Pay for Performance (PfP) update
Sam Walker
6/22/2016
Presentation Overview

- **PfP history and context**
  - Forecasted savings – ex-ante versus ex-post
  - OPUC public process
  - PfP request for proposals development

- **PfP RFP process and pilot results**
  - RFP development
  - Pilot project overview and update
  - Initial learnings
  - Evaluation recommendations (high level)

- **Plans to expand the offering**
  - Additional enrollments by Q4 2016
  - Offering design in development
PfP History & Context

- Custom and prescriptive offerings – Ex-ante
- Limited O&M and behavioral offerings
- 2011 Oregon Legislature directs OPUC to submit report on Energy Efficiency PPAs by 12/1/2012
- March 2012 OPUC opens Docket UM 1573
  - Public process to gather information and comments
  - April 2012 OPUC held daylong workshop
  - November 2012 OPUC submits report
  - ‘Energy Trust and PUC will continue to explore opportunities for pilots where relevant aspects of EE PPAs could be tested.’
PfP RFP Process

- Request for proposal development
  - December 2013 Energy Trust submits request to OPUC
  - December 2013 OPUC opens Docket UM 1678
  - January 2014 OPUC receives comments, petitions
  - January 2014 Energy Trust files revised draft RFP
  - February 2014 OPUC adopts staff recommendation to approve RFP for Energy Trust’s PfP pilot
  - February 2014 Energy Trust issues RFP
  - May 2014 Proposals received
Pilot Objectives

- Does PfP approach encourage:
  - Broader participation
  - Deeper retrofits
  - Greater persistence of savings

- Gain knowledge of:
  - Whole building analysis tools
  - Implementation and verification costs
  - O&M and behavioral strategies that enhance SEM
  - How to administratively manage this approach
  - Long term potential for acquiring additional savings
Pilot Overview

- Performance-based incentives paid annually for 3 years

- Encouraged blend of O&M, behavioral and capital

- Negotiated incentive rates based on measure mix
  - With cost-effectiveness considerations

- Required whole building modeling approach

- Respondent-proposed modeling platform
  - Transparent to evaluators (algorithms, inputs, assumptions, etc)
  - Negotiated baseline
Not ‘Pay for Performance’

-LeBron James paid $71 million in 2016

(‘Represents ~270 MW of efficiency potential at $30/MWh’ – T. Eckman)
PfP Pilot Selection

- One pilot participant selected
  - Energy Star certified
  - Electric only
  - Customer agreement
  - Measure mix
  - Incentives, cap

- Energy 350
  - Customer relationship
  - Past experience
  - Modeling: CDD & HDD
  - Contract with customer

1000 Broadway Building, Portland, OR
PfP Pilot – Year 1 Results

- Savings exceeded estimates
  - Estimated: 550,000 kWh
  - Achieved: 778,000 kWh, 16% total reduction
  - Incentives: $29,000
  - $0.037/kWh; $0.11/kWh over 3 years

- Project costs less than estimated
PfP Pilot – Year 1 Results (updated)
PfP Initial Learnings

- The approach appears to work
- The market is interested
- Negotiated incentives add complexity
  - O&M measure life versus capital
  - Incentive caps reduce exposure
- Significant effort developing customer agreement
- Savings claiming should be carefully considered
- Similar offerings should be aligned
- Additional learnings with time
  - What is the measure life with 3 years of visibility?
  - What is a typical blended measure mix?
Evaluation Recommendations (high level)

- Expand potential building market by reducing savings targets and including other building types
- Reduce reporting frequency (quarterly vs monthly)
- Consider making RFP and contracting language more transparent and use layman’s terms where possible
- Cross-market the incentive program for capital measures through Pay-for-Performance
- Involve the PMC for project and savings review, customer communications, etc.
PfP Expansion Plans

- Limited recruitment in late 2016
- Program Management Contractor (PMC) approach
- Prequalified service providers
- ‘Simple’ regression analysis required
  - Leveraging SEM modeling guidelines in-development
- Incentive rate(s) established by Energy Trust
- Alignment with other offerings
- Measures limited to O&M and behavioral
PfP Expansion Plans

- **PMC Responsibilities**
  - Service provider outreach
  - Customer outreach
  - Application review
  - Measure review
  - Model review to Energy Trust requirements
  - Post installation verification

- **Service Provider Responsibilities**
  - Customer recruitment
  - Identification of measures
  - Modeling (Energy Trust requirements)
  - Implementation of measures
  - Quarterly reporting; annual savings report
Blended Measures Discussion

- Measure life requires more attention
- Incentive rate calculation more complicated
- More restrictive incentive cap likely
- More upfront work to ensure measure level cost-effectiveness
- Engagements no more than 3 years
- Administration today, savings later
- Whole building provides simplified blended approach
- Administrative efficiencies gained
- Risk is reduced
Thank You

Sam Walker
Sr. Project Manager – Commercial
Sam.Walker@energytrust.org
503-445-2959