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Selecting Third-Party Energy Efficiency Programs AESP Brown Bag

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Presented by:

The Mendota Group, LLC

San Diego Gas & Electric

Southern California Gas Company





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Introduction

- Both SDG&E and SoCalGas were part of a state-wide third-party (3P) procurement process to fulfill
 - CPUC's direction to solicit new/cost effective programs to facilitate exceeding energy saving goals
 - Requirement to contract out 20% of budget
- Sempra's team was led by:
 - Neil Sybert (SDG&E)
 - Leticia Ayala (SoCalGas)
 - Grey Staples (Mendota Group), and
 - David Sagara (Olivine)



Introduction (continued)

- Because of the potential impact on a utility's EE portfolio, it is imperative that the EE group has a central role in the vendor selection process
 - Performance (energy savings)
 - Budget
 - Reputation Risk
 - Filling EE program gaps

Current conditions make third-party EE Programs more attractive



- Spending on EE programs is ramping-up
- Utilities must decide whether to run programs themselves with internal staff or procure services from marketplace
 - Determine if have expertise with internal staff
- In most markets, there are an increasing number of qualified vendors
- Third parties enable utilities to serve niche markets/markets not served by other programs



Conduct Build vs. Buy evaluation

- There are a variety of reasons to consider contracting for EE program services
 - Staffing limitations
 - Lack of internal expertise
 - Regulatory requirements
 - Leverage market efficiencies
 - Acquire innovative approaches and technologies
- Buying will still require internal staffing resources to manage contractors, but skills differ
- A hybrid approach → e.g. active utility role in program design, management, and implementation

The right procurement team is critical



- Factors to consider:
 - Program knowledge
 - Extent to which process is a formal procurement
 - Involvement of regulators and/or stakeholders
 - Size of effort
- Possible team members:
 - Program Management
 - Engineering
 - Account Management
 - Policy
 - Supply Management
 - Information Security
 - Independent Consultants
- Recognize potential:
 - Biases
 - Conflicts of interest



Preparation reduces future effort

- Establish clear program requirements
 - Program design
 - Degree of utility control
 - Target customer segment(s) and/or measure(s)
 - Energy savings goals
 - Cost effectiveness
 - Information Security
 - Budgets
 - Diverse Business Enterprise (DBE) subcontracting
- Determine utility and other resources required to conduct selection process
- Schedule review periods, resources, and meetings early

Well-structured RFP improves program selection



- Actual distribution of RFP and receipt of proposals is usually managed by Supply Management group
- However, the EE group should develop the RFP
 - Useful to collect examples of other RFPs to emulate
 - Fully describe all program requirements
 - May include standard sections, often based on utility's procurement requirements
 - Include clear criteria by which applicants will be judged
 - Provide a template to demonstrate cost effectiveness requirements (California uses E3) → hold workshop

RFP should be clear and allow for input



- Provide contractors with an opportunity to submit questions
- Outline timeline for steps (project management) and roles
- Define selection criteria and develop tools – decide what part is public
- Structure RFP to allow easy evaluation and conversion to Scopes of Works (SOWs)

The selection process must be efficiently structured



- Staged process is useful to ensure timely and complete review of proposals
 - Initial review is to determine responsiveness to RFP
 - Need to decide whether opportunity to amend/clarify proposals will be afforded to contractors
 - Can also consider an RFI / Qualification process (time permitting)
- Reviewers should receive guidelines for reviewing proposals to ensure consistent scoring with kick-off meeting
- Review of proposals should be based on expertise
 - Engineering reviews cost effectiveness, savings, measures
 - Account Management focuses on customer-facing components
 - Internal program manager oversees all aspects of RFP
- Require each reviewer to read all responses

Scoring meetings provide opportunity for full review



- Once reviewers have evaluated the proposals and provided scoring, they should meet in face-to-face meetings to discuss scores
- During the structured meeting, reviewers are provided the opportunity to explain their scores/compare with others who are scoring the same sections
- The objective is to develop a consensus score for each section
 - If not possible, then section can be flagged for management consideration if score change would affect outcome
- When all Scoring Meetings are complete, final scores are tabulated and Review Meeting is set to discuss overall scoring and recommendations

Management review ensures goals are met and issues identified



- Once recommendations have been set, information is presented to management for approval
- Management may include participants from regulatory, EE program management, account management, etc.
- During the meeting, management has an opportunity to ask questions and provide feedback
 - If approval is received, supply management moves to contract with selected vendor(s)
 - If management has additional questions, an additional reviewer's meeting may be required to clarify.

A successful selection process streamlines contracting



- Clear contract terms and documents should emanate from the RFP and proposal
 - Consistent terms and conditions
 - Clear scope, objectives, and pricing
 - The ability to exit the contract
 - Metrics (Key Performance Indicators - KPIs) to measure performance
 - Process for corrective actions
- Contracts must have clear mechanisms to ensure good performance

In conclusion, a number of lessons learned stand out



- Schedule more time than is estimated to be needed
- Build the evaluation team with proper representation and independence
- Create an RFP that makes evaluation efficient and fair and that results in proposals that can be easily converted to SOWs
- Invest time in defining scoring criteria and tools
- Document the process and lessons learned

Q & A



- Questions?
- For additional information:
 - Neil Sybert, SDG&E - NSybert@semprautilities.com
 - Leticia Ayala, SoCalGas - LAyala@semprautilities.com
 - Grey Staples, The Mendota Group, LLC - gstaples@mendotagroup.com
 - David Sagara, Olivine, Inc. – dsagara@olivinecorp.com

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