

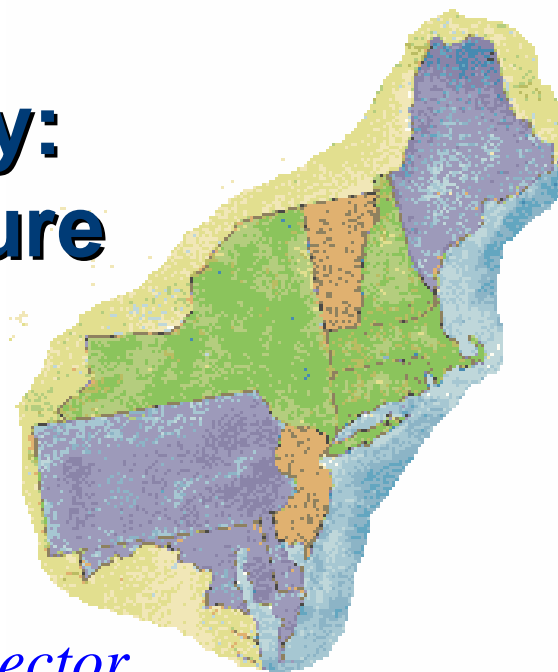
# **NJ Energy Master Plan Energy Efficiency Strategy: Draft Procurement Structure**

Presented to:

NJ Energy Master Plan  
Energy Efficiency Stakeholders

*By: Susan Coakley, NEEP Executive Director  
Blair Hamilton, VEIC Public Policy Director*

**June 25, 2008**



# Overview

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- ✓ NJ EMP Energy Efficiency Portfolio Strategy Project
- ✓ Energy Efficiency Procurement Structure
  - Vision, Goals and Objectives
  - Current Situation
  - Models Considered
  - Recommended Structure
  - Issues
  - Next Steps
- ✓ Opportunities for Stakeholder Input

# **NJ Master Plan Energy Efficiency Strategy Portfolio**

## *Purpose:*

- *Achieve the 2020 Master Plan energy savings goal cost-effectively and expeditiously*
- *Develop a “best in class” strategy portfolio to overcome market barriers to cost-effective energy efficiency*
- *Address all customer sectors*
- *Build on experience of successful programs in New Jersey as well as other states and regions*

# NJ Master Plan Energy Efficiency Strategy Portfolio

## *Approach:*

- NEEP lead team of national experts
- Address all customer sectors, all fuels, all demand-side resources
- Research, build on best practices – ***programs*** and ***policies*** to overcome market barriers to meet aggressive efficiency goals
- Stakeholders input to guide development - provide data and perspective
- Build stakeholder support for the portfolio throughout process
- Prepare for smooth transition with near term actions

# **NJ Master Plan Energy Efficiency Strategy Portfolio**

## *Portfolio Elements:*

- Residential Strategies
- Commercial Building Strategies
- Institutional Strategies
- Industrial Facility Strategies
- Municipal Strategies
- Strategies for Plug-in Electronics
- Community Partnerships

# **NJ Master Plan Energy Efficiency Strategy Portfolio**

## *Deliverables and Schedule:*

### **Interim Reports**

- **Interim Report #1** – Program Administrative Model – *June*
- **Interim Report #2** – Strategy Portfolio Overview – *August*
- **Interim Report #3** – Draft Sector Strategies with Market Characterizations, Gap– *September*
- **Interim Report #4** – Draft Final Report with Projected Costs and Savings - *October*

### **Final Report**

- **Final Report with Executive Summary** of Findings and Recommendations and appendices – *November*

# **NJ Master Plan Energy Efficiency Strategy Portfolio**

## ***Stakeholder Input:***

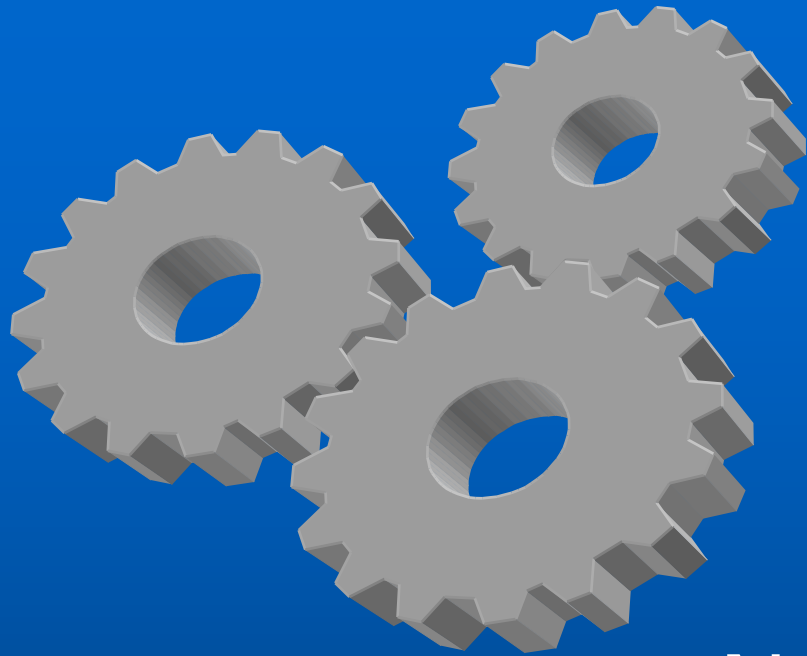
- ✓ Use meetings of the NJ Energy Master Plan Energy Efficiency Committee to solicit input from stakeholders on particular topics
- ✓ Review notes and materials from previous NJ BPU efficiency forums to inform program development
- ✓ Conduct targeted outreach to stakeholders to get input and guide development
- ✓ Circulate draft materials for comment and input

# NJ Master Plan Energy Efficiency Strategy Portfolio

## *Project Team:*

- ✓ Project Director - Susan Coakley, Executive Director, NEEP
- ✓ Portfolio Integration, Impacts and Analysis:
  - Philippe Dunsky, President, Dunsky Energy Consulting
  - Eric Belliveau, Principal, Optimal Energy
  - Ed Schmidt, Director of Regional Initiatives, NEEP
- ✓ Residential Team - Chris Granda, Ken Tohinaka, Richard Faesy, Chris Neme – Vermont Energy Investment Corporation (VEIC)
- ✓ Non Residential Team:
  - Doug Baston, Principal, North Atlantic Energy Advisors
  - Brian McCowan, Vice President, Energy and Resource Solutions
  - Carter Wall, Executive Vice President and COO, Power Options
- Electronics-Data Centers - Jonathan Livingston, Vice President, Ecos Consulting
- ✓ Community Partnerships:
  - Blair Hamilton, Policy Director, VEIC
  - Jeff Pratt – President, Jeffrey R. Pratt, Inc.
- ✓ Research, Evaluation, Cost-Effectiveness inputs
  - Michael Ambrosio, Vice President, Applied Energy Group
  - Frank Felder, PhD, Director, Rutgers Center for Energy, Economic and Environmental Policy (CEEPP)





NJ Energy Efficiency  
Procurement Structure  
Discussion Draft

# Vision Statement

- New Jersey is served by “best in class” programs that make the State the most energy efficient in the US and a world leader in clean energy.

# Goal → Outcome

- Achieve the Energy Master Plan clean energy goals for the building sector through a practical and sustainable statewide energy efficiency resource procurement structure.

# Objectives

- Seamless transition to new admin structure 2008 - 2010.
- Least-cost, efficient administration.
- Tied to overall EMP goals → documented results.
- Opportunities for all customers to participate.
- Integrated program services → whole solutions for customers.
- Statewide program offerings - uniform, nimble, flexible, performance-based.
- Innovation – strategies, technologies, policies.
- Efficient regulatory process that aligns ratepayer value with utility profitability.
- All capacities strategically engaged – “all hands on deck”
- Implemented through current authorities and legislation.

# Today's Situation

- BPU program implementation:
  - Statewide – integrated gas and electric effort.
  - Limited – not suitable for aggressive EMP goals.
  - Inflexible, slow procurement process
- New Players
  - Additional state agencies have roles and responsibilities – RGGI and EMP.
  - Community commitments
- Stakeholder input process fragmented and lacking expert support.

# Administrative Model Options

## ■ *Many models:*

- One statewide efficiency administrator – VT, ME, RI, NJ
- Coordinated/collaborative administration – MA, CT, NH, NY, CA, WI

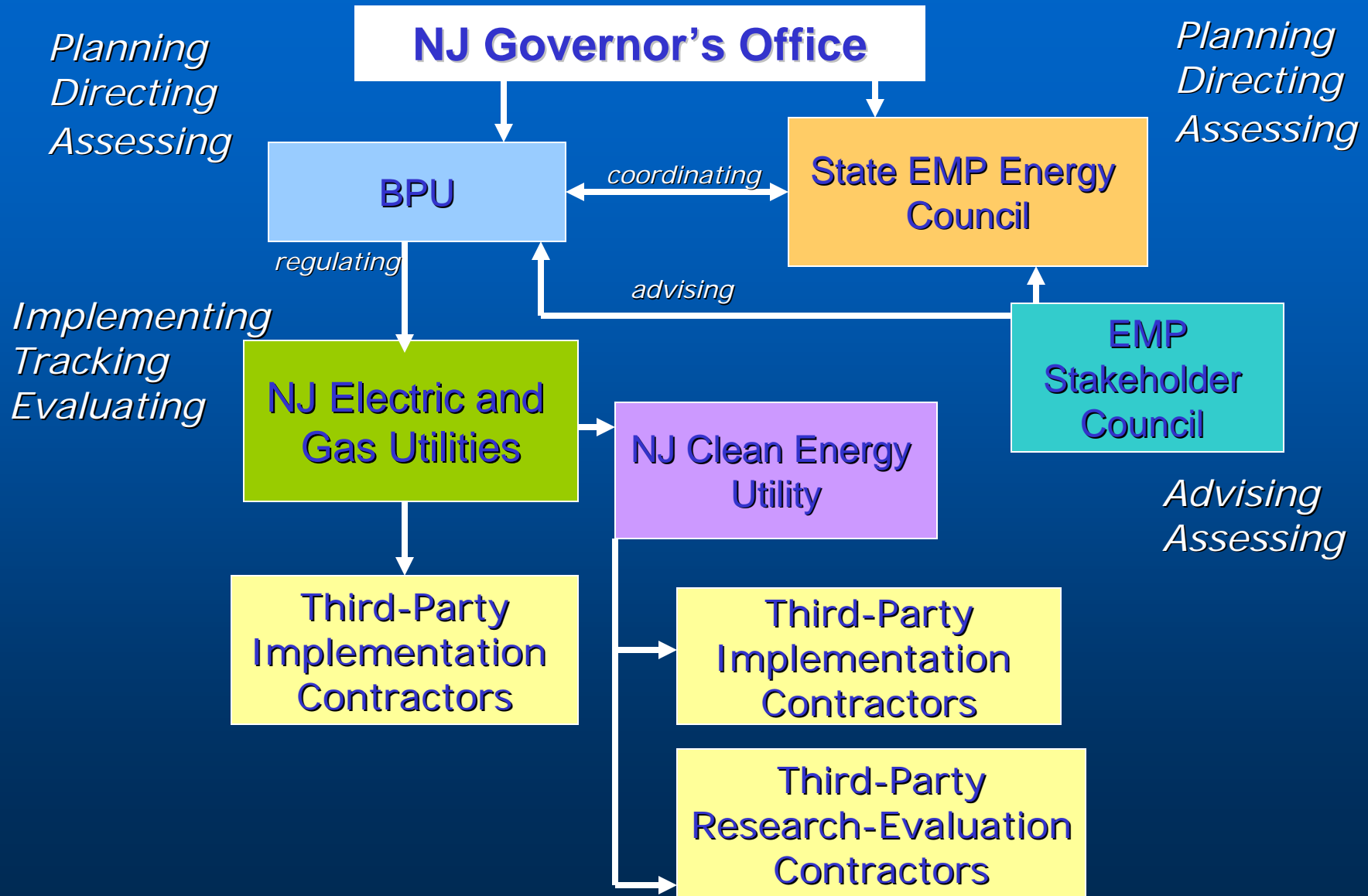
## ■ *Best practices:*

- Arms length regulatory oversight
- Focus on performance, results vs. program detail
- Performance metrics that address near-term and long-term goals
- Access to customer data → marketing, tracking
- Addressing multiple fuels – electric, gas, oil – to provide integrated service and solutions
- Coordination with renewable energy programs
- Coordination with other state agency programs
- Continuous improvement - ongoing monitoring, tracking, evaluation and adjusting

# Key Elements

- Program implementation assigned to gas and electric utilities regulated by the BPU.
- Performance based regulation tied to EMP goals.
- Statewide structure to plan, track and support statewide implementation.
- Major role for market-based service providers.
- Technically supported stakeholder process focused on EMP goals.
- State-agency coordination to implement and assess progress to EMP goals.

# NJ EMP Energy Efficiency Procurement Structure





# NJ Governor's Office

## EMP Stakeholder Council

- Provide feedback on proposed EMP goals and strategies
- Appointed members - Environmental, Business/Industry, Low-Income & Ratepayer Counsel
- Advises State Clean Energy Council, BPU
- Funded experts to review utility plans, inform EMP strategy updates and prepare annual EMP progress report

## State Energy Council

- Headed by Governor Office
- Agency Commissioners:  
**BPU, DEP, DOT, EDA, DCA**
- Facilitates Interagency coordination to:
  - Achieve EMP goals
  - Assess EMP progress
  - Recommend EMP updates

## BPU

- Establishes statewide and utility-specific efficiency savings targets
- Sets filing requirements for program plans (e.g., cost-effectiveness, evaluation, M&V)
- Provides performance incentives and penalties relative to goals
- Reviews, approves statewide program plan submitted by the NJ Clean Energy Utility
- Reviews, approves utility-specific budgets and goals to implement statewide plan
- Sets requirements for and oversees cost recovery
- Oversees program performance and evaluation
- Establishes and administers sales/profit decoupling mechanism
- Coordinates utility programs with state agency program and policies

## NJ Gas & Electric Utilities

- Responsible to meet BPU EMP energy savings goals
- Develops and submits plans and reports to BPU through Clean Energy Utility
- Receives BPU approval to implement plans and recover costs, incentives
- Maintains professional staff to plan
- Engages market-based service providers

## NJ Clean Energy Utility

- Non-profit to develop, propose & implement EMP program portfolio
- Agent of utilities with small administrative staff
- Engages EMP Stakeholder Group to inform the program development, receive feedback and build consensus support
- Submits statewide programs, territory specific goals and budgets to BPU
- Coordinates funding and administration of joint or statewide programs
- Engages service providers and contractors for joint or statewide efforts
- Coordinates with relevant regional and national efforts
- Conducts statewide research and evaluation
- Tracks and reports program impacts and results

## Third-Party Service Providers

# How Do We Get There?

- Put in place EMP administrative structure (State Energy Council, Stakeholder Council)
- Develop/adopt BPU regulations that support performance based utility program implementation
- Develop overall efficiency strategy portfolio to integrate program and policy initiatives – set direction for program implementation
- Establish NJ Clean Energy Utility
- Establish transition plan for program implementation– parallel, coordinated programs – utility RGGI and BPU-market managers

# Next Steps

- Receive feedback: *(June-July)*
  - Written stakeholder comments – send to:  
[energymasterplan@bpu.state.nj.us](mailto:energymasterplan@bpu.state.nj.us)  
*PUT "NEEP PROJECT" IN SUBJECT LINE*
  - Additional informal meetings
- Respond to comments *(July - August)*
- Prepare revised concept with recommendations to BPU *(August - September)*
- Include with final report *(October - November)*

Questions?  
Comments?

**Thank You**

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## Northeast Energy Efficiency Partnerships, Inc.



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