

Residential Market Transformation: A Regionally Reasonable Approach?

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ABSTRACT

The goal of transforming the residential marketplace through introducing and inspiring widespread acceptance of energy efficient technologies is an extremely complicated undertaking particularly given the diversity of products and services with technical potential and the varied interests of the stakeholders in the process. In this paper, the authors present experience gained in the establishment of two market initiatives designed to transform regional residential lighting and clothes washer markets.

All program aspects are examined by the authors, including; the outreach and recruitment of program sponsors, the program scope and its determination, market research, the promulgation of new technical standards, the evolution of a management structure for each working group, and the development of a new means of evaluating the performance of each initiative. These factors were critical in the founding of the working groups as well as in their ability to continue to work together cooperatively.

The experiences that are presented in this paper provide first-hand information that may be useful to others considering models for state-wide or regional market transformation activities.

Introduction

Market transformation has been much discussed during the last decade, especially as steps increased to restructure the electric utility industry. The concept of market transformation was initially promoted in the Northeast as a means of furthering the accomplishments of Demand Side Management (DSM) programs that had operated since the early 1980's. Coincident with the deregulation of the electric utility industry, a perception arose that the energy-efficiency industry would wither as electric utility industry support for the programs was reduced in anticipation of restructuring. Due to a groundswell of public and private support, however, the continuation of DSM programs and the introduction of market transformation programs were determined by many regulatory agencies to be in the public interest.

Utility company sponsorship of DSM programs was intended to achieve cost-effective energy savings. In general, cost-effectiveness was determined by comparing the cost of implementing the program and the amount of energy it saved to costs of producing the same quantity of energy. Programs that passed this test were approved by regulatory agencies for implementation and utilities were allowed to recover appropriate program costs and earn incentives, when appropriate for the successful operation of these programs.

One of the program tactics that utilities traditionally employed was an intervention in the marketplace to introduce, promote and increase the customer use of new and energy-efficient

technologies. Examples of this approach that specifically targeted residential customers included high-efficiency lighting, appliances, HVAC and water heating equipment. A combination of rebates, informational and educational efforts were offered to garner customer acceptance and create demand. The strategy focused on encouraging individual customers to adopt the desired measures. These programs were generally sponsored by individual utility companies, with little or no coordination with regard to product or technology performance specifications among the various sponsors. As a result, the programs met with marginal success in permanently removing the market barriers that they were designed to surmount. Energy-efficiency therefore remained a fragmented market; only the largest utilities were able to attract manufacturer interest in producing next generation, high-efficiency products and even then, the availability of those products was limited to the geographic areas served by the sponsoring utility.

Driven by the belief that the benefits of DSM could increase significantly through better coordination and consistency among utilities, a new strategy began to emerge that would capitalize on the successes of the previous generation of DSM programs. A transformation began from individual utility-sponsored programs to multi-utility, regionally coordinated activities that featured consistency in program design and delivery. By focusing on a wider audience, these new programs also provided utilities with a competitive advantage in preparing for opening of the electric utility markets.

The Massachusetts Department of Public Utilities provided an indicator of the change in a 1996 decision supporting the continuation of ratepayer-funded energy-efficiency initiatives but directing these programs to evolve to a focus on market transformation and market-driven efforts for energy-efficiency. (MA D.P.U.)

In Rhode Island, the legislature (Rhode Island House of Representatives) provided for electric distribution utilities to collect at least 2 mills/kWh to fund DSM and renewables thereby assuring a future for the energy-efficiency industry in the coming era of competition. Legislation and regulatory support for a continuation of energy-efficiency activities gathered momentum elsewhere in the Northeast. Vermont, New York and Connecticut each considered the role of energy-efficiency in planning for the coming era of retail competition.

Market transformation strategies also began to take shape on the national level in an effort to improve the environment. In the United States, the ENERGY STAR initiative, jointly conducted by the United States Environmental Protection Agency and the Department of Energy was established with the intent of reducing atmospheric emissions from electricity generation by introducing and promoting energy-efficient technologies in the marketplace.

The Partnership

To facilitate coordination of market transformation activities in the Northeast, an organization capable of mobilizing broad public support was needed. To that end, a grant proposal was submitted to the United States Environmental Protection Agency in June 1996 seeking funding to establish a regional market transformation organization.

The proposal to the EPA in June of 1996 provided the framework for the establishment of the Northeast Energy Efficiency Partnerships, Inc., (NEEP). The three initial goals of the organization were to:

1. Build broad-based public and policy support in the Northeast for moving the market transformation agenda and develop additional regional market transformation initiatives for implementation.

2. Create an alliance of stakeholders to coordinate individual and joint efforts toward the common goal of accelerating the introduction and market acceptance of improved compact fluorescent fixture products for the residential market.
3. Create an alliance of stakeholders to coordinate individual and joint efforts toward the common market transformation goal of making energy efficient lighting equipment and design a standard practice at the time of remodeling projects or equipment replacement in commercial facilities. (Coakley 1996)

Shortly after submittal of the grant proposal to EPA, the organization's structure began to be developed. Individuals representing utility companies, the energy-efficiency industry, and environmental organizations were contacted to determine their interest in serving on the Board of Directors for NEEP. Besides seeking broad-based representation from a variety of organizations, geographic equity was considered during the recruitment process. Reaction from those contacted was favorable and the Board was formally established in August 1996.

The EPA provided \$339,000 in initial funding to NEEP by October 1996. This funding was predicated on NEEP being able to raise \$250,000 in additional funds from other stakeholders. Utility companies were contacted and informed of the impending formation of the regional organization and contributions were asked for. The interest of the utilities in participating in the organization was evidenced by the \$293,000 that was collected.

Notification that EPA funding would indeed be forthcoming was received in October 1996 and the Northeast Energy Efficiency Partnerships was subsequently incorporated. At the outset, NEEP had two employees: an Executive Director and an Administrative Assistant. NEEP also established a Market Transformation Development Team consisting of experts in a variety of subject areas to further the development of the regional initiatives. These consultants were retained on the basis of their knowledge of the technologies. Within this group, Project Managers were identified to lead and coordinate the development of the initiatives. The remaining individuals served as consultants in technical and process matters. The next step was to begin the development of the market transformation activities. Through coordination with the Board of Directors, representatives of regulatory and planning agencies, the Market Transformation Development Staff and the members of the groups that, through a collaborative process, worked with the region's utility companies, a roster of programs and technologies were proposed. The process began with an assessment of regional interests and readiness for the initiatives. In order to avoid duplication of effort, the group sought to build on previous research and programs. This proved to be an important step, as coordination with similarly-intended regional and national activities was deemed necessary to achieve the full impacts of market transformation. Additional consideration was given to the technical potential presented by the initiative and the likelihood of their succeeding. The list that grew from this analytical approach included market transformation activities that reached the residential, commercial and industrial constituencies. The initial set of technologies that were identified and proposed for program development and implementation consisted of the following:

Residential Initiatives

- Lighting Fixtures

- High-Efficiency Clothes Washers
- Building Energy Codes
- HVAC Equipment and Practices

In addition the subject area of appliances and lighting practices in residential construction was identified for consideration.

Commercial and Industrial Initiatives

- Commercial Lighting Remodeling
- Premium Motors
- Packaged HVAC Equipment and Practices
- Building Energy Codes

After the identification of these technologies and efforts, the process of setting priorities and integrating the interests of the stakeholders began. As a first step, potential stakeholders were contacted to solicit their participation in the development of the NEEP Initiatives. Gas, electric and water utilities along with representatives of the energy-efficiency industry, environmental and regulatory agencies were invited to join in the formation of Working Groups whose task it would be to define and implement the regional market transformation initiatives.

The remainder of this paper is devoted to a review of the planning process for two of the residential projects; Lighting and High-Efficiency Clothes Washers.

Residential Lighting Initiative

Improvements in the residential lighting market had long been a goal of most of the electric utilities' Demand Side Management plans in the Northeastern United States. Implementation strategies used to reach this goal included direct installation, catalog sales and retailer promotions. Many of these programs had been successful within the individual sponsoring utility service areas but their effectiveness, in terms of market transformation, was constrained by the dissimilarities that existed among the programs. For example, technical, performance specifications for products varied amongst individual utilities. For example, power factor requirements ranged from no specification to only those products that had a minimum power factor of .9. A similar situation existed for requirements of Total Harmonic Distortion, (THD), with performance specifications that ranged from no requirement to no more than 25% THD. On that basis, the ability to communicate the future of efficient lighting programs with the manufacturers became a fragmented process and one that led to confusion on their part.

The Residential Lighting Program Working Group (RLP) came together in early 1997. The RLP consisted of representatives of parties interested in the process from Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut and Maine. Electric utility companies represented a constituency of nearly four million residential customers. One of the first accomplishments of the RLP

was to develop the following set of 13 initial program objectives to guide the Group through the process of designing the program.

1. Develop/select a structure for continued work on product and testing specifications and general regional coordination.
2. Hold a regional forum with manufacturers, trade associations, utilities, environmental groups, consumer groups regarding interest in and availability of energy efficient lighting fixtures for the residential sector.
3. Develop consensus technical specifications and testing protocol.
4. Submit initial products to testing protocols.
5. Change existing northeastern utility specifications for lighting fixtures in existing and expanded residential programs.
6. Issue a joint RFP or other procurement device to wholesalers and manufacturers.
7. Develop a program tracking and evaluation plan and conduct baseline research.
8. Design joint and/or separate consumer education and product marketing campaigns.
9. Coordinate promotional campaigns and/or offer products to consumers.
10. Work with commercial and industrial aspects of utilities to change specifications for residential type products in commercial buildings.
11. Broaden program appeal to other utilities and other potential purchasers.
12. Determine the interest of national groups (e.g., the Consortium for Energy Efficiency, the Energy Efficient Procurement Collaborative) in developing similar residential lighting fixtures program and coordinate activities as appropriate.

Over the course of the next 12 months, meetings of the RLP were held and objectives were discussed. The order of discussion was changed from the list above, as was the scope of the work that was completed. For example, early on, following the forum that was held with the lighting manufacturers, the RLP elected to align itself with the United States Environmental Agency-sponsored ENERGY STAR lighting program. The technical and performance specifications for indoor and outdoor lighting fixtures from the ENERGY STAR program were accepted by the NEEP group for products that would be promoted via the regional initiative.

In order to more fully reap the benefits of efficient lighting, the RLP elected to also include screw-base compact fluorescent lamps, (CFL's), in the program. As there exists no ENERGY STAR specification for CFL's, the Group had to develop a technical specification to which all members would ascribe. The group investigated various alternatives, including the technical specifications that had been developed by the individual utilities in their previous programs before deciding to accept the CFL Specification that had been promulgated through the Consortium for Energy Efficiency and adopted by the Sacramento Municipal Utility District and the NEEP counterpart, the Northwest Energy Efficiency Alliance.

By utilizing common specifications, the national specification for fixtures and the CFL requirements used in other regions of the country, NEEP allied itself with much larger constituencies and furthered the likelihood of success by minimizing the barriers to manufacturer participation.

The attendance at RLP meetings varied by the topics that were to be discussed. What began as broad-based, programmatic discussions attended by the spectrum of RLP members gradually evolved into smaller, member utility only company discussions. The primary reason for this transition was due to the development and review of Requests for Proposals for contractor-performed work in support of the Initiative. A baseline market research project was needed to inform decisions on program design and to form a basis for evaluating the effectiveness of the program in moving the market. Representatives of the energy-efficiency industry recused themselves from the process of developing the RFP's to stave off any potential appearance of conflict-of-interest so that they could bid on the projects without being criticized as having "insider information." As a result, attendance at meetings where RFP's were being drafted or when proposals from contractors were being reviewed was largely made up of electric utility company representatives since they were the ones providing funding for the projects.

During the course of the RLP's work it became apparent that there were two general categories that described the work of the members of the initiative; joint and coordinated activities. Joint activities are those that involve hiring a contractor(s) to perform tasks such as research projects, marketing, trade ally training and program evaluation on behalf of the sponsors. Coordinated activities are those that are conducted through independent, parallel efforts. Examples of coordinated activities include advertising and affinity group outreach and support (NEEP 1998). The Lighting Initiative is to eventually utilize both categories as it reaches full operation.

Another unforeseen factor that affected the planning for implementing the Lighting Initiative was that of timing: timing of the utility company filings with their respective state commissions and the timing of contractual obligations with existing program delivery contractors. Both of these factors combined to prevent simultaneous implementation of the Initiative throughout the region. Each company had a different schedule for the filing their program plans with the commission that governed their activities. This situation did not preclude any of the utility sponsors from participating in the design phase, only with their implementation

start dates.

As the market research was nearing completion, three of the Massachusetts utilities that had received approval for the Initiative from either the Department of Public Utilities or its successor, the Department of Telecommunications and Energy (DTE) proceeded to implement the Lighting Initiative, thereby establishing an early model for the regional Initiative. The primary vehicle was a retailer sales effort that offered \$20.00 "instant" rebates for the purchase of fixtures that met the ENERGY STAR specifications. CFL's meeting the NEEP performance specification purchased through the program were eligible for \$10.00 rebates. A catalog of lighting products was also developed that contained a selection of the most popular fixtures and CFL's.

In this instance, the utilities' activities were both joint and coordinated. The advertising and marketing campaign were developed on a joint basis with each sponsor sharing proportionally in the costs of developing and producing the plan and the support materials. All three of the utility company's logos were featured on the point-of-sale program materials and the catalog.

The delivery of the program, on the other hand, was operated on a coordinated basis. Each of the three initial sponsoring utilities had an existing mechanism for providing program support to the retailer community. The use of three different contractors to provide outreach, recruitment and ongoing support was because each of the sponsors had contractual obligations with the contractors who had worked on the utilities previous, individual lighting programs. The coordination of the contractor activities proved to be less onerous than originally thought. The strategic, planning meetings among the contractors and the sponsoring utility staff proved to be very cordial. As it turned out, all parties benefited through the free exchange of ideas on program design that built upon the experiences gained in the conduct of previous programs.

The mechanism for the reimbursement of the rebate amounts to the retailers was a combination of coordinated and joint activities. Two of the three sponsors elected to maintain the contractor that had provided the service in their previous programs while the other elected to perform the function in-house.

A tracking system was developed by the fulfillment contractor to record program activity. The utility sponsors wanted to continue to record the names and addresses of the customers that participated in the program and the numbers and types of lighting products that they purchased.

During the planning phase, the sponsors made a major leap into the realm of market transformation when they agreed to share equally in the costs of rebates for participants that did not reside in any of their service territories. This step was taken as an interim measure to expedite the start of the Lighting Initiative until such time as the other regional utility companies began to offer the program. The sponsors agreed that they would try to minimize the potential for this occurring by including clear program eligibility language on the rebate certificates and point-of-sale materials. In addition, the program support contractors would be directed to emphasize the customer eligibility criteria during the training sessions.

The RLP continued to develop work on other longer term plans for transforming the residential market. In addition to expanding the retail component, other technologies and approaches were identified and are in the process of being considered. For example, the RLP has begun to investigate a program to replace halogen torchieres with high-efficiency fluorescent products and to offer specialized program elements aimed at the new construction market.

High-Efficiency Clothes Washer Initiative

The High-Efficiency Clothes Washer Initiative followed a developmental path similar to that experienced by the Lighting Initiative. The goal of the Initiative was to:

- Increase awareness, acceptance and use of high-efficiency clothes washers
- Create consumer demand for the products
- Increase manufacturer production of the technology
- Increase dealer stocking of high-efficiency clothes washers
- Demonstrate practicality of raising Federal Appliance Performance Standards

The High-Efficiency Clothes Washer Working Group, (CWWG), was formed and began the development of the regional initiative in early 1997. One of the first tasks for the CWWG was to identify a technical specification that would be used to define the products that the program would promote. After a review process, it was determined that the clothes washer technical specifications developed by the Consortium for Energy-Efficiency would be adopted by the Initiative. In so doing, the CWWG aligned its program requirements with the technical specification for clothes washers in the federal ENERGY STAR program.

The CWWG was had more members than its Residential Lighting counterpart owing largely to the fact that the technology appealed to a wider audience. While the Lighting Initiative delivered primarily electricity savings, the Clothes Washer Initiative held the potential for water and gas savings in addition to electricity. Electric, gas and water utilities in Connecticut, Massachusetts, Rhode Island, Vermont and New York representing over 5,000,000 residential customers became the sponsors of the High-Efficiency Clothes Washer Initiative.

The majority of the sponsoring utilities elected to offer rebates to consumers that purchased the high-efficiency washers. The rebates were designed to stimulate sales of the clothes washers by helping to offset a portion of their premium price. The Group further decided that the rebates would be offered on a short-term basis and not featured in the marketing of the program. Their use was proposed as a tactic to provide a boost for the initial program activity.

Once again, a baseline market research project was instituted. The Request for Proposals was finalized and a contractor was hired by the CWWG in December 1997. As the sponsors wanted to introduce the initiative to the public in April of the following year, the baseline research project began coincident with other, detailed program planning activities.

Drawing on the results of meeting with the manufacturers of the high-efficiency washers, the CWWG elected to position their marketing activities within the context of being third party endorsers of the technology. An RFP for the development of a marketing strategy was released in late 1997. The CWWG had decided to split the development of a marketing strategy from the implementation of the marketing campaign to provide the opportunity to evaluate the results of the market research independent of any pressure from or obligation to an advertising or marketing agency. Following the review of the proposals received, the CWWG conducted interviews with the top three companies. The interviews revealed that while detailed

marketing research was desirable, there would not be sufficient time to conduct and evaluate the research and still release the program in April. An additional consideration was that there existed ample market research from manufacturers and from the evaluation of the WashWise program, a regional high-efficiency clothes washer promotional program operated by the Northwest Energy Efficiency Alliance. The CWWG then redrafted the Marketing Contractor RFP and released it early in 1998. The project was awarded during the first quarter of the year and the contractor began the development of a marketing campaign in keeping with the implementation schedule.

Concurrently, the CWWG had prepared and released an RFP for an Implementation Contractor whose role in the process would be to provide the field forces to interface with the retailer trade allies and process the rebates for those utilities that offered them. This contractor would be a key player in the ultimate success of delivering the program.

The CWWG had operated to this point without benefit of a formalized agreement among themselves as to their responsibilities and the manner in which they would make decisions. When faced with the proposition of jointly hiring marketing and implementation contractors, the need for such an agreement was identified. With that in mind, the Group moved to formalize their relationship with each other and to the initiative by developing a Memorandum of Understanding (MOU). Key elements of the MOU included:

- A concise statement of purpose (i.e., the agreement of the utilities regarding the program and why they are undertaking joint activities).
- The scope of the activities covered by the agreement.
- Limitations of liability for the utility company signatories of the MOU.
- Assignment of representatives from each of the utility company sponsors.
- The rights and responsibilities of the utility company sponsors.
- A mechanism for the allocation of the portions of the overall contractor costs to be attributed to each member utility company.
- Establishment of a Management Group from within the membership of the entire sponsor group. The structure of the Management Group is determined in advance of the finalization of the MOU. The roles played by the members of the Management Group and the way in which they relate to the overall group are clearly defined.
- Definition of the role of NEEP relative to the Management Group (i.e., NEEP is *not* a signatory or voting member of the management group, but will assist the management group in a staff capacity, receive materials and have the opportunity to offer comments).
- A section describing the decision making procedures for the group. This included different categories reflecting the types of decisions that are reasonably expected to present themselves in the conduct of the work. For example, decisions involving commitments of funds will require *unanimous* concurrence of all parties to the agreement. Decisions affecting all other

matters (e.g., operation of the initiative such as amendments to policies, refinements to procedures and other matters not having an impact on the costs to the parties) is to be structured by simple majority vote. The Management Group serves as the point of contact with the contractors and the conduit through which communications to and from the contractors is to flow.

- The term of the MOU. This section included an assignment of ownership of materials and other work upon termination.
- A mechanism to allow for additional utility companies to sign onto the MOU including cost sharing.
- A mechanism to provide for early termination or a scaling back of individual company's participation in the Initiative. This section included specific remedies and provisions for such actions.

The CWWG MOU was developed specific to the needs of the group. Other NEEP initiatives operated under similar agreements among the parties. With the establishment of the MOU and having the necessary contractor infrastructure in place, the initiative moved to implementation.

Initiative Cost Effectiveness Screening and Evaluation

The determination of cost-effectiveness for the Residential Lighting and High-Efficiency Clothes Washer Initiatives will vary according to the individual utility regulatory mandates. Some of the companies have operations in multiple states and need to abide by the requirements of each of them. The process of restructuring the utility company industry is underway in the Northeastern United States but the approaches and the schedules vary greatly from state to state within the region which complicates the screening and evaluation process.

Market transformation programs are significantly different from traditional DSM programs in their intent and operation. It follows that the measure of their effectiveness will be different. This is not to discount the role that the traditional cost-benefit analyses play, especially in those areas where required by the regulatory agencies. To that end, the Residential Lighting and High-Efficiency Clothes Washer Initiatives will be reviewed in a dual manner. First, traditional analysis tools were employed that projected the costs and benefits of each of the initiatives on a regional basis. NEEP provided these analyses to the sponsoring utilities for modification specific to their respective service territories.

Secondly, to comply with the regulatory mandates for evaluating market transformation programs in those states where they existed as well as to provide a resource base for those areas where market transformation was not yet an accepted policy, a plan is being developed to evaluate initiatives on the basis of their success in moving markets. Key market indicators were identified, the measurements of which were proposed to gauge the success of the Initiatives.

The key indicators for the Residential Lighting and High-Efficiency Clothes Washer Initiatives included the following:

- Consumer awareness of the technology

- The numbers of high-efficiency products sold
- The number of retailers participating in the program
- Changes in product stocking practices at the retail level
- Numbers of manufacturers of the products
- Pricing of the products

These data points, gathered in the lighting and clothes washer baseline market research projects will be compared with results of market investigations and research that will be conducted at key intervals within each of the Initiatives. However, energy savings and measured cost-effectiveness are still important determinants of the success of the initiatives. These, in tandem with the measurement of the key market performance factors are expected to provide a comprehensive assessment of the impacts of the Initiative.

Conclusions

Market transformation programs hold the potential to accelerate the introduction and sustain the diffusion of energy-efficient technologies. Experience gained through the design and implementation of market transformation initiatives through the Northeast Energy Efficiency Partnerships demonstrates that when the interests of previously disparate parties voluntarily unite and work together toward achieving common goals, market transformation is promoted.

There are other models for the development of market transformation programs beginning to emerge around the United States. At the opposite extreme from the NEEP approach is a centralized version where program design and administrative responsibilities are resident within one organization. In the Pacific Northwest, a centralized decision making process exists through the Northwest Energy Efficiency Alliance (NEEA) staff and board. NEEA activities are funded centrally and, as a result, they have been able to move rapidly in fielding initiatives. It is important to remember that the development of the regional entity in the northwest built upon several major regional structures that set precedent and created regional relationships. First, the Bonneville Power Authority, (BPA) is a huge regional force, both in energy sales and energy efficiency leadership. Second, the establishment of a regional energy planning process through the Northwest Power Planning Council led to long-term multi-state planning about energy related needs, including efficiency. Third, the Northwest had attempted over a number of years to operate regional programs for energy efficiency, such as the Super GOOD Cents residential construction program. This unique cross-utility, cross-state cooperation, combined with leadership from a dominant market player and multi-state leadership, allowed the Northwest to transition into operating through a regional entity. Such circumstances are not likely to exist in other regions of the country - they certainly do not exist in the northeast.

Other states are in the process of developing different market transformation program delivery mechanisms. In New York, a state wide agency (the New York Energy Research and Development Administration) has been assigned the task of efficiency spending, and in Vermont, where a centralized “efficiency utility” is being considered, final decisions regarding the

structure of the delivery system are still being made. California, in creating a new centralized process with great potential, is still in the creating mode.

The structure and function of the working groups should be well defined in advance of entering into the program design phase. Decisions regarding the management of the day-to-day activities of contractors and the mechanism for paying them for their work should be made as part of the RFP development process. In addition, there needs to be a clearly defined mechanism for decision making within the working group. The scope of this process includes the myriad of policy and program design decisions that need to be made pre- and post implementation.

The process in the Northeast proved to be time-consuming due to the number of players, their varied interests and the time resources dedicated to attend the sheer number of meetings that were required in support of the initiatives. As the NEEP Initiatives approached implementation, the Working Groups met as frequently as twice a month.

Communications to members of the Working Groups was challenging. From a strictly administrative perspective, sending out documents for review was problematic in that not every member had access to an e-mail system. Further complicating the matter was the fact that even among the members that had e-mail there existed a variety of word and data processing capabilities due to the programs (and, in some cases the versions of the programs) that were resident in their computers. As a result the distribution of most of the Working Group materials was accomplished via faxes during the formative phase of the Initiatives.

From a policy perspective, there was debate about the audiences that should receive documents from the Working Groups. Within the first year, the extended membership of the Clothes Washer Working Group numbered nearly 100 individuals representing state agencies, environmental groups, contractors, trade allies, utility companies and other interested parties. As an operational procedure, distribution of materials containing contract-related information was limited to the utility company sponsors and their designees. The extended group received updates on program activities through the NEEP Notes newsletter that was published quarterly. To further dissemination of information on the progress of the Initiatives, NEEP conducts quarterly meetings to which the extended Working Group members are invited.

NEEP also began the development of a web site that is designed to facilitate the communications process. The site will contain regularly updated information about each Initiative that will be available to the members of the extended Working Groups and the general public. A password-protected secure area will provide authorized members of the Working Groups with access to the more sensitive materials.

In the northeast, multi-utility cooperation was the key factor in getting the region moving towards a coherent market transformation program. The approach that NEEP adopted allowed for a variety of constituencies to participate in the design and implementation of the regional initiatives from the "bottom up." The cooperative and voluntary participation, while more complicated and time consuming than a centralized approach may ultimately prove to be reasonable as the process represented the interests in and garnered support for the NEEP initiatives from a diverse base of stakeholders all of whom will play a critical role in the success or failure of the market transformation activities.

While NEEP has not yet evaluated its own activities, NEEP has gotten a few initiatives moving forward, in some cases in advance of final regulatory direction. The process is intensive, both from a NEEP staffing perspective and from a utility perspective. NEEP, and the implementation, evaluation, and marketing contractors selected, have to serve many masters. Such a scenario necessarily leads to a careful, slow-moving process. To secure funds, NEEP

also has to ensure some flexibility in the design, as well as make the case of worthiness to the utilities.

What will happen in the future for NEEP is not clear. It is possible that more states will decide to use some sort of state wide pooling for market transformation, as New York and Vermont are doing, and as Massachusetts has done for Renewable and Low-income. Under this scenario, NEEP may make a somewhat modest change from coordinating the effort of 10 to 18 utilities (including some states) to coordinating the efforts of 6 to 10 states. Alternatively, utilities participating in NEEP initiatives may decide to give more control to the NEEP board and staff in planning and implementing initiative, either through empowering the NEEP board or through the use of a single committee that makes higher level decisions about initiatives (NEEP staff already meets on a fairly regular basis with the DSM managers of the various utilities to discuss policy issues and resolve cross-initiative issues). A third scenario, less likely and certainly further in the future, is the establishment of NEEP or a like entity to run MT programs on behalf of the region, with a Board representing the various states.

Whether substantial changes will occur in how NEEP operates depends largely on the actions of regulators and utilities in the region. NEEP is running an internal process to see what changes can and should be made, including beginning a management review in the fall of 1998, leading to a three-year strategic planning process.

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