships and ensure that energy efficiency best practices are incorporated into their initiatives
   f. Develop and implement strategic interventions targeted at specific markets

2. Help Utilities Achieve their Goals
   Support utility energy efficiency efforts in areas where a regional organization can be more effective than individual programs.
   a. Identify and disseminate information on best practices/market information
   b. Develop coordinated, market-based program platforms that enhance local program delivery and leverage regional and national resources.
   c. Coordinate regional program activities targeted towards upstream market actors such as manufacturers, distributors and retailers in order to leverage the aggregated market power of the region.

3. Build Market Knowledge & Capability
   Augment energy efficiency knowhow and technical skills among business, industry, consumers
   a. Work with market partners (e.g., builders, designers, HVAC contractors, building operators, BOMA, USGBC, etc.) to incorporate energy efficiency in their training and professional development programs
   b. Provide technical assistance and information to trades and professionals who influence efficiency choices.
   c. Partner with the regional higher education system to train the next generation of efficiency workers.

4. Facilitate Innovation & New Opportunities
   Facilitate a continuous pipeline of commercially available new energy efficiency technologies and practices
   a. Conduct ongoing market research for opportunity assessment (technical and market)
   b. Serve as an intermediary between regional stakeholders and upstream market actors with an interest in bringing promising energy efficient innovations to market
   c. Develop and maintain relationships with regional/national organizations to leverage and influence their research, development and demonstration activities of new energy efficient technologies (e.g., DOE, National Labs, EPRI, CA)
   d. Conduct market and technology demonstrations of promising technologies/approaches
   e. Conduct savings evaluations—in lab & in field

5. Promote Energy Efficiency
   Increase awareness of energy efficiency as the first priority for meeting energy supply constraints and environmental challenges
   a. Pursue public relations activities designed to elevate the awareness/benefits of energy efficiency in addressing public concerns
   b. Employ market research to inform most effective messaging & share learning widely
   c. Use market specific branding and cohesive messaging to reinforce.
   d. Publicize regional success stories

6. Facilitate holistic regional energy efficiency planning & implementation.
   a. Develop comprehensive market strategies with suggested roles for NEEA and key stakeholders critical to achieving the market goals in the most efficient and effective way
   b. Conduct/coordinate regional market research and disseminate results
   c. Identify and disseminate information on energy efficiency technologies, programs, best practices
   d. Publicize regional success stories
   e. Build & maintain a high performance organization
   f. Develop/maintain a stakeholder-focused organization

NEEA 2010-2014 Strategic Plan

Key Issues Brief:
Should NEEA Adopt a "Fuel-Neutral" Mission?

DRAFT

July 15, 2008

Summary Recommendation: In order to align with market perspectives NEEA's mission should be inclusive of all forms of energy including but not limited to electricity and natural gas.

Current Context:

- Market: At this point in time, there are few markets where electricity is the only fuel choice and these markets have historically been the target of local utility programs. Most markets, particularly at the "whole building/facility/company" level, are multi-fuel.
- Mission: NEEA's mission was changed in 2006 to a scope of "electric energy efficiency". If interpreted strictly, this statement could potentially restrict activities that would affect natural gas or other fuels.
- Policy: Current operational policy is to work with market perspective as long as overall effort can be justified based on electric benefits alone. It includes the possibility of multi-fuel operations at the individual project level but requires a litmus test on cost effectiveness based on electric energy benefits alone. There are some markets where this litmus test might prohibit the pursuit of efficiency because the primary benefits would accrue to other fuels and the electric benefits are not large enough to carry the full cost of the market intervention. The water heater market is an example where the electric benefits might not be large enough to carry a full market intervention.

What we heard:

- NEEA should maintain a consumer/market perspective and therefore must include multiple fuels in its efforts.
- Natural gas and electricity are interconnected for both energy supply and at the end-use.
- If NEEA were to actively pursue projects that conserve other fuels/resources, it would be essential to secure funding from the providers of those resources; electric utilities believe they are already getting benefits for free.
- NEEA should not engage in activities that would be viewed as "fuel switching" and would need to have policies and procedures in place to guard against "fuel-switching".
- NEEA must be careful not to lose focus on electric efficiency while pursuing efficiency of other fuels or resources.

- Electric-only utilities are concerned that they will lose value if NEEA expands its scope to include gas energy efficiency

Recommendations:

- Broaden NEEA mission statement to include efficiency for all forms of energy. This allows NEEA to continue to act from a comprehensive market perspective and address multiple fuels as needed to accomplish overall market changes.
- Assemble a committee of interested regional stakeholders to formulate NEEA's policies and procedures around "fuel neutrality".
- NEEA should pursue general funding from natural gas utilities or others in order to support market work where electricity users are not the sole beneficiaries. Note that this could include other fossil fuel providers such as propane suppliers or possibly even water utilities.
- NEEA should develop a potential portfolio of market transformation opportunities in markets where natural gas end-uses need specific targeted efforts to overcome market barriers.
- During 2009, NEEA should develop a recommendation/action plan for whether/how to effectively pursue natural gas market transformation activities and associated funding. This recommendation should include organizational considerations as well as policies and procedures to make sure that pursuit of opportunities in other fuels do not jeopardize the effectiveness of the electric efficiency efforts.

NEEA 2010-2014 Strategic Plan

Key Issues Brief:
What is NEEA's Role in New and Emerging Efficiency Opportunities?

July 24, 2008

Summary Recommendation: NEEA should act as a facilitator of new and emerging efficiency opportunities to help ensure that there continue to be a number of new technologies, practices and services available for future (5 to 10 years out) market interventions.

Current Context:

- **Market:** There are various market actors engaging in the development of new efficiency opportunities. With the advent of "clean tech" funding, there are a number of private sources of capital to facilitate bringing new technologies to market as well as funding for research and development for various technologies through the National Laboratories and the University systems. There are also various state-level organizations throughout the region targeting new technology. However, there are often market barriers that create a gap between the laboratory and widespread market availability.
- **Mission and Strategic Business Plan:** Historically, NEEA's mission to "catalyze the marketplace" has provided a platform to bring a number of emerging efficiency opportunities to market. Some examples of successful launches of emerging opportunities include: BacGen (Wastewater treatment), MagnaDrive (Variable speed industrial motor drives), SAV-AIR (compressed air optimization services), Verdiem (network computer energy management), and Building Operator Certification (commercial building operator training). In the current funding cycle, the emphasis and funding has shifted to developing and facilitating the introduction of business practice change including Strategic Energy Management in the commercial sector and Continuous Energy Improvement in industrial markets. These recent efforts are still in the early commercialization phase in their respective markets.
- **Policy:** Current operational policy allows for NEEA to engage with specific market actors to bring new and emerging products, services and practices to market. The current policy allows for a wide range of support appropriate to the primary barriers identified. Supported activities have historically ranged from providing lab testing to field demonstrations and case studies to assisting in business planning to market introductions to the utility sector. Up until recently, NEEA has operated an "unsolicited proposal process" that has provided an open door for new opportunities to come forward and go through a process of screening and analysis to determine eligibility for funding. Actual funding was dependent on a clear identification of market barriers and a path to sustainable business launch assuming the barriers are removed. Given the current budget situation this particular aspect of NEEA's operations has for all practical purposes been shut down.

  One unique aspect of policy in this area has been the option to require a royalty

payment back to NEEA when working with individual companies. This policy has provided an additional potential benefit to NEEA to compensate for the higher level of risk and to preserve a sense of fairness through compensation for allowing a single entity to receive the benefit of NEEA funding.

What we heard:

There were widely varying viewpoints about NEEA's role in expanding the market for new and emerging efficiency opportunities:

- NEEA should stay out of pure research and development activities that have traditionally been the purview of national laboratories and universities.
- NEEA should not try to play the role of a venture capitalist
- There is a need for coordination of regional demonstrations and support for early commercialization activities.
- NEEA should play a role in identifying the "next big thing", next CFL etc.
- Caution against NEEA taking on too much risk; but do balance risk with reward
- Plenty of currently available technologies that are not fully deployed so NEEA should focus on getting the market to deliver what we already have rather some new thing that is not yet proven.

Recommendations:

- NEEA should identify a set of qualifying parameters/criteria for emerging technology project opportunities
- NEEA should undertake and coordinate activities to actively identify new and emerging opportunities and engage with regional stakeholder on plans to develop and deploy these opportunities.
- Facilitate the region's awareness of new technologies; track new developments in the Northwest and other regions
- NEEA should play a role in coordinating regional demonstrations of new and emerging efficiency opportunities.
- NEEA should not undertake traditional research and development activities that are currently the purview of National Laboratories and Universities.
- NEEA should be cautious about taking on too much risk and should deploy appropriate policy and mechanisms to balance risk and reward.
- NEEA's activities should emphasize market leverage and complement the efforts of other entities.

NEEA 2010-2014 Strategic Plan

Key Issues Brief: Portfolio Balance

July 24, 2008

Summary Recommendation: NEEA should develop and employ a portfolio management system that allows it to balance its portfolio to ensure: a pipeline of energy efficiency opportunities that can deliver continuous measurable regional savings over the short and long term; and regional equity.

Current Context:

- The NEEA Board has been in conflict over the issue of short-term vs. long-term energy savings for many years. Some funders rely on the savings they plan/forecast through NEEA efforts and prioritize those savings above longer-term projects or those for which savings measurement is uncertain.
- If you don't have projects in your portfolio that pay out in the long-term, you eventually won't have any projects at the stage that they deliver "short-term" savings. Stated differently, today's short-term savings opportunities are yesterday's long-term investments.

What we heard:

- NEEA needs to balance its portfolio of projects between those that deliver long-term savings and those that deliver aMW within the funding cycle
- At least one utility that directly funds NEEA needs annual aMW that cost-justify the annual investment
- NEEA shouldn't be measuring savings associated with its efforts at all; develop alternative metrics to aMW savings
- NEEA's current method of counting savings is unfair because it implies that all market effects are associated with NEEA interventions
- Balance risk and reward
- Longer-term time horizons for savings (e.g., 10 years) are acceptable
- The current system of measuring and cost-justifying savings is an obstacle to achieving greater regional energy savings
- NEEA must acknowledge varying rates of market transformation in rural vs. urban markets and plan its exit strategies accordingly

Recommendations:
Toward the goal of long-term, high impact market transformation, NEEA should balance its portfolio of energy efficiency initiatives on the cornerstones of regional equity, cost-effectiveness, and continuous measurable regional savings over the short and long term. Specifically:

- The Strategic Planning Committee should agree on a set of measurable portfolio guidelines that will be applied to NEEA's 2010-2014 business plan. These guidelines should include ROI—both aMWs as well as other non-energy savings benefits.
- NEEA should adopt a formalized portfolio management system that:
    - Optimizes outcomes subject to the portfolio guidelines
    - Plans for continuous future aMW flows (like cash flows)
    - Balances risk and reward
    - Balances regional benefit
    - Acknowledges that sub-regions (e.g., urban vs. rural) may vary as to when they realize benefits
    - Allows for periodic formal review of performance metrics and termination of projects
- NEEA should define the conditions under which it will stay/remain in particular markets, and it should define exit strategies at the time of project adoption

Key NEEA 2010-2014 Strategic Plan

Key Issues Brief:
Should NEEA be involved in coordinating activities for "local" efficiency programs?

August 11, 2008

Summary Recommendation:
NEEA should be engaged with local program delivery where:

1) Aggregation of market power can leverage upstream market actors;
2) Coordination of local program activities facilitates accomplishment of regional market transformation goals; or
3) Coordination brings economies of scale or other value not achieved by local programs acting alone.

Current Context:

- **Market:** Market actors are being bombarded with messages and offers from accelerated local efficiency programs, state and federal tax credits, national initiatives from the USDOE, EPA and other agencies, potential carbon taxes or credits, sustainability initiatives and a host of "green" product marketing. While choice is generally good, it can also be confusing to market actors who are trying to decide where to focus limited resources. This confusion can inhibit increasing market adoption of efficiency. Conversely, where messages and offers are coordinated, the combined market power can yield substantial results.
- **Policy:** While the current mission covers a very broad range of activities, NEEA has historically deliberately minimized its activities in local program coordination in order to focus on upstream market actors (manufacturers, distributors, retailers, and service providers) or corporate level decision makers that own facilities or businesses across service territory and state boundaries. It has worked together with local programs to coordinate market activities as part of an overall market transformation effort. Examples include:
    - manufacturer buy-downs (e.g. the "Change-A-Light" CFL promotions) targeted to specific products (100 watt equivalents), markets (grocery stores) or barriers (consumer awareness)
    - created common branding platforms (e.g. ENERGY STAR Homes NW)
    - harmonizing local program requirements in order to make it possible for market actors to respond cost-effectively to utility program needs (e.g. Green Motors)

What we heard:
We received very mixed input from stakeholders on this issue including:

- NEEA should stay completely out of local "incentive" programs; this comment was made primarily by a few large utilities with significant efficiency program resources.

- NEEA should help local programs work with the market to achieve their goals; this comment was noted by several smaller utilities and some of the stakeholders in the eastern portion of the region who do not have access to large efficiency program resources.
- NEEA should focus on upstream market actors to increase supply/delivery chains and leverage national
- NEEA has to deliver cost-effective energy savings within utility service territories; this comment was voiced primarily by eastern region regulatory commissions
- NEEA should work where opportunities exist to exercise market power with national markets through aggregation of local programs

Recommendations:
Given the diversity of opinions expressed by stakeholders, it seems clear that NEEA will need to have a flexible approach. In order to fulfill the mission and return benefits to the whole region, NEEA should implement the following recommendations:

- NEEA should work with local programs where doing so can provide some advantage either through economies of scale or other value not achieved by local programs acting alone. The local utility should "own" the customer relationship, however.
- NEEA should coordinate the development of comprehensive market strategies that identify roles and responsibilities for national, regional, and local programs and entities that maximize market impacts and accelerate market adoption. To the extent that coordinating local programs makes sense within the overall market strategy, NEEA should help engage local programs to achieve the goals in the strategy.
- Where it can advance both regional and local efficiency goals, NEEA should work with local programs to accelerate local acquisition of cost-effective energy savings. Examples include coordinating manufacturer buy-downs (as in the 2006-2007 CFL promotions) and creating a marketing platform with common technical requirements (such as ENERGY STAR Homes Northwest).
- Work with regional stakeholders to identify gaps in energy efficiency, develop and maintain comprehensive market strategies, and assist in dissemination of initiatives throughout the region
- NEEA should offer resources (e.g., marketing platforms; market research; information on best practices) that local utilities or other entities can access as desired.