

Fast-Start Energy Efficiency—Illinois Style

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Abstract

With approval of its Energy Efficiency and Demand Response (EEDR) Plan in February 2008, ComEd faced the regulatory expectation to have programs launched in June 2008. After an expedited RFP process, ComEd faced the challenge of launching a \$10 million suite of business programs only seven weeks after the kick-off meeting with their implementation contractor. The compressed schedule required ComEd to prioritize competing objectives and manage to deadlines.

This paper presents the methods and approaches used to successfully implement the quick launch of ComEd's Smart Ideas for Your Business energy efficiency program. The plan identifies the tasks ComEd chose as the highest priority as well as those that were deferred for later, the related risks associated with its plan, and an examination of which risks proved worth taking (as well as some that were not!). The program was met with huge customer interest and is fully subscribed five months after launching the program. This paper examines the initial program results and lessons learned on launching this highly successful large-scale energy efficiency program.

Program Approval

ComEd's 2008-2010 Energy Efficiency and Demand Response Plan (EEDR) provided a commitment to implementing a comprehensive portfolio of demand-side program solutions. The plan was filed with the Illinois Commerce Commission (ICC) in November 2007 as a response to enactment of Public Act 95-0481, which created a new Section 12-103 of the Illinois Public Utilities Act. This section set forth new energy efficiency and demand response goals which ComEd technically vetted in a market potential study in 2007. The EEDR was approved by the ICC in February 2008 and included services for ComEd's entire customer portfolio. Across all customer segments, the programs are designed to achieve 1,216 GWh of energy conservation by May 31, 2011.¹ This paper focuses on the commercial and industrial market, which is served by the Smart Ideas for Your Business suite of programs. The 3-year net GWh savings goals for the prescriptive and custom incentives offered through this program are shown in Table 1. The savings goals include an 80% net-to-gross factor.

Table 1. Three-year Net Savings Goals

Commercial/Industrial Net Savings Goals (GWh)	2008	2009	2010	Total
Prescriptive Incentives	43	87	168	297
Custom Incentives	19	74	95	189
Total Net Savings	62	161	263	486

¹ More information on the ComEd's portfolio and filings may be found at http://www.exeloncorp.com/ComEdCare_Main/ComEdCare/learn/EfficiencyFiling/

With an initial launch target in June 2008, ComEd had to transition the approved February filing into a live program in a condensed schedule. As soon as the filing was complete, ComEd worked to form a utility team, but also recognized they would need contract support to launch and manage the programs through the rollout and subsequent program growth. With a plan to double the program the second year and increase it by 50% the third year, the program had to not only meet its early energy savings targets, but also had to provide a solid framework upon which to grow the efficiency market in ComEd's service territory.

Choosing the Program Partners

In February of 2008, ComEd brought on new internal staff to help support the program. Staff members included seasoned program delivery professionals with experience in other more established markets. This internal experience helped to expedite the decision-making process, as staff was familiar with the issues and could understand the implications of various trade-offs necessary to achieve the expedited objectives. The new staffing included not only program staff, but management with experience in the efficiency industry.

Coupled with the new ComEd staff, the utility shuffled resources to bring a solid team of employees together to serve the needs of the newly formed programs. By creating a team and fast-tracking that team's efforts, the group collaboratively worked to meet the program delivery timeframe. The newly formed ComEd team developed RFPs to solicit consulting support and undertook as much of the preparatory planning as possible to facilitate the mid-year program launch. ComEd released an RFP for the business program in late February 2008 with bids due to ComEd on March 21st. ComEd quickly reviewed the RFPs and held interviews with potential suppliers in early April. The goal of the RFP process was to identify experts in the field who understood the challenge of expeditiously launching a program of this magnitude while building a framework upon which the program could grow over time. On April 11th, ComEd's RFP review team officially selected KEMA as the implementation contractor for the Commercial and Industrial incentive program. With two months to go before the program launch, KEMA worked quickly with ComEd to finalize the implementation project contract by using a letter of intent process. This permitted KEMA to begin designing the program and implementation details. The ComEd/KEMA design team produced the first proposed program design draft on May 5, 2008.

Setting Priorities

Once the top priority of building a strong, knowledgeable team was met ComEd and KEMA worked to set priorities for the program launch. ComEd wanted a unified program look and feel, thus one of the initial priorities was to establish an umbrella brand for ComEd's energy efficiency services and specific names for each of the individual program. The Commercial and Industrial program is named "Smart Ideas for Your Business". With the brand came a logo, material templates, and an overall look and feel for the programs. ComEd used an advertising agency, LKH&S, which worked with ComEd's broader marketing strategy to develop the identity collateral. KEMA provided content support for the Business program. While a comprehensive program includes numerous types and levels of marketing materials, ComEd decided to keep a simple initial message and program image. They relied on best practices from other successful programs and focused efforts on the critical initial materials.

The second priority was to refine the overall launch strategy. ComEd had established a program launch plan in advance of hiring the implementation providers so they had a head start. The launch concept included two sets of initial outreach events with one targeted to customers and the other to trade allies. These events were large forums in various geographic locations within the service territory. They served to

release information to a wide audience and to allow a forum for questions and discussions at the program's outset.

Trade-Offs that We Consciously Made

Pushing a fast start-up in a market that was primed for energy efficiency, the ComEd team had to make trade-offs and postpone some of the “nice to have” program elements in order to ensure a timely launch. This required all parties to make decisions and act upon them quickly, confidently, and not get slowed down by diversionary details.

The initial mass-market launch design created an opportunity to quickly get the word out to many players. The team acknowledged this approach would provide less individual attention with trade allies and customers at the outset, but would cast a wider net to more quickly ramp up to the levels required to accomplish the first year program savings goals.

From a design perspective, the team had to simplify the prescriptive program measure mix and not spend time developing detailed forms and specifications for measures that were unlikely to make up a large part of the program in the first year. The program still allowed customers flexibility in that they could submit custom applications for any energy savings measures that were not on the prescriptive form. The prescriptive program included measures that covered a range of technologies that KEMA had established in other markets and knew what to expect. The team decided to postpone the addition of more complex or newer technologies until there was more time to fully evaluate their fit within the prescriptive program.

While lighting projects make up the bulk of many large commercial and industrial programs, other measures are often a bit slower to develop in the market, but also bring in significant savings. The Smart Ideas for Your Business program did not in any way try to slow solid, “quick” savings in areas such as lighting and set incentive levels to provide enough favorable interest to kick-start the program.

Program incentives were set based on an avoided cost methodology that built upon the economic value of the savings to the utility while managing evaluation risk. With the avoided cost as a base, the team varied the incentive amounts depending on the cost of the measure, estimated net to gross for that specific measure, and the target participation rate. Some measures that are harder to bring to the market have higher average incentives per kWh due to this methodology. Both the varied incentive structure and the option of using the custom program provided two means which allowed customers some flexibility.

The initial large-scale launch engaged numerous trade allies and customers who may not have been ready to participate at that moment, but could be targets down the road. The ComEd team kept good records of all customer and trade ally contact information for future marketing and outreach activities. While the first program year sold out quickly, the program's growth targets will require ongoing outreach and marketing.

Several program concepts that will make up the full Smart Ideas for Your Business program were held off in the early design phase. ComEd decided not to launch a new construction offering initially, knowing that the program would require additional design time and that the lead time on new construction sites is long enough to require an approach different from the mass outreach process used in this first launch phase. In addition, the ComEd team started the retro-commissioning offering as a pilot designed to demonstrate the opportunities in this market while they designed and launched a full-scale program later in the implementation process. By delaying these more complicated programs, the ComEd team was able to assess the market using the first wave of program results and fine tune appropriate solutions to dovetail with existing programs.

A final key trade off was in the marketing process. The ComEd team limited the amount of marketing material and collateral in the initial program design. This streamlined the program set-up and

included key materials such as the trade ally application, prescriptive and custom program applications, and basic program fliers.

A Marketing Framework

With RFP and contractor selection process underway, the ComEd marketing team worked to obtain dates and locations for a series of initial kick-off meetings to launch the program in a grand and public way. The initial design included trade ally and large-scale customer “green ribbon” workshops to introduce the new ComEd program. Four trade ally workshops were held in late May to share preliminary program details prior to the official program launch. Six green ribbon workshops were held in June and were designed to inform customers about the program and to offer breakout sessions where the program team could discuss specific elements within the program and where customers could ask questions about specific measures.

Because of the numerous programs that ComEd was launching in a short time period, the utility team opted to maintain a central streamlined marketing effort. The central marketing approach created a consistent program look and feel. ComEd worked with their marketing firm, LKH&S, who was providing broader brand and marketing services to the utility. The ComEd team then engaged the firm to focus on the marketing needs of the program’s launch outreach and delivery as well as the ongoing program needs.

While the marketing team was focused on the initial outreach, the implementation team worked to integrate marketing and outreach services into all aspects of the program. The implementation team needed to change the marketing messages based on changes in participation. For example, as the programs headed into August, and new information came out about the waitlist and eventual closure of the program, the team adapted the marketing efforts and messages and communicated those to customers and trade allies.

While the new programs created a lot of buzz in the market and intense interest in the programs, the ComEd team continued to provide and to leverage existing outreach efforts such as the “Energy Doctor” and customer benchmarking tools. The role of “Energy Doctor” had been established prior to the launch of the Smart Ideas suite of programs and is an outreach team member who attends community events to promote energy efficiency. For example, the Doctor has appeared on local news stations touting the benefits of selecting energy efficient lighting and other equipment. With the advent of the Smart Ideas programs, the demand for Energy Doctor appearances has increased and has contributed to the heightened awareness of the Smart Ideas portfolio. By leveraging numerous ComEd services, the utility reinforced the message that ComEd has multiple services to help customers even after the program funds were depleted.

Record Pace Program Design and Planning

Making decisions quickly and confidently was critical to ComEd’s launch strategy. The implementation team came together for an initial program design meeting where they set all the rules around how the program would operate. This meeting brought together the internal and consulting expertise tasked with bringing the program to market and the group worked to effectively make the decisions necessary to launch. The process included quickly reviewing the pros and cons of various strategies and how those might facilitate or slow progress towards fast track start-up.

Identifying those decisions that were particularly challenging or dependent on later decisions, helped the team move quickly through the design process. Decision-making had to be done quickly to meet the aggressive timeline. Some of the early decisions that allowed the program to launch quickly included setting all program rules and guidelines, establishing a methodology for the incentive design, firming up all incentive levels, and maintaining as simple a program design as possible. While the quick decisions were important, the team had to allow for changes and adapt the process as the program developed. Maintaining this flexibility proved to be critical to the success of the program.

ComEd shared its initial program design with its Stakeholder Advisory Group. The Stakeholder Advisory Group consists of external influential individuals and organizations that have a vested interest in ensuring the successful implementation energy efficiency programs in Illinois. The stakeholder group provided excellent and timely feedback and the team incorporated many of their suggestions, resulting in a more robust program design.

The ComEd team had a strong hunch that the market demand for this program was going to be high, so incentives were set to ensure that ComEd could reach energy savings goals and motivate the market. The team further reviewed the evaluation risks associated with various measures and added some conservative estimates into the design to ensure that the energy savings goals would be achieved with the incentive budget. The team leveraged known measures and experience in other markets to define the initial prescriptive measures and their specifications. This included using existing qualification sources such as CEE lists, ARI equipment efficiency tiers, and ENERGY STAR branding to help create outside reference points to help customers identify the equipment that would qualify for the various prescriptive measures. The team left more complex measures off the initial prescriptive list when they knew these measures would require additional research to fully specify. Customers planning to implement projects involving more complex measures could use the custom application, thus giving the market plenty of flexibility. The team intends to return to the measure list and expand it in subsequent years when there is more time to evaluate the savings claims and develop qualification criteria.

Prior to the program launch, the team wanted to alert the market about the program without sending out draft application forms that might later change and create version control issues. In advance of sending out finalized application forms, the team refined the measure list, clarified associated qualification criteria and created “cut sheets” that outlined both the eligible prescriptive measures and the format of the custom program. These cut sheets provided trade allies and customers with an initial understanding of the program without having to send an early draft of the application. The final application form was released on June 10th, the program’s official launch date. Customers were able to download the application from the ComEd website and quickly started to submit project applications.

Getting the Word Out Quickly

Because there was a strong feeling that the market was primed and ready to adopt energy efficiency in earnest, ComEd used green ribbon and trade ally workshops to get the word out to trade allies and customers. In addition, the team worked closely with key utility parties such as call center staff and account managers to train them on the program plan and application details so these critical internal teams could successfully support customers. To ensure wide coverage at both the trade ally and “green ribbon” customer events, the team developed detailed lists of possible attendees and gathered input from various utility parties to create a long list of possible participants. The launch event invitations went out to the new list of trade allies as well as a comprehensive list of managed and other key customers.²

The Trade Ally workshops occurred in May 2008, just prior to the program launch. There were four sessions that included over 400 attendees representing 300 different companies throughout ComEd’s service territory. The green ribbon customer workshops held throughout the month of June marked the official launch of the Smart Ideas for Your Business programs. There were six sessions and over 1,200 attendees. The customer-focused sessions occurred right as the program was launched and provided customers with a forum to ask questions about program details, application procedures and specific projects. To address the

²There is a second paper at this conference on the trade ally outreach process and results which provides further information about the launch and trade ally registration process: “ComEd Seeks the True Meaning of Trade Ally”

potential free-ridership issue, the team communicated repeatedly, through the workshops, on the application and other marketing materials, that in order to be eligible for incentives, customers could not start projects or purchase equipment prior to June 1, 2008. The implementation efforts included project reviews that checked project start dates and eliminated projects that were committed in advance of the program launch.

Both types of workshops provided strong forums to present the program guidelines, answer customer questions, and provide detailed breakout sessions on specific technologies. The team used feedback from the early sessions to refine the presentation materials. All sessions drew large crowds and the team collected the contact information for the participants to use for outreach if the initial application intake was slow. Because there was such demand for the programs, the contact lists have been used to convey information about the waitlist process and early closure of first year program funds. They are being used to establish ongoing trade ally outreach communications and have provided a resource for future outreach efforts.

Maintaining the Momentum

As expected, customer interest was high from the outset. The program has its own toll free phone line to answer program questions and in the first six months had over 1,400 calls. With these inquiries have come applications. Figure 1 shows pre- and final application activity by the number of applications. Note that the program was closed to new applications as of November 1, 2008 because the number of applications that were reserved plus those that were placed on a waiting list was well in excess of the available incentive funds. Figure 2 shows incentive requests and payments to date.

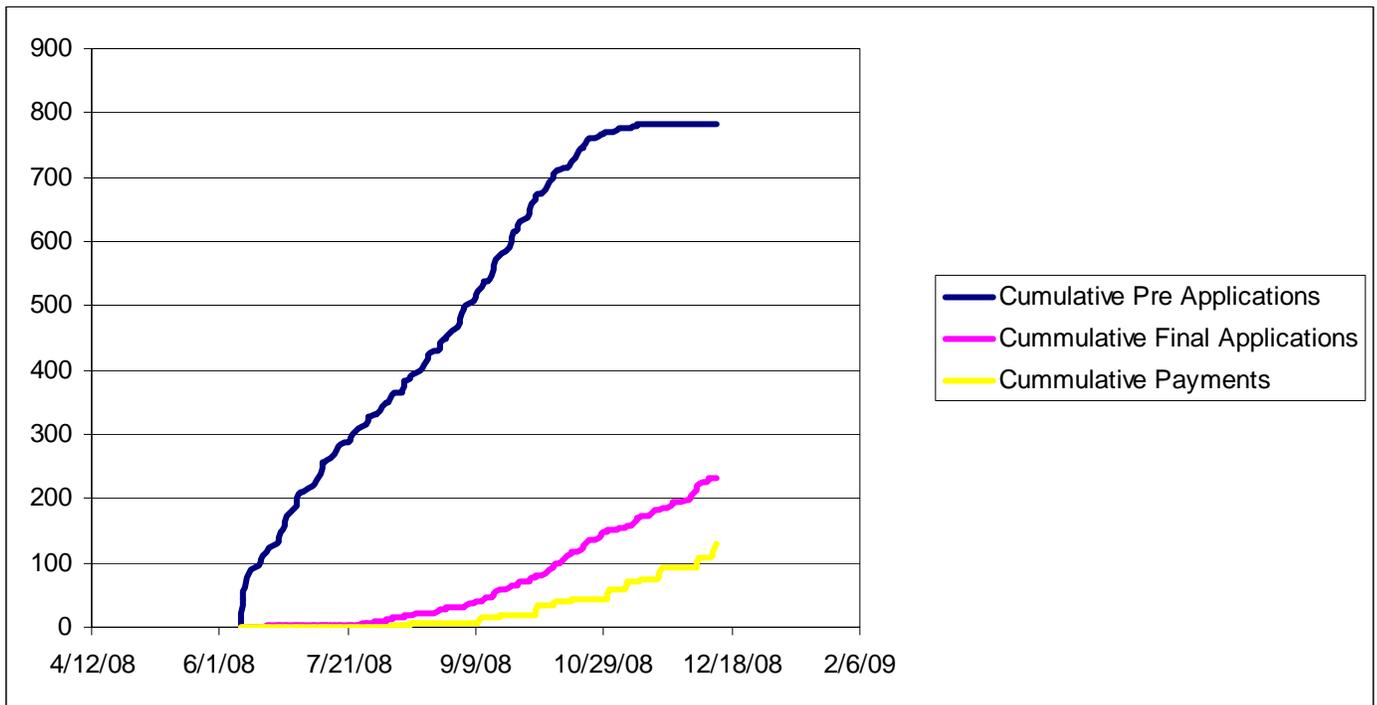


Figure 1. Pre- and Final Application Activity

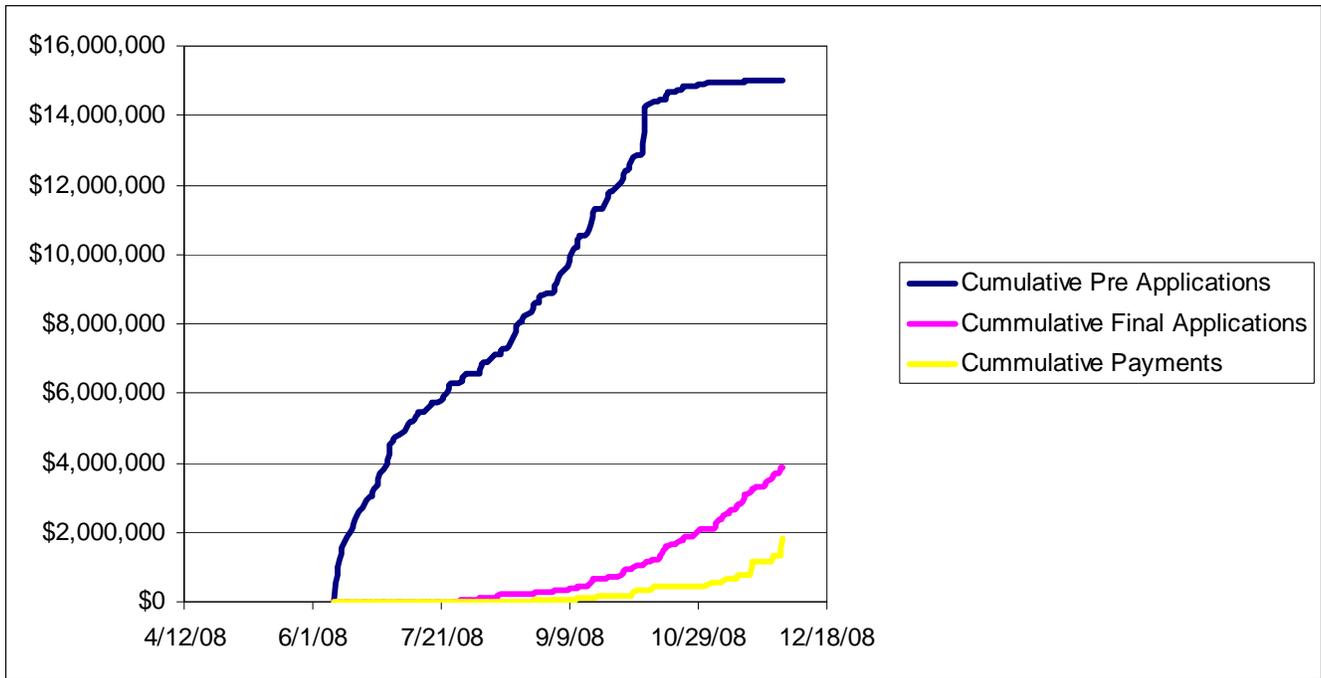


Figure 2. Payments to Date

The early applications came primarily from a few aggressive trade allies who solicited customers for projects and immediately submitted their applications. In many cases, the customers had not decided to do the project, but by having the reservation confirmation, the contractor could better sell the economics of the project. While some of the initial responses were from a few trade allies, the participation circle widened and the overall program has reached a wide group of trade allies and customers so no one trade ally is dominating the program.³

Due to our strong messaging encouraging submission of pre-approval applications, many projects came in the “pre-” stage and provided an indication of the level of interest in the program, but were not completed projects that were ready to receive their incentive. The final application line on Figure 1 above illustrates the lag time present in the program as customers needed to complete their projects before they could make a final claim for their incentives.

ComEd Account Managers and External Affairs staff helped raise the market interest. Account Managers were required to bring at least two customers to the green ribbon workshops and the project team is in regular communication with the Account Managers and their customers about the projects in the queue. Account Managers are invited to participate in site inspections, are kept informed related to the status of their customers’ applications, and can receive the final incentive check when it is issued so that they can hand deliver the check to their customers. This leverage point is critical for maintaining strong customer relations with managed accounts within the service territory.

Adapting to Huge Interest

The interest in the program has been phenomenal. Five months into the program, the total amount of incentives requested was \$15 million. With a first year incentive target of \$7 million, the program team had

³ See “ComEd Seeks the True Meaning of Trade Ally” at this same conference for more details

to adapt the messaging and processing to handle the large influx of applications. The team instituted an “adaptive management” approach whereby they updated and refined the processing steps as things progressed to accommodate the rush of applications. This required a hands-on team management approach with solid lines of communication.

The adaptations included adding outreach channels to customers and trade allies such as additional letters throughout the process and phone call follow-ups at different points. The team also adapted application processing to handle the large percentage of the applications coming in for high-bay lighting, which makes up about one-half of all proposed energy savings. In order to accommodate the large number of high-bay lighting applications, the team adjusted inspection protocols and streamlined the inspection process. The overall processing philosophy came down to adjusting priorities to keep the energy savings and incentive payout goals in sight and make certain that customers were aware of the overall program status.

Program payouts have followed standard timeframes from other programs. As Figure 2 demonstrates, even though there was huge interest in the program from the outset, the projects still take time to complete and even further time for customers and trade allies to submit the invoices and other backup documentation required to provide sufficient proof of the energy savings they have accomplished.

Deciding When to Cut Off the Program

From some vantage points, closing the program to new applications because the program has reserved all available funding is a good problem to have. However, it creates mixed messages in the marketplace and can be frustrating to trade allies and customers who geared up to sell and implement energy efficiency projects and are now left with no option for immediate incentives.

As new projects came in, the team worked closely to identify the potential realized savings from the pool of submitted projects. Using experience from other markets, the team estimated the rate by which projects would fall out of the program and oversubscribed the program funding to account for the estimated fall-out rate. The projects that typically fall out in the early phases of a program include those that were started prior to the program launch and are not eligible. In addition, common cancellation issues will move projects out of the active queue. These issues include projects not meeting measure specifications or program requirements, contractors selling jobs but the customers decide not to move forward, and customers not getting financial approval to proceed.

The target oversubscription for this program was initially estimated at 20% of the total incentive funds and energy savings. As the team evaluated the submitted projects, we recognized that with such a high percentage of the program focused on the high bay lighting measure, the oversubscription rate needed to be trimmed back. We evaluated the progress of large projects by contacting the top 100 projects for which we had made reservations to determine how they were progressing and used that to help tighten the oversubscription rate. As the payments progressed and reservation dates approached, the team continues to stay in contact with customers to remind them of the need to submit the final paperwork and identify projects that won't be completed according to the program timelines.

Once we approached our oversubscription target, we established a waiting list and moved projects that were going to cause us to exceed the available funds to the waiting list. In late October 2008, the team recognized that with a waiting list of projects approaching \$5 million dollars (\$3.5 million including caps), the waitlist was getting so large, it was very unlikely many of the projects on the waitlist would be considered in the 2008 program. On November 1, 2008 the team decided to stop accepting new applications so that customers would not feel as though they were being led on by the waiting list.

Because the team knew establishing a waiting list and closing the program to new applications created an unfortunate pause in a program that will grow in coming years, the team used reminders, letters,

webinar information sessions, and follow-up calls to make certain customers knew where they stood. In communicating the waitlist and program closure messages, the team coupled messaging with ways to express the continued commitment to the program: highlighting coming year’s goals, providing options for customers wishing to continue with their project, offering to assist customers should they wait for next year, and providing information about other ComEd services that might benefit them as they review their energy efficiency options.

Additionally, the team is continually finding ways to promote the incentives that we are paying and their effect on customers. These positive outreach efforts are creating further awareness of the benefits of energy efficiency and ComEd’s 2009 and future programs.

Delivering Savings

The savings target for this program is 62 million net kWh. The program has an assumed net-to-gross of 80% but has built in a conservative 70% for tracking purposes to create a cushion and manage evaluation risk. Thus, the conservative gross savings goal is 89 million kWh. All program tracking is reported at the gross kWh level. To date, the 431 active projects with the embedded oversubscription provide over 95 million kWh of savings. Over 20 million kWh are confirmed for the first 130 projects for which ComEd has paid incentives. The team is working to finalize projects and expects to pay out roughly half of the available incentive funds in the 2008 calendar year.

Savings are coming predominantly from the lighting sector as shown in Figure 3. This is a common finding in large commercial/industrial programs.

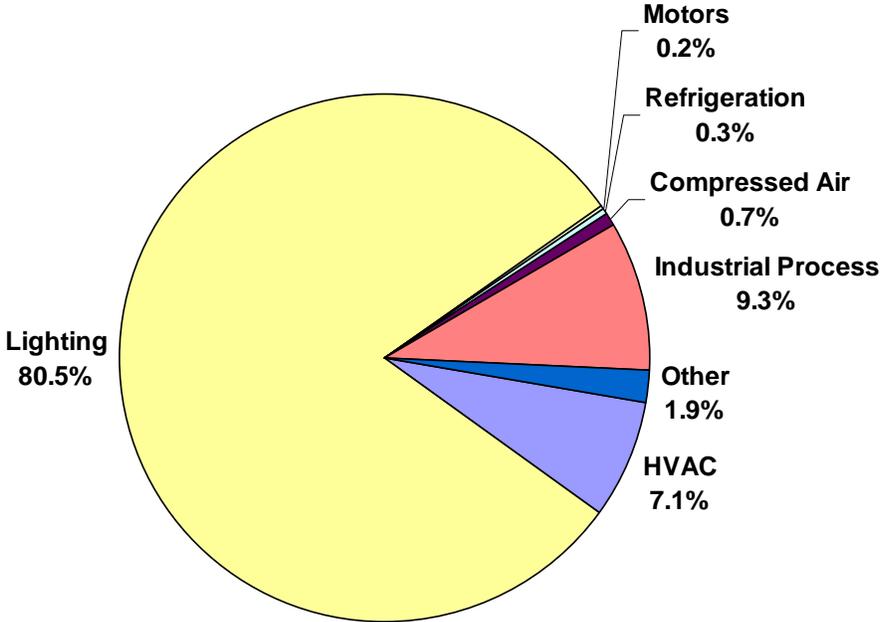


Figure 3. Incentive Requests—Percentage of Savings by Measure Type

To date, over 800 applications have been received. The applications have come in from all areas of the market as shown in Figure 4. Over time, the implementation team will work to balance the projects with

the market size and identify sectors and equipment types that may need further outreach and discussion before customers and trade allies fully understand and embrace the values to the marketplace.

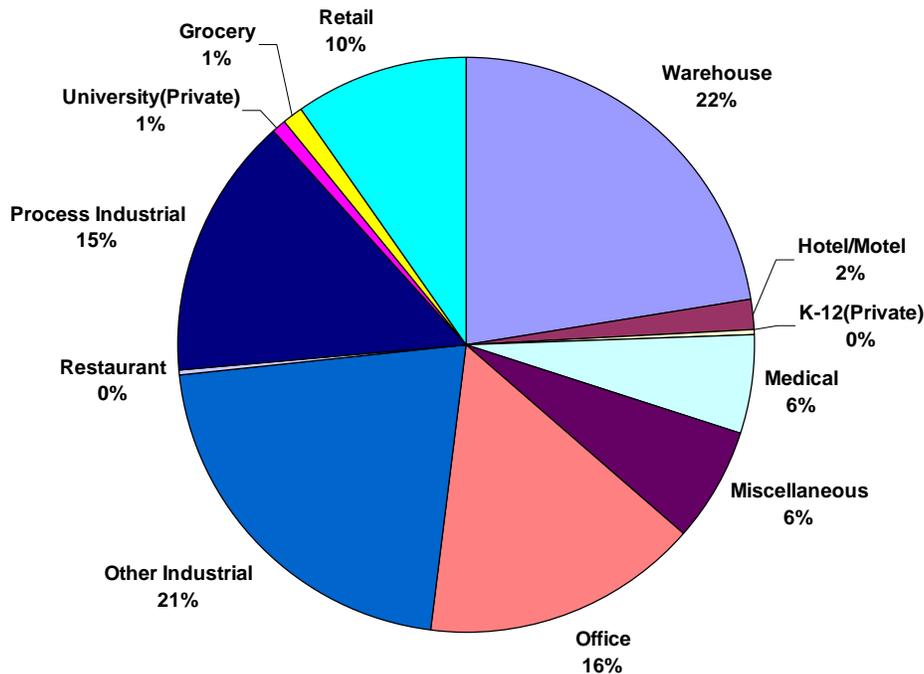


Figure 4. Market Sectors – Percentage of Incentives Requested by Market Sector

While the rush to complete projects is on, the implementation team is managing the evaluation risks associated with projects and performing due diligence tests to make sure that the projects meet the program requirements. This includes performing more inspections in the early stages to clearly understand the results and working closely with contractors to assist them with the application process to ensure they are providing the required information. With 130 projects in the paid or payment requested stage, the team has seen the advantages of a comprehensive review on early projects. Trade allies with more than one application have been able to improve the information they provide and inspectors are keeping a close eye on the program results the marketplace.

Looking Back at What We Might Have Done Differently

The high consumer demand was good for assuring the implementation team that there were numerous energy projects in the pipeline. However, the fact that the team had to shut down the program creates mixed market messages and is an unfortunate impact when the program will need to expand significantly in future years. A slower launch, with less large scale market outreach, may have worked more effectively and enabled a steadier program over the first year, however, with the economic downturn there are advantages of having already secured energy savings. The ComEd team will review the first year outreach efforts and leverage customer and trade ally contacts to most effectively deliver future program messages. With growing goals, as well as a very interested market, the prognosis is strong that subsequent year activity will also be high. Because the kWh goals are center to the program’s success, potential oversubscription was a risk ComEd knowingly accepted with the fast track approach.

Based on the level of interest in the program, ComEd's team will make some slight adjustments to incentive levels in next year's program as well as to add new measures. These adjustments should help stretch the incentives out to more customers and even more cost effectively achieve program goals. Knowing that it was going to be easy to make changes in subsequent years, the team avoided setting incentive levels too low initially. By using market information, the next program year will incorporate the first year results to more realistically mirror the Chicago market.

While the utility had to balance the regulatory risks of getting started prior to approval, more time in the design phase may have improved the ability to launch the program quickly. Utilities who are waiting for regulatory approval should consider setting up some at-risk pre-approval initiatives to get started on the external process to help insure that all parties are ready when the time comes to launch the program.

Conclusions

Despite a busy first several months, the Smart Ideas for your Business program has proven to be an enormous success. Customers and trade allies are interested in energy efficiency. The market is strong and ComEd will be able to meet the energy savings goals associated with the program. This program launch was a significant undertaking and over the course of the next two years the program will double in size and then double again. With high expectations for energy efficiency, it is refreshing that there is pent up market demand. This program will help move customers who are interested in making improvements to action.

As in any large project, teamwork was critical. ComEd selected seasoned full-time staff, , picked experienced implementation team providers, and built a team that worked together effectively to meet the fast-paced demands of the project. In addition to working well together, the team has kept a positive attitude and maintained its focus on the long-term energy savings goals through the process. Collaboratively, ComEd and the outside team members have used "adaptive management" to refine the program design and delivery processes throughout which have been critical to the success of the project.

As much as the ComEd team worked to create market interest in the program, the fact that there was pent-up energy efficiency demand coupled with a fear that the program would run out of money helped keep the early program activity strong. By getting the word out to many people from the beginning, ComEd had a limited ramp-up time before the program reached its full subscription level. With such a solid trade ally and customer base, the market is primed for growth. The need to balance to over-subscription is a frustration in the first year, but does bode well for the continued growth of this program. It was a fast process, but the team is enthusiastic about meeting goals and building a revived urgency for energy efficiency in the Chicago marketplace.