Arms-Length by Design: Navigating the Pitfalls of Third-Party Implementation

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ABSTRACT

Energy-efficiency-program administrators have increasingly turned to third-party contractors to implement all aspects of energy efficiency programs. The advantages of using third parties to implement energy-efficiency programs are commonly understood and include: accelerating program launch; acquiring expertise or specific tools; obtaining innovative approaches; and avoiding the liabilities associated with increased internal staffing.

There are also a number of challenges for programs implemented exclusively by implementation contractors. The literature does not sufficiently discuss these challenges; they include: limits on the program administrator's control of the program; differing business models; undefined or poorly defined program metrics; third-party recording and tracking of program data; and a perception by third-party implementers that program evaluators are adversarial to their interests. Program administrators forearmed with knowledge of these limitations can structure third-party contracts and program management to reduce or avoid negative impacts from these challenges.

Drawing upon the authors' experiences evaluating over 30 third-party proprietary programs and dozens of programs operated by implementation contractors, this paper documents the challenges of reliance on third party implementers and offers tools and levers for program administrators choosing one approach or another. We recommend the tools of logic models, evaluability assessments, and enhanced inspection protocols. Our levers include: ask tough questions, establish clear expectations, require a data management system, and support the evaluator.

Introduction

As of October 2010, twenty-seven states had adopted or had pending Energy Efficiency Resource Standards that, to various degrees, require efficiency program administrators to meet long-term energy savings through energy efficiency (ACEEE 2010). Other states have passed laws that either place energy efficiency first in long-term utility planning or explicitly require utilities to acquire all cost-effective conservation (for example, Washington's Initiative 937). Large scale comparisons, like those contained in ACEEE's annual scorecard, and targeted comparisons completed for specific program administrators add to expectations—raising the potential for awareness and improvement but also making program administrators eager for approaches that can deliver immediate energy savings results.

As legal requirements and regulatory pressure mount, program administrators are increasingly turning to implementation firms to implement a wide range of efficiency programs in their service territories. These third-party contractors provide the staff and expertise to launch programs quickly without protracted hiring or development processes. In many jurisdictions, multiple firms are operating and competing directly for implementation contract dollars. In theory, this competitive environment should create a downward pressure on prices, and it may. On the other hand, relying on market differentiation and perception of implementer expertise can lead to a variety of phenomena that create challenges for administrators wanting to understand and direct program performance, document success and failure, and incorporate lessons learned in the next year or program cycle.

Program administrators typically contract with third parties in three general contexts:

- The administrator has a program concept or initial design, issues an RFP, and contracts with an implementer to develop full program specifications, procedures, and materials, and to deliver the program to the market.
- The administrator has an existing program that has been implemented either by its staff or a third party under an expiring contract; the administrator issues an RFP and contracts with a new implementer to continue program delivery, perhaps with modified specifications, procedures, and materials.
- The administrator accepts a proposal from a third-party implementation firm to deliver a proprietary program or innovative concept to a proposed market.

The advantages of using third parties to implement energy-efficiency programs are commonly understood and include: accelerating program launch; acquiring expertise or specific tools; obtaining innovative approaches; providing additional temporary staff; and avoiding the liabilities associated with increased internal staffing. However, there are also a number of challenges for programs implemented exclusively by implementation contractors. The literature does not sufficiently discuss these challenges; they include: limits on the program administrator's control of the program; differing business models; undefined or poorly defined program metrics; third-party recording and tracking of program data; and a perception by third-party implementers that program evaluators are adversarial to their interests. Program administrators forearmed with knowledge of these limitations can structure third-party contracts and program management to reduce or avoid negative impacts from those challenges.

After evaluating over 30 third-party proprietary programs and dozens of programs operated by implementation contractors, we offer our perspective on the benefits and limitations of relying on third parties and offer a checklist of considerations for program administrators choosing one approach or another. Because the benefits third parties bring to programs are well known, we describe them only briefly in this paper. The less documented challenges that arise from the use of third-party implementers are the heart of this discussion. Subsequently, we offer suggestions for mitigating the risks inherent in those challenges.

Benefits: Why Choose a Third-party Implementation Firm?

In some cases, implementation contractors bring otherwise unavailable expertise to the energy-efficiency-program community. In other cases, they offer an experienced management team and turnkey or "plug and play" programs. As privately held, generally for-profit firms, these organizations are motivated to develop innovative approaches and to see their program designs succeed in multiple service territories. Among the advantages of employing third-party firms to implement programs are several key benefits.

Speed of Program Launch: Program administrators may face pressure to launch programs quickly to meet regulatory mandates. Implementation contractors can offer immediately available experience and additional infrastructure, providing "shovel-ready" or turnkey programs to allow rapid program roll-out.

Expertise: A program administrator's staff may lack the specialized knowledge of a particular market or marketing approach required to launch a new program or initiative. Implementation contractors can offer additional depth of knowledge or have existing relationships with these markets.

Innovation: Third parties can offer innovative ideas for targeting new or under-served markets. Program administrators recognize they do not necessarily have a corner on ideas or approaches for energy-efficiency programs.

Tools: Implementation contractors may possess proprietary tools such as a database or analytical system, technical solutions or program approaches that can be delivered without the program administrator directly incurring the costs associated with developing a similar suite of tools.

Staff: The use of third parties can offset a program administrator's hiring or staffing limitations. The use of third parties also avoids increased overhead that might be incurred to house and train additional, even temporary, staff. This may be particularly important for pilot programs for which additional staff will not be needed if the administrator does not ultimately incorporate the pilot into its program portfolio, or for programs with time horizons of less than five years.

Public Perception: Program administrators may wish to avoid negative public opinion or political risk associated with staffing up. Political risks include the accusations of "empire building" or excessive administrative spending.

Challenges: Other Effects of Engaging Third-Parties

Informed by our experience evaluating myriad programs managed and implemented by a variety of third parties, we have identified five categories of common challenges to managing programs that employ third parties for program implementation:

- Limits on the program administrator's control of the program,
- Differing business models,
- Undefined or poorly defined program metrics,
- Third-party recording and tracking of program data, and
- Perceptions by third-party implementers that program evaluators are adversarial to their interests.

We describe these challenges in detail in the following sections.

Limited Program Control

Contracts. There are three primary documentary sources of program definition for third-party energy-efficiency programs: the program logic model, the program implementation plan, and the contract for program implementation with the third party. Of these documents, a program logic model is the least likely to exist, and, even when all three exist, the contract trumps both the logic model and the implementation plan in defining and determining program activities, outcomes, metrics, and ultimately, program performance. Indeed, the contract may override all other program documents in terms of establishing expectations and guiding resource allocation. An administrator's control over program management is inherently limited by the terms of that contract.

Of course, program administrators can attempt to exert control over an outsourced program through collaboration, moral suasion, and even the threat of non-renewal of the contract. However, there are limits to the applicability and the effectiveness of these approaches in substantively enriching the existing contract. In any given scenario, a program administrator can request a change in approach or activities. The implementation contractor may:

- Be responsive and fully satisfy the request;
- Be partially responsive, not through lack of commitment to the contract but due to any of well-intentioned reasons, such as fear that fully meeting the request would result in the job cost exceeding the contract limit, because staff lack the capacity to implement the request, or because of confusion as to how to satisfy the contract manager; or
- Be unresponsive for any number of reasons, such as the job being small in relation to the firm's revenues or a perception that client satisfaction with this contract is unlikely to affect the firm's future revenue streams.

Transparency. With in-house staff, a program administrator is likely to have more specific information about what is happening with a given program: Is the market behaving differently than

expected? Does the staff have the appropriate skills? Do the program processes need to be adjusted? Will it take more outreach than anticipated? In addition to having access to more detailed programmatic information, program administrators potentially have more control over the solutions: more market research, staff training or dismissal, process evaluation or process mapping, allocating additional resources to outreach, or, ultimately, cancelling the program.

The challenges associated with partially responsive or unresponsive contractors in large part reflect a fundamental difference between program administrators and third-party implementers: their differing business models.

Differing Business Models

Profitability and Cash Flow. The business model implicit in the implementer's comments is bottom-line oriented. It emphasizes quick turn-around times for projects and the expectation of cash-flow generation. The economic model for energy-efficiency programs is quite different. Utilities have ongoing monthly transactions with their ratepayers, and non-utility program administrators expect to have repeated transactions with energy customers who, it is hoped, will undertake successive projects over many years. Thus, both types of program administrators seek long-term relationships with energy customers in their jurisdictions. These long-term relationships are perhaps the single most important benefit program administrators bring to their programs – providing sufficient motivation to consider strategies for obtaining energy savings in both the long-term and short-term.

Program implementation contractors, on the other hand, may desire long-term relationships with program administrators, who are *their* customers, but the relationships of third-party implementers with energy customers are expected to last only until the expiration date of their implementation contracts. These short-term relationships create pressure for implementation firms. During the course of a single implementation contract, many projects will be with customers who are undertaking an efficiency project for the first time. Additionally, within that contract period, most projects are likely to be with unique customers, as opposed to multiple projects with the same customer.

During an evaluation interview with the third-party implementer of an energy-efficiency program targeting hospitals, one program manager described his firm's approach to the program. *"We have a performance contract based on actual savings, so we have to be careful to choose hospitals that will move forward in a timely way."* In this case, "timely" meant completing a project before the expiration of the implementation contract. He emphasized that point by adding, *"The long lead times with some projects prevent us from doing them. We need to move our cash flow."*

Implementation firms interact with ratepayers to develop, promote, or "sell" efficiency or demand-response projects and, in many cases, install energy conservation measures. They must quickly identify the potential for a cost-effective project or for sufficient load reduction at a customer's site to trigger payment to their firm, and simultaneously assess the likelihood a specific customer will commit to the project and has the ability and will to complete the project in a "timely" manner. The terms of their contracts, especially performance-based contracts, do not afford extended project development periods or protracted support that might be required to secure customer commitment.

The value of the long-term relationships program administrators work to establish with energy customers can even be perceived as a liability by the third-party implementer. The program implementer described above limited its coordination with the utility's account representatives because this ratepayer-relationship model conflicted with the short-term concerns of the implementer. Specifically, that *"account reps are used to the old way of doing things where no one lost money for non-installations. We have to be careful about using the reps, because the more they are involved, the less leeway we have to turn down projects."* The contact was concerned about the damage that could occur to the relationship between the

account rep and the ratepayer if the implementer had to reject a project because of incompatibility with the firm's cash flow considerations.

Project Comprehensiveness. Increasingly, programs seek to obtain "comprehensive" savings at every customer site. In the previously noted program, the program contract specifically described the initiative as "a comprehensive turnkey program designed to improve the energy efficiency of [the target market]." However, the contract did not define "comprehensive." It is recognized that the establishment of a comprehensive approach to energy efficiency in large, complex organizations is one of the most labor intensive and lengthy processes in the energy efficiency world, requiring development and nurturing of relationships at multiple levels, identifying project scope, addressing technical challenges of the project, and overcoming internal barriers to commitment of intention and money (McRae, Van Clock & Levy 2010). It is unclear how comprehensive the program efforts could be in the context of the implementer's economic model and time constraints.

Market Niche. Once an implementer has designed a program and incurred as sunk costs the development costs, there is substantial motivation to maximize the profit from that investment by replicating the project in multiple service territories. One energy-efficiency loan program delivered on the West Coast replicated a reasonably successful program the implementation firm had delivered on the East Coast. The replicated program came to naught, failing to generate a single loan.

There are many reasons a replicated program may not duplicate the success of its predecessors. Incentive levels, program support provided by the program administrator, and the expected timeframe may all differ; there may be cultural differences in the customer base, or a regulatory environment that produced a different policy framework. In the case of the loan program, the implementer mistakenly attributed the wrong reasons to the success of the East Coast version of the program. The portfolio of existing efficiency programs that supported and fed into the East Coast market did not exist in the West Coast market. Unbeknownst to everyone at the time of program initiation, the implementer had inadequate market intelligence to understand the missing conditions were critical to the success of the program.

Competitiveness. Another aspect of the implementation contractors' business model is competitiveness, with its attendant fostering of trade secrets. Economic theory suggests a particular competitive strategy employed by some third-party implementers: product differentiation. By offering a unique product, the firm simultaneously distinguishes itself and provides evidence of its expertise.

Examples of the product differentiation instinct are visible in the proliferation of trademarked energy efficiency and demand response tools and programs. Trademarking illustrates the expectation that an implementation contractor can get its *Approach*™ sought after or widely accepted. While implementation firms are motivated to distinguish themselves from others by demonstrating access to specific, even confidential information, trademarked programs are in a class by themselves. The implementation contractor owns the program concept, materials, procedures, data, and even customer feedback. Trademarked tools, such as audit software, customer reporting software, energy management systems, and equipment-performance-enhancement software typically are sold or leased to the administrator as a "black box." Unless specified in the contract that the methodology be provided for review by the program administrator, third-party implementers do not have to permit a review of the algorithms or internal parameters, since this might enable the reviewer to recreate the tool and thus circumvent the trademark.

In order to validate these tools, one needs to have access to sufficient participant data to recreate the results using a different method. Both conditions of this sentence – the participant data and the different method – are difficult to come by. Indeed, it may be the lack of readily available, comparable methods that led the administrator to select the trademarked product. This situation is illustrated in programs relying on one of the numerous proprietary audit packages for residential retrofit programs – one would have to audit the same house with the same auditor using multiple packages to determine the difference between software approaches. Even when differences emerge, it may not be clear which approach is more accurate.

In Oregon, a report on a recent pilot project described the authors' efforts to compare energy modeling software available for residential retrofit programs. The authors' surveyed over 100 software tools, but noted that despite the number of tools available, the level of inaccuracy remains high – over predicting expected savings by up to 100% (Energy Performance Score Report 2009). Without extensive testing among identical homes, program administrator's may not be able to discern the most appropriate tool, and may be thus unable to argue against the particular approach developed by their implementation firm.

Undefined or Poorly Defined Program Metrics

The program administrator for a small financing program we evaluated received timely monthly status reports from the program's implementation contractor. The reports routinely assured the administrator the program was on track. Every monthly report listed activities, including counts of contact events with end users and trade allies. Every monthly report included a statement to the effect there were no issues outstanding or assistance needed…until the final report, that is, when the contractor reported *not a single customer* had participated in the program! The implementer had accurately reported the items monitored in the monthly reports. However, those metrics provided no useful information to the administrator about the actual rate of accomplishment of the intended program results.

Program implementation contracts typically specify a single ultimate outcome – usually, kWh savings to be attained, or number of participants to be engaged by a given date. The acquisition of kWh savings typically requires lead-time – initially as program activities are rolled out, and subsequently as some projects, especially those in the nonresidential sector, are specified and installed. It can be difficult to assess whether the rate of customer recruitment, project identification, or kWh acquisition is occurring at a pace sufficient to meet the contract requirements. To ensure progress is occurring, contracts may specify interim steps or deliverables such as developing marketing materials, conducting outreach with customers and trade allies, and submitting monthly invoices and status reports. However, monitoring and reporting such activities do not necessarily provide sufficient information for the program administrator to know the activities are producing the desired results that will lead to the prescribed outcome.

Even when the apparently desired activities and short-term outcomes occur and are duly reported to the program administrator, the ultimate program outcome may not be achieved. Peach et al. (2002) provides a fascinating look at implementation contracts that included outcomes proposed by third-party contractors. The paper's title says it all: *Tricking the evaluator into confirming phantom energy savings as real.* For example, some contracts have called for the implementer to be paid per treated home for which subsequent bills showed a decline in consumption. No weather-normalization of bills was required, nor was the implementer paid on the average change across all homes, both those showing decline and increase in consumption. Thus, the program administrator paid for "savings" owing to random variation that would have occurred even in the absence of program intervention.

Third-Party Recording and Tracking of Program Data

Inadequate Tracking and Reporting. With third-party management of programs comes third-party control over collection, recording, and tracking of program data. Implementation contracts typically specify the contractor's reporting requirements, but do not always specify the administrator's assumptions for data tracking. In the case of new programs, the information needed by a program administrator may not be fully understood even by the administrator. Unstated assumptions often include expectations for data tracking inconsistent with an implementation contractor's intentions, procedures, or even current capabilities.

One program administrator with whom we worked set up an industrial program designed for customized projects, and funded it with an incentive budget expected to be sufficient for two years. The program proceeded smoothly under the management of a third-party implementer, who along with program

delivery dutifully fulfilled all required reporting requirements for the program administrator. Less than 12 months into the program, the third-party implementer abruptly notified the administrator the program was out of incentive funds. The good news about the program's popularity was severely dampened by the bad news of the prospect of program discontinuation just as it was ramping up. Custom industrial projects, the focus of this program, typically require long lead-times between project proposal and completion. Commitments of funds for these projects were known as proposals developed. This was a key piece of information needed by the program administrator for budgeting and planning on a fiscal year basis. However, for this new program, no one had thought to track or report that information. As the program administrator became aware of the issue, it learned that the implementer did not have a tracking system in place to capture the timing of those commitments.

For a pilot project targeting hotels and motels, a third-party implementer went door to door to recruit participants. When the evaluator subsequently asked the implementer for a list of the customers contacted about the program, the implementer reported that such a list did not exist. The implementer had not recorded any contacts with customers who opted out, only those that ultimately participated in the program. Thus, the evaluator was unable to interview informed nonparticipants in order to understand why they did not take action – research critical to meet increasing energy-savings goals and understand the appropriate applications of new technology. The administrator was also unable to distinguish contacted nonparticipants from customers who had never been contacted, risking both duplication of effort, and suspicions about its competence.

Even when the implementer records contact and activity information, the data is useful only if it is accurate, complete, and in a format readily incorporated into the administrator's information systems. We have worked with clients whose third-party implementers have provided hand-written notes of customer contact lists comprised of information that was inconsistent or of questionable accuracy. Other implementers have reported contact lists were unavailable because of a computer crash or because of staff turnover.

Whose Data Is It Anyway? Assuming a third-party implementer's data collection and tracking activities are complete, accurate, and in a format usable by the program administrator, who owns it and what is the implementer's obligation to provide the data to other third-party contractors such as program evaluators? With "works for hire," that is, where there is an employer-employee relationship, copyright law is clear that all work produced by the employee, as an employee, is owned by the employer. However, the ownership of work created by a contractor pursuant to fulfilling its obligations under the contract is not so straightforward. Facts cannot be copyrighted, but the creative selection, coordination, and arrangement of information forming a database may be protected by copyright. In any case, ownership may be defined by the terms of the contract itself.

Ownership of data can particularly become an issue during program evaluation. Implementers may have proprietary software with which they estimate the energy savings from a given activity or set of activities. Firms may be reluctant to share their assumptions regarding customer characteristics and uptake of efficiency measures, as they do not want this information to get into the hands of their competitors. In the course of evaluation, implementers have claimed that the information they gathered from nonparticipants is not "program data" the administrator is entitled to, but rather market intelligence that implementer acquired. An evaluation of a large-scale demand response program that relied on curtailment service providers to recruit, enroll, and manage demand response program participants found wide variation among the aggregation firms in their willingness to provide the data required for process evaluation surveys. Some firms cooperated quickly and provided contact lists for each program – others required multiple requests or even refused to cooperate.

An implementer's reluctance to provide program data may stem from misunderstanding or arise from fears of termination, or nonrenewal of, its contract with the program administrator. This notion leads to our

final category of challenges: a perception of program evaluators as having interests that are adversarial to those of the third-party implementer.

Evaluator as Adversary

Evaluation results can create conflict any time staff are surprised by evaluation findings. This can be especially difficult when the staff are contractors.

In one program the authors evaluated, the implementation contractor, at the program administrator's request, subcontracted with four firms who conducted outreach and provided technical services to industrial customers. The first-year program evaluation identified a number of opportunities for improvement. While conducting the second-year evaluation, the authors once again contacted the subcontractors to the third party implementer. Three of the four subcontractors spontaneously reported that, following the submittal of the first evaluation, the prime contractor had "retaliated" against the subs for having provided information that was critical of the prime. The subcontractors were reluctant to participate in the second-year evaluation for fear of further reprisals.

During an evaluation interview with a third-party implementer for a residential retrofit pilot, we asked whether the implementer could suggest any changes that might improve the program. The implementer replied, *"No. If we have any, we'll discuss them directly with [the program administrator] as part of our contract."* Later, another contact from the same firm was interviewed and asked about any broad lessons learned with the program model, the response of constituents, or the suite of services being provided; "hire us to implement the program" was the only response.

Evaluations may find substantial parts of a program are being implemented differently, or at a lower level, by the implementer than anticipated, and evaluation documents are often the only repository of lessons learned in program implementation. Because these programs are overwhelmingly funded by utility ratepayers for "system benefit" and "public purpose" goals, the outcomes and lessons learned in implementation should be publicly available. Additionally, to ensure that ratepayer funds are well spent, program administrators must know whether their programs are accomplishing the expected outcomes. If those outcomes are not occurring, the administrator must understand why. The reluctance of contract implementation staff to speak candidly with the evaluation team creates a barrier to effective program evaluation and timely feedback to the program administrator. While this can occur in any evaluation, when it occurs with a third-party, the program administrator has little leverage other than the provisions of the implementation contract.

What to Do: Our Recommendations

Program administrators and regulators seeking rapid deployment of programs and immediate acquisition of saved energy will continue to rely on the diverse set of implementation firms that posses the market experience and programmatic tools to reach energy consumers. This is expected and appropriate and likely to result in a diversity of program options available nationwide. However, energy savings do not automatically flow from procuring the services of an implementation contractor. We suggest program administrators consider the following tools and contract levers in developing the scopes of work that outline a program.

Tools

Logic Models. One of the most useful tools for defining program metrics by which to judge the effectiveness of program activities may be a program's theory and logic model. Logic models can expose the "miracle in the middle," the undefined, and perhaps unrecognized, events or circumstances that must

occur for the hoped for outcomes to be realized. A logic model sets forth a program's activities and shows the immediate, quantifiable "outputs" expected or desired to result from those activities. Those outputs lead, at least on paper, to short-term outcomes, from which flow intermediate outcomes, and ultimately, long-term outcomes. A critically considered logic model can expose questionable assumptions and transitions. However, most importantly for this discussion, a logic model provides the source material to define effective metrics by which to measure program performance.

Evaluability Assessments. An early evaluability assessment can identify gaps in understanding and ensure that critical data are collected and accurate. New third-party implementation firms are entering the market as the policy environment itself becomes increasingly complex – increasing the likelihood that those involved lack understanding about the importance of data collection and how it is ultimately used to evaluate programs later (West & Bronfman 2009). Evaluability assessments offer a framework for rapid assessment of program theory and logic, review of marketing plans and approaches, and an examination of program tracking databases. West and Bronfman caution that while evaluability assessments can establish the framework, they will not remove all of the uncertainties or unpredicted outcomes that emerge during implementation. Indeed, our experience developing evaluability assessments for a portfolio of innovative programs found that tracking or planning deficiencies – even when identified early in the program cycle – were not necessarily addressed a year later, when the evaluations began.

Enhanced Inspection Protocols. A new strategy underway at Southern California Edison (SCE) is to develop enhanced inspection protocols for each program. SCE expects these enhanced inspection protocols will mitigate risk from optimistic savings claims, provide quality assurance functions in program delivery, and ensure that important data that will be collected and used to provide more immediate feedback to program managers than typically occurs through program evaluations. Beginning with program implementation plans and program theory (which may be all that is available in the case of proposed programs), and considering current tracking and inspection activities, available evaluations, and the experiences of program managers for existing programs, the draft enhanced inspection protocols includes the identification of metrics by which to measure program outputs and short-term outcomes, assessment of the risk of the failure to achieve a given output and outcome, and a balancing assessment of the cost to the program of monitoring the metrics associated with that output and outcome.

These tools each represent a method for documenting expectations and clarifying activities and outcomes. In addition to these specific tools, we believe many of the issues described in this paper can be averted or minimized through several common-sense levers that involve early and open communication and coordination with the involved parties: :

Levers

Ask Tough Questions

- Ask about the basic assumptions. Can the contractor describe a logical path from marketing to action?
- Ask about market research or the results from prior evaluations. Do they exist? Can you review these documents?
- Ask about the policy environment and incentive structures that supported a successful program elsewhere. Do those conditions exist in your service territory? How does the customer composition differ?

Establish Clear Expectations

- Ensure that program outputs and outcomes are quantifiable and that the program can track them. What are the logical outputs and outcomes from a given activity? Is the implementer willing or able to track success and failure?

- Expect that you will get exactly what you ask for in the contract. Implementation firms may provide services beyond those specified in the contract, but it is not reasonable to expect this. Thus, it is important to make expectations explicit and to include a clause for corrective action that ensures the implementation firm will work closely with the program administrator where there are issues of concern, and that there is a way to compensate the contractor for their efforts.
- Enhanced inspections or pre-evaluation assessments can help identify the interim outputs and outcomes or other indicators associated with meeting the kWh savings goals – the ultimate outcome for most programs. By establishing the components of this activity early in the program planning and contracting process, the program administrator and implementer will be more likely to launch a program effort with the same understanding of rigor and tracking.

Require a Data Management System

- Ask specifically about the contact management software that will be used, the capability of that software and the reports expected.
- If the program administrator does not have a data management system that allows for simple remote upload, a checklist can help reveal the presence or absence of tracking systems.

Support the Evaluator

- The evaluation is often the only documentation or archive of actual program accomplishments, processes and lessons learned. As such, it is important that the contract with implementers ensure that evaluators have sufficient access to methodically understand what happened in the program. Occasionally, implementation staff will fail to cooperate with an evaluation. Be prepared to step in and ensure that the program can be evaluated.

Conclusion

Implementation contractors bring a tremendous level of expertise to the energy-efficiency-program community. These firms are motivated to develop innovative approaches and to see their program designs succeed in multiple service territories. They also provide an opportunity for program administrators to get programs on the street quickly without having to hire and train staff.

However, in the course of evaluating these programs, we have experienced several pitfalls associated with this model, and believe there are tools and levers to help avoid them. Energy efficiency and demand response programs are overwhelmingly funded by ratepayer money, collected through system benefits charges or embedded indirectly in the rate base, and implementation contractors are compensated for their work. Therefore, the lessons learned in implementation rightly belong to the public that paid for them. Implementation firms are able to sell that experience in future program years or in other jurisdictions, but they do not own the program outcomes or the lessons learned. Ensuring that successes are achieved and lessons are documented is an important part of effective program administration.

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