

NEEA Strategic Planning Outreach Summary Report

Executive Summary

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**NORTHWEST
ENERGY
EFFICIENCY
ALLIANCE**

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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 do 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 initiatives (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.