

Community Energy Efficiency Programs Best Practices – Pay for Performance

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Existing programs for marketing and outreach of energy efficiency programs – utility bill stuffers, media ads, telemarketing, outreach, etc. – have typically constituted 25% -30% of total program costs and have achieved low audit-to-retrofit conversion and low overall audit participation. The top down method's failure has led to recent considerations for using the marketing budget for bottom-up organizing of the customer base. What if the budget for marketing and outreach were used to engage community groups to convince their members to complete energy efficient retrofits and change their energy use behavior patterns? While pay-for-performance is a concept being proposed in several states now, it is not yet in play.

Concept

In a pay-for-performance model, the energy efficiency program offers payment to community groups, contractors, non-profits and entrepreneurs for measured energy savings from customers that the group signs up for the program. The payment is structured so the group receives a small initial payment per customer signed up and then receives on-going payments for measured kWh savings by the customers. The on-going payments (semiannually) create the incentives for the community groups to make sure their members complete ECM and continue to practice energy efficient behaviors. Participating neighborhoods can also compete with one another for recognition and cash awards, as an additional level of reinforcement for ECM adoption and behavior change. There is no need to document the specific behaviors or ECM that are completed as payment is based on the measured savings of the participants at the utility meter. Various literature reviews and recent on bill customer usage feedback and advice pilots inspire the conclusion that behavior change alone can render 5-10% savings among participants. Utility payments can be set as high as their avoided costs, as approved by PUCs. The issue of persistence of savings can be addressed by continuing the program over 2-4 years.

As this concept is still in the development phase, there are not yet best practices available for advising implementation, but as with all organizing programs for Energy Efficiency, the community groups and their contractor partners will be most effective if they can use utility and other incentives on the projects. Their success will also be considerably enhanced with an accessible, affordable financing program.

The energy services community has struggled to reach beyond early adopters of green actions and clients with a need for immediate repairs. Using community groups as outreach and providing funding for these community groups to follow up on commitment and performance pushes energy efficiency programs into networks beyond the usual

suspects of early adopters and home repair aficionados. In addition to environmental and financial benefits to the property owner, participating in the program becomes a way to raise money for their local community group. This program can also dovetail nicely with aggregation of projects as community groups can participate in the program together as part of a drive. City governments or their third party program managers in an RRU community, for example, might also propose this arrangement to their local utilities.

The bottom-up model could overcome perceived barriers in ECM adoption:

Lack of Trust: Top down models often rely on contracts with a few firms to complete audits and prescribe retrofits. Customers often do not know of these firms prior to the marketing and outreach process and have no reason to trust the contractor. Using community groups as outreach emissaries in the community overcomes this lack of trust by using a familiar, credible face for program marketing.

Transparency: Individuals can be confused on how to access ECM incentives and financing programs. While the recent federal commitment to energy efficiency has raised property owner awareness about the issue, it is not always clear how the owner signs up for the program. Using community groups provides a local network to address questions and guide property owners through the process.

- To overcome this barrier it is important that the community groups are educated to speak about ECM and behavior change so that the promise that are made by the community group are achievable. In order to allow some funding for outreach before measured savings is achieved, it is recommended the utility or municipality funding the program provides upfront payment for initial outreach, education for community group leaders in energy advising, and a tool kit including best practices in canvassing and outreach. From there, it is up to the community group to convince its members of the importance of energy savings. If the group can effectively access this network, the reward continues to flow.

Long-term commitment: By tying the community groups' payment to the long-term savings from their community participants, there is incentive for the group to continue to encourage energy saving behavior and maintenance of ECM.

Pay-for Performance and Energy Use Behavior Change

There is doubt about the industry's ability to quantify energy savings achieved through behavior change, and for this reason programs that target behavior are often under funded or excluded. There is no way to prove the cost effectiveness under the current utility-based efficiency program model. By using marketing funding to incentivize community groups to do this outreach, the question about effectiveness is nullified. If there is measurable utility savings from program participants, the community group tied to those properties receives compensation. If there is not savings, the incentive is not paid. This tool could provide the

innovation needed to change behavior patterns by creating a community goal around energy savings that creates long-term funding for community programs.