Function and role of the coordinating entity

**Moderators:**
Joel Rogers, Director of Center on Wisconsin Strategy (COWS)
Satya Rhodes-Conway, Administrator of Efficiency Cities Network (ECN)
Agenda

- Welcome and intro (5 min)
- Presenters (30 min)
  - Steve Burrington, Serrafix
  - Steve Morgan, Clean Energy Solutions
  - Blair Hamilton, Vermont Energy Investment Corporation
  - Cal Broomhead, City of San Francisco
- Questions and discussion (50 min)
- Next calls
  - Tuesday August 4, 3 PM EDT, Measurement
  - Tuesday August 18, 3PM EDT, Certifying auditors and contractors - TENTATIVE
Role and Functions of a City Energy Efficiency Entity

Efficiency Cities Network
July 21, 2009

Stephen H. Burrington
Principal
Serrafix
Context for the City Role: Elements of the Efficiency Solution

- **Value Proposition**: Demand for efficiency must exist – benefits to owner need to justify investment and transaction costs

- **Capital**: Financing solutions that enable owners to pay as energy savings accrue will have greatest impact

- **Marketing & Service Delivery**: Must be effective and efficient at meeting needs of owners and lenders

- **Workforce**: More trained workers are needed to meet growing demand for quality energy services

(Thanks to NRDC for graphic concept)
Institutional Structure and Capacities: General Observations

• No one-size-fits-all institutional model exists
• Within any structure, all roles to be discussed here must be performed
• Most structures will involve
  – Core entity for strategy development and execution, high-level management, accessing financial resources -- usually a non-profit with consultant support
  – Governance and partnership relationships involving key entities -- carefully designed
  – Network of qualified firms to deliver services
• Given past calls on capital and workforce issues, this presentation will focus on roles/functions in other areas
City Energy Efficiency Role: Strengthen Value Proposition

• Simple but important fact: building owners are “the deciders”
  – Many don’t consider efficiency to be worth it
  – Reasons include transaction costs, opportunity costs, reluctance to borrow, skepticism about savings projections
• “Early adopter” owners can help launch, but serious market penetration requires improving the value proposition
• City role must involve more than
  – Finance to eliminate up-front cost and ensure positive cash flow impact
  – Marketing and “one-stop” service delivery
• Value proposition can be strengthened by
  – Better access to particularly rich existing resources -- e.g.,
    • Utility incentives in CA or MA (Green Communities Act)
    • Regional Greenhouse Gas Initiative auction revenues
  – Creating additional incentives -- e.g., initially with ARRA sources
  – Strategies to fix split incentives – e.g., with energy efficient leases
  – Mandate -- e.g., proposed NYC audit and retrofit requirement
• Particular City functions depend on which of these are determined to be the best strategies
City Energy Efficiency Role: Marketing

• Basic elements include
  – Broad-based strategies (advertising, social marketing, etc.) – see other presenters for best practices
  – Building owner outreach, inc. initial assessment, that conveys
    • Credibility of expert, independent non-profit entity
    • Confidence that transaction costs will be low due to “one-stop” service
    • Reliability of savings estimates and contracting quality
  – Aggregation of early project activity through high-level targeting of key sectors, institutions, associations
• Assume building owners will commit resources only if persuaded
  – Demand for efficiency is growing but barriers are not going away
• Priority marketing functions depend on identification of sectors to be targeted as early opportunities
City Energy Efficiency Role: Service Delivery

• Program design must
  – Adopt best practices in auditing, project planning and oversight, quality assurance, measurement and verification, but
  – Avoid becoming bureaucratic and inefficient
• Note: Generally accepted protocols must be developed for special assessment districts to ensure that owners will realize net cost savings
• Basic services -- performed through qualified contractors:
  – Building benchmarking, assessment and audits
  – Selection of appropriate eligible measures
  – Qualification of contractors
  – Commissioning
  – Measurement and verification (and documentation)
  – Dispute resolution
  – Financing and access to incentives
• All cities should contemplate using multiple contractor types: ESCOs, building contractors, efficiency program administration firms, other
  – Marketplace is evolving – firms specializing in building energy performance and purporting to offer comprehensive services are proliferating
Stephen H. Burrington
Principal
Serrafix
65 East India Row, Suite 2D
Boston, MA 02110
617.737.7230, x 705
burrington@serrafix.com
Structures to Deliver Building Retrofits

Efficiency Cities Network

July 21, 2009
New Non-Profit Entity to Coordinate/Implement Building Energy Retrofits

1. A new non-profit can (and should) be established with clear, highly-focused mission to meet specified needs

- Dedicated to specific geographic area
- Dedicated to specific markets (e.g., municipal facilities, affordable housing, residential, institutional, etc.)
- Provides built-in mission alignment, which is a key to success. No conflicting objectives.
New Non-Profit Entity to Coordinate/Implement Building Energy Retrofits

2. Consider “pay for performance” structure to maximize real results
   • Contract for results, not good intentions
   • Provide and structure financial incentives to assure accountability
   • Specify metrics and goals (energy savings, NPV of economic benefits, market penetration, etc.)
   • Requires multi-year period to implement
New Non-Profit Entity to Coordinate/Implement Building Energy Retrofits

3. **Recruit qualified staff that are highly motivated by mission**
   - Skills determined by specific focus, but will tend to be high-level
   - Consider staffing to provide, in-house, one-stop full portfolio of required services (technical analysis, packaging, project development, financing, construction management, quality assurance)
New Non-Profit Entity to Coordinate/Implement Building Energy Retrofits

4. Consider potential to operate as a non-profit Energy Services Company (ESCO)
   • Serve niche opportunities not served by large national ESCOs
   • Contract to guarantee savings or make contract payments for savings
   • Some risk - requires financial backing
Thank You!

Blair Hamilton
Policy Director
Vermont Energy Investment Corporation

802-658-6060 x1024
bhamilton@veic.org

See: efficiencyvermont.com
veic.org
Energy Retrofit Program Organization

Emerald Cities, 7-21-09
Cal Broomhead
City of San Francisco
One LG?

Many LGs?

• MOU’s with each other and Funder
• MOU’s with One LG as Primary
• Legal Entity (Joint Powers Authority)
Relationships: reward and risk

- LG
- Equipment
- Installer
- Customer
Using Contractor/s

LG

Prime Contractor

Sub Sub Sub

by function and/or by sector

Contractor
Contractor
Contractor

Efficiency Cities Network
Functions

- Technology & Standards
- Installer Recruitment
- Training
- Marketing
- Tracking (data)
- Audits
- Finance

- Sales
- Installation
- Incentive Payment
- Quality Control
- Evaluation (EM&V)
San Francisco Dept of Environment

Prime Contractor

Installer Installer Installer ...

Installer Installer Installer ...

Customers

Sub Sub

Efficiency Cities Network
Potential ECN topics:

- Determining metrics for success
- Certifying auditors and contractors
- Overcoming the split incentive and reaching renters
- Working with utilities
- Efficiency Labeling - disclosing energy costs at sale or lease
- Opportunities in nonresidential properties
- Contracts
- Determining measures and payback times
- Structure of municipal bonds
- Point of Sale ordinances
- Aggregating properties to achieve scale
- Model training programs and curriculum
- Coordinating purchasing, and applying technology
Contact Information

ECN:
ADMINISTRATOR: ecn@efficiencycities.us
LISTSERV: ecnmembers@efficiencycities.us
WEBSITE: www.efficiencycities.us

Presenters:
- Clean Energy Solutions – www.cleanenergysol.com
- Vermont Energy Investment Corporation - www.veic.org
- City of San Francisco - www.sfenvironment.org
- Serrafix - www.serrafix.com