Board Decision
Retiring the Reliability-versus-Risk Policy

May 4, 2011

Summary

Retire the reliability-versus-risk policy (Attachment 1).

Background

- The reliability-versus-risk policy, adopted in 2002, provides guidelines regarding how Energy Trust should invest in proven technologies versus less proven, riskier technologies.
- The policy provides that Energy Trust will:
    - Develop a portfolio approach with a modest share of resources (e.g., 20%), to higher-risk activities that bring better efficiency measures or delivery systems to the market.
    - As part of this commitment, continue to support market transformation through funding for the Northwest Alliance (NEEA).
    - Also focus investments in innovation primarily on better systems for delivering savings to customers, rather than technology RD&D.
    - Selectively consider opportunities to demonstrate market-ready technology.
    - Support resource assessments to better understand what is available.

- In 2009, the board adopted a strategic plan, which also addresses innovation (see http://energytrust.org/library/plans/2010-14_Strategic_Plan_Approved.pdf, pp. 16-17):
    - Energy Trust does not plan to be engaged in early product development
    - Energy Trust will:
        - Increase funding for NEEA electric market transformation programs, and encourage NEEA to take on a similar role for natural gas.
        - Help field-test and verify equipment and operational approaches, help manufacturers perfect systems, and demonstrate and commercialize promising systems.
        - Leverage the work of other organizations such as the American Council for an Energy Efficient Economy, the Consortium for Energy Efficiency, the U.S. Department of Energy, the U.S. Environmental Protection Agency, national laboratories and others.
        - Act on its own only for high-priority projects others are not addressing, and small, simple projects where broader coordination is not needed.
    - To guide these activities, Energy Trust will develop criteria and metrics, e.g., whether a given technology is likely to:
        - significantly reduce energy load growth
        - commercialize a promising renewable technology such as low-temperature geothermal or farm biomass
        - bring products to Oregon markets in the near term
        - not be developed or demonstrated without Energy Trust involvement
        - produce measureable savings
        - be critical for a key initiative (e.g., net-zero commercial buildings) or
        - balance intermittent renewable generation with load

Discussion

- Staff believes that the strategic plan lays out a more current and cohesive way to balance risk and innovation than the broad principles of the risk-versus-reliability policy.
- The policy committee agreed, and recommends that the policy should be retired.
- At a future board meeting, staff will brief the board on how Energy Trust is implementing this part of the strategic plan to manage risk in our investment portfolio.

Recommendation

Retire the reliability-versus-risk policy

RESOLUTION 583

RETIRING THE RELIABILITY-VERSUS-RISK POLICY

WHEREAS:

1. **The reliability-versus-risk policy, adopted in 2002, provides guidelines regarding how Energy Trust should invest in proven technologies versus less proven, riskier technologies.**
2. **In 2009, the board adopted a strategic plan, which also addresses innovation.**
3. **Staff and the board policy committee believe that the strategic plan provides a more current and cohesive way to balance risk and innovation than the broad principles of the risk-versus-reliability policy.**

It is therefore RESOLVED: The board of directors of Energy Trust of Oregon hereby retires its reliability-versus-risk policy.

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]

ATTACHMENT 1:
4.05.000-P Reliability Versus Risk Policy

History			
Source	Date	Action/Notes	Next Review Date
Board Decision	February 27, 2002	Approved (R86)	February 2005
Policy Committee	March 5, 2005	No change	February 2008
Policy Committee	April 15, 2008	No change	April 2011

Summary:
The Energy Trust Board needs to provide guidance to the staff on a number of issues that will be important in designing Trust programs. This decision memo addresses reliability versus risk. In their discussions, the Conservation Advisory Council and the Energy Policy Committee concluded that these guidelines are consistent with the PUC guidelines and advance Trust objectives.

Purpose:
Give Trust staff guidance on technical and policy issues as it develops new Energy Trust programs.

Background:
Energy Trust staff has developed a series of issue papers and reviewed them with the CAC and the Energy Policy Committee; here are summaries of these discussions:

Analysis:
Issue: How should the Energy Trust balance investments in proven technologies and programs with opportunities to invest in cutting edge, riskier technologies and programs?
The Energy Trust could focus all its resources for several years on reliable, proven efficiency opportunities. However, there may be a need over the ten-year period to increase the amount of available resources. Furthermore, some new technologies may reduce the cost of efficiency or provide better customer service along with efficiency. There are options for technology research, development, demonstration, and dissemination of new technologies.

There are also opportunities to help develop and demonstrate new administrative and business models for efficiently delivering efficiency to customers. Some market transformation initiatives are higher-risk efforts to bring technologies or delivery systems into the market.

Recommendations

- Develop a portfolio approach. The Energy Trust should *target* ***a modest share of resources (e.g., 20%), to higher-risk activities*** that bring new efficiency opportunities or more effective delivery systems into the marketplace.
- As part of this commitment, ***continue to support market transformation through funding for the Northwest Alliance.***
- Beyond funding for the Alliance, focus ***investments in innovation primarily on better systems for delivering savings to customers.*** Leave technology RD&D to others who specialize in this.
- Selectively consider opportunities for ***demonstration of market-ready technology.***
- ***Support resource assessments*** to better understand what is already available.