Leveraging a Regional Trade Ally Network to Help Vendors and Customers Connect with Varied Utility Efficiency Programs across Multiple, Closely-Packed Service Territories

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ABSTRACT

In the Pacific Northwest, many electric utilities operate incentive programs to capture commercial and industrial lighting efficiency. These utilities vary widely in terms of ownership (public and investor owned), size (large to small), efficiency experience, geography, market mix, utility staffing levels/expertise and conservation goals. They also can be densely co-located, with up to six or more discrete utilities operating efficiency programs in a single metro area.

This paper will share the experience of the Bonneville Power Administration and Pacific Northwest utilities in using a regional Trade Ally Network to catalyze lighting efficiency without compromising the autonomy of individual utilities. Outreach to contractors, distributors and other "market actors" is widely accepted as key to successful energy efficiency programs at the individual utility level. However, in the case of multiple utilities sharing these "trade allies" in a small area, utility-specific trade ally outreach can cause confusion, in addition to being inefficient for both utilities and contractors. At the same time, sharing a regional trade ally network poses several challenges:

- What message should be targeted at contractors when programs vary?
- How can utilities avoid undermining each others' programs?
- Is there an efficient way to help trade allies connect with efficiency program managers?

Experience operating a Trade Ally Network for multiple utilities confirms the effectiveness of coordinated outreach approach at the regional level as a way to increase efficiency acquisition. At the same time, key differences compared to a single-program trade ally network must be considered to avoid missteps.

Introduction

Marketing utility efficiency programs through vendors or market actors is widely accepted as an effective way to increase program activity. Contractors, distributors, manufacturer representatives and others all initiate efficiency projects and play an important role through completion – they will be referred to as "contractors" for simplicity reasons throughout this document. Indeed, a frequent observation is that no projects would happen without contractor involvement. Although this is to some extent a truism – contractors are but one of many critical participants without whom efficiency projects would not occur – the fact remains that engaging the contractor community is absolutely necessary for elevated levels of utility program success. This, in turn, raises the question of how to best work with contractors to meet efficiency program goals.

Two different levels of contractor engagement present themselves. At a minimum, utility programs need to facilitate basic participation by ensuring that the contractor community is familiar with program processes, technical specifications, and any other requirements. However, it is also possible to more closely collaborate with contractors so that they market and promote the program as a key component of their business. Under this approach, the contractor base constitutes much of the on-the-ground marketing presence for the program, becoming "trade allies" that are integral to program success.

Close collaboration with trade allies in hopes of engaging them in program promotion is widespread if not industry standard practice. One common way to effect this engagement is through "trade ally networks", semi-formal or formal relationships for contractors participating in utility programs. While details vary across implementation contexts, contractors generally receive program information, support, training, other benefits, and possibly business leads, while utility efficiency programs gain access to a wider channel for potential projects and reap operational efficiency gains from working with contractors who are experienced with the program. Utility efficiency programs have successfully used a trade ally network approach to engage contractors and other professionals across diverse industries including HVAC, lighting, weatherization, construction, architecture, and real estate, with resulting collaborations leading to increased efficiency deliveries.

Much of the success to date of trade ally network mediated efficiency programs has involved a single utility or efficiency provider working with a unique network of contractors on a single program. This allows for a relatively straightforward implementation context in which the administrator of a trade ally network can present uniform program details and resolve any problems directly. While this approach is promising in areas where single programs hold the critical mass to command trade ally participation, it is less clear that it can be successful with small programs, particularly if there are many, varying programs in the same region. In that case, the possible solution of having multiple trade ally networks is duplicative and inefficient for contractors, but a single regional network is challenged to support many programs, each with distinct goals and processes, without dissolving into cacophony. This paper explores the challenge of adapting a trade ally network to serve multiple utility programs in a small geographic area, presenting the experience of the Bonneville Power Administration (BPA) in administering a Commercial and Industrial Lighting trade ally network on behalf of over 100 different public utilities in the Pacific Northwest. It concludes that trade ally networks are still a valuable tool in this context, but that there are key differences in approach that should be considered.

Efficiency in the Pacific Northwest: Varied programs Across Multiple, Closely Packed Utility Service Territories

In the US Pacific Northwest, the Bonneville Power Administration distributes low cost power from the Federal Columbia River Power System to over 100 public distribution utilities in Washington, Oregon, Idaho, and parts of Montana, Utah, Wyoming, and Nevada. These BPA "customer utilities" are characterized by enormous variation in size, location, and character of service territory, and include municipal utilities, public utility districts, and cooperatives delivering power to service territories ranging from the City of Seattle to some of the most remote areas in the continental US. In addition to selling electricity to these utilities, BPA is a wholesale purchaser of energy efficiency from its customers, setting specifications,

requirements, and reimbursement rates for installed efficiency measures. BPA customer utilities administer efficiency programs for their end-user customers, setting their own "retail" incentive rates and program processes and invoicing BPA for any measures that are installed. This allows public utilities to customize programs to meet their individual goals and objectives, but results in significant variation between programs at the retail level.

Investor-owned utilities Avista, Idaho Power, Pacificorp, Portland General Electric (PGE), and Puget Sound Energy also serve northwest consumers, together serving over 50% of regional load. All of these utilities also administer efficiency programs for their customers per arrangements with regulating commissions in the states they serve. Energy Trust of Oregon is the primary efficiency provider for PGE and Pacificorp in the state of Oregon.

Varying state policy also has important implications for efficiency program implementation. Building codes create different baselines for new construction efficiency across state lines. In Oregon, aggressive state tax credits improve the economics of efficiency projects from the end-user perspective. In Washington, I-937, a recently approved ballot initiative, mandates that utilities of a certain size implement all cost-effective conservation on certain timelines or face financial penalties. More recently, state-specific approaches to investing federal ARRA efficiency funding has added variation to the operating environment.

This mix of public and investor-owned utilities intermingled across states with varying policy frameworks results in a surprisingly complex institutional context for efficiency program implementation. By way of example, selected information on utilities in the greater Portland metropolitan areas are presented below in Table 1.

Table 1 illustrates a typical patchwork of electrical utilities serving a single geographic area, along with some of the variation in electric rates and efficiency program structure. The table illustrates that retail electricity rates range from roughly 3.5 to 9.3 cents per kWh in area utilities. Oregon utility efficiency efforts are supported by the state's Business Energy Tax Credit program, and lighting efficiency incentives are capped between 50 and 70% of program cost depending on service territory (cost caps were as low as 35% in some territories last year). Though Portland, Oregon was chosen as an example, similar constellations of utilities serve the areas around Eugene, Oregon and Washington's Puget Sound, Tri-Cities, and Spokane. The variation in serving utilities translates into a difficult energy efficiency implementation context for contractors because processes, incentives, and project economics (return on investment) might vary drastically depending on which side of the street (and in which utility territory) the customer is located.

Table 1. Portland, Oregon Area Utilities

Utility	Location	Ownership	Typical Commercial Rate ($/kWh)	Commercial Lighting Program			Distance from Portland (mi.)
				Incentive Framework	Percent of Cost Cap	State Tax Credits	
Canby Utility Board	Canby, OR	Municipal	$ 0.0506	BPA	70%	Yes	18
City of Cascade Locks	Cascade Locks, OR	Municipal	$ 0.0655	BPA	70%	Yes	25
Clark Public Utilities	Vancouver, WA	PUD	$ 0.0730	Modified BPA	50%	No	10
Clatskanie PUD	Clatskanie, OR	PUD	$ 0.0425	BPA	70%	Yes	42
Columbia River PUD	St. Helens, OR	PUD	$ 0.0659	BPA	70%	Yes	15
Consumers' Power Inc.	Philomath, OR	Cooperative	$ 0.0500	BPA	70%	Yes	36
Cowlitz County PUD	Longview, WA	PUD	$ 0.0441	BPA	70%	No	33
Energy Trust of Oregon (ETO)	Portland, OR	Non-Profit Provider for IOU Customers	Pacific Power & Portland General Electric rates	ETO	50%	Yes	0
Forest Grove Power & Light	Forest Grove, OR	Municipal	$ 0.0541	BPA	70%	Yes	22
Hood River Electric Co-op	Hood River, OR	Cooperative	$ 0.0354	BPA	70%	Yes	48
McMinnville Water & Light	McMinnville, OR	Municipal	$ 0.0487	BPA	70%	Yes	30
Pacific Power	Portland, OR	IOU	$ 0.0842	ETO	50%	Yes	2
Portland General Electric	Portland, OR	IOU	$ 0.0931	ETO	50%	Yes	0
Salem Electric	Salem, OR	Municipal	$ 0.0580	Modified BPA	50%	Yes	35
Skamania County PUD No. 1	Carson, WA	PUD	$ 0.0608	BPA	70%	No	25
Tillamook PUD	Tillamook, OR	PUD	$ 0.0635	BPA	70%	Yes	50
West Oregon Electric Co-op.	Vernonia, OR	Cooperative	$ 0.0618	BPA	70%	Yes	19

Source: Northwest TAN and Utilities

Building a *Regional* Lighting Trade Ally Network

As in much of the country, Commercial and Industrial Lighting has been a key source of energy efficiency in the Pacific Northwest. In recent years, commercial lighting has been the source of nearly 50% of total efficiency deliveries. Despite this high level of activity, the Northwest Power and Conservation Council identifies lighting as the source of over 40% of potential commercial efficiency in its Sixth Power Plan. The attractive opportunity in commercial lighting is reflected in BPA's energy efficiency action plan, which relies heavily on sustaining high levels of lighting deliveries over the next five years. Lighting efficiency is similarly prominent in the efficiency planning of many public and investor-owned utilities in the Pacific Northwest.

The combination of ambitious goals and an energy efficiency landscape that is challenging for contractors led BPA to explore approaches to support accelerated efficiency.

Working closely with its customer utilities, a regional trade ally network was identified as one of the most promising options for catalyzing regional lighting efficiency.

The Northwest Trade Ally Network for Commercial and Industrial Lighting

To support public utility acquisition of lighting energy efficiency, BPA launched the Northwest Trade Ally Network for Commercial and Industrial Lighting (TAN) in late 2007. The TAN is managed by Evergreen Consulting, a Portland, Oregon based firm that administers lighting efficiency programs (and their constituent trade ally efforts) for several other utilities including Pacificorp and the Energy Trust of Oregon. At present, the vast majority of regional utility lighting efficiency programs participate in the TAN, with over 90 utilities registered to date including both public utilities and IOUs.

The TAN uses several different methods to help contractors connect with utility programs, including:

- Regional roadshow trainings: Each year the TAN conducts a travelling roadshow of over 10 regional training sessions that present information on advanced lighting technologies, energy efficiency practices, and utility programs. Although TAN staff are the primary presenters, utility lighting program managers deliver contractor-oriented summaries of their programs to each local audience.
- Website and newsletter: The TAN maintains a website that includes several resources designed to drive projects to lighting programs, including a searchable database of regional utility lighting programs by location, easy access to program tools such as incentive calculators and tax credit forms, articles on efficient lighting practices and profiles of specific projects. The website has all required forms to allow contractors to sign up for the network, and also allows for online training registration. The TAN also releases a newsletter six times per year, with each issue featuring program updates, a trade ally profile, technology updates, and information on upcoming events and other trainings.
- Live support: TAN staff are available by email or phone to assist trade allies with lighting efficiency projects, technical questions, and other issues.
- Utility coordination in target markets – TAN staff facilitate sessions with utility representatives to encourage dialogue regarding consistency of program efforts, training, leveraging incentives and marketing efforts.

The Regional TAN Challenge – Developing a Message in the First Year

As described above, the TAN is structurally similar to any number of other efforts across the country that utilize proven outreach techniques to market efficiency programs to contractors. This is by design. However, while the structure is similar, it became immediately apparent in implementation that the content and messaging efforts would have to differ substantially from a "conventional" single-program trade ally network approach.

The challenge. Foremost, the TAN *is not the operator of an efficiency program*, and as such cannot definitively speak to program or project specifics. The TAN does not determine incentive rates or make incentive payments for utility programs. As a result, this key attraction of many

other trade ally marketing efforts is absent (or differently present) with the TAN. In turn, the TAN must provide some other source of value to successfully recruit participants.

The challenge for a regional TAN is evident when comparing its "value proposition" to that of a single-utility trade ally marketing approach. Unfortunately, a direct translation of single-utility trade ally network messaging is uncompelling.

- "Conventional" message to contractors:

> Efficiency is a good opportunity for your business and my utility will pay you $15 (for example) if you replace a fluorescent T-12 lamp and ballast with a more efficient high performance T-8. Here is definitive information about the forms, processes, and what to expect. If you have problems, call me, and I will personally resolve the issue.

- Equivalent *regional* TAN message to contractors:

> Efficiency is a good opportunity for your business. Many, but not all utilities pay incentives for certain efficiency measures, but details and processes vary and change frequently. Generally, you should contact the serving utility for details, but it is not always clear which utility serves a given customer. Responsiveness to inquiries varies widely.

Thus, the message of a single utility trade ally network is perilously close to dissolving when delivered by the TAN to a contractor working across service territories and programs.

Agreeing to agree: the initial message. Fortunately, there are other messages that apply across multiple programs, and these uncontroversial areas of agreement were highlighted in the TAN's initial work where trainings were focused around the basics of efficient lighting retrofits and technology. Given the first year goals of recruiting large numbers of contractors (many of whom were new to efficiency) to the TAN, these basic trainings were highly valuable but their connection to efficiency projects was indirect. Local utility program administrators also attended the trainings, with some presenting their specific program offers.

Building the network meant recruiting contractors to participate in all of the major markets across the region. At each of the regional roadshow trainings, contractors were encouraged to complete a basic application form that triggered a confirmation of business registration and reference check needed to join the TAN. Requirements and process were intentionally sparse for two reasons. First, there was no consensus between utility program administrators on what standard of membership would be helpful for the program (or indeed what implication TAN membership had for participation in incentive programs), and so demand for more thorough vetting was not widespread. Second, given the "regional" character of the TAN and difficulty attracting contractors to participate, application burdens were intentionally minimized.

Although there was a utility program presence at the trainings, not all utilities participated in the first year. The reasons for this ranged from not seeing the need for a network to not having a program to offer. As a result, the core message for the network highlighted generalities of lighting efficiency rather than specifics of utility programs. The TAN website and newsletters featured similar content, designed primarily to build awareness and avoid miscommunication.

The website tagline illustrated this orientation: "Illuminating opportunities in commercial and industrial lighting."

The initial orientation of TAN messaging was an outgrowth both of the intrinsic difficulty of promoting widely varying programs and of the conventions of BPA's relationship with its customer utilities. Specifically, BPA has a longstanding policy of not interfering in utility implementation of efficiency programs at the retail level which requires that BPA both not engage specific end users without local utility permission and not speak on behalf of utility program administrators. This policy is designed to give utility customers local control over their conservation programs and customer relationships, with BPA providing funding and program support. As a result, BPA's orientation was to tread very lightly around broadcast communications of the TAN – this approach was generally supported by BPA's customer utilities, many of whom were initially skeptical of the new regional effort.

Year 2: Seizing Opportunity in Challenge

The risk, of course, with this initial communications strategy is that by ensuring the TAN not misspeak on behalf of BPA customer utilities, the message might fail to adequately promote the efficiency opportunity. After the initial launch of the TAN, BPA was interested in leveraging its relationships to trade allies to more directly promote public utility efficiency incentive programs, as opposed to the amorphous concept of "efficiency." While the patchwork of programs was still a challenge, the successful launch of the TAN had given many customer utilities the confidence to more fully explore how the network could help their programs.

In weighing options for developing a more compelling program-related message, BPA and the TAN found that there was opportunity in the challenge of multiple varying programs. Specifically, the same factors that made it impossible for the TAN to present a single program pointed to a compelling need that was largely unmet – that for an easy and straightforward contractor path through the maze of efficiency programs. This meant that the TAN could reposition itself as a single point of contact and resource for contractors with potential projects. While not running a program, the TAN could play the role of facilitator, helping contractors get in touch with the appropriate people for a given situation, while also offering a valuable technical resource. Notably, no one else was positioned to fill this role, including utility efficiency program managers, who did not typically know the latest developments in their neighboring utilities' companion lighting programs.

This new positioning also yielded a compelling new message that fit the regional TAN and proved effective in commanding the attention of contractors:

> Efficiency is a regional priority that is attracting significant investment. Different utilities have varying programs and processes. We recognize that this process is not ideal for contractors, which is why we created the TAN to help you navigate the landscape of utility programs. If you have a project or lead and do not know how to involve a program, call the TAN and we will help you get to the right place.

Consistent with this message, a major focus of second year work was development of tools to help contractors connect with programs, including web based directories of programs with contacts and other information. Utility program managers increased their presence at TAN trainings, and BPA was more forward in pushing contractors to get involved in programs. Training curricula focused on subjects that were much closer to programs, including the use of

the BPA lighting incentive calculator spreadsheet used by many regional programs in some form. This built contractor capacity to participate in any number of different lighting programs.

BPA also undertook major changes in the terms of its wholesale program, including a 48% increase in reimbursement rates. Without speaking to the specifics of utility rebate changes, BPA was able to communicate through the network to contractors that the agency and region was committed to the lighting efficiency opportunity, and that they could rely on the TAN for support of their important work. The nuances of BPA's role in local programs was deemphasized in favor of the clear and simple message that upstream policy activity was continuing to improve the lighting efficiency opportunity. The new orientation of the TAN was captured in a revised website tagline: "Expand your business through public utility lighting efficiency incentive programs."

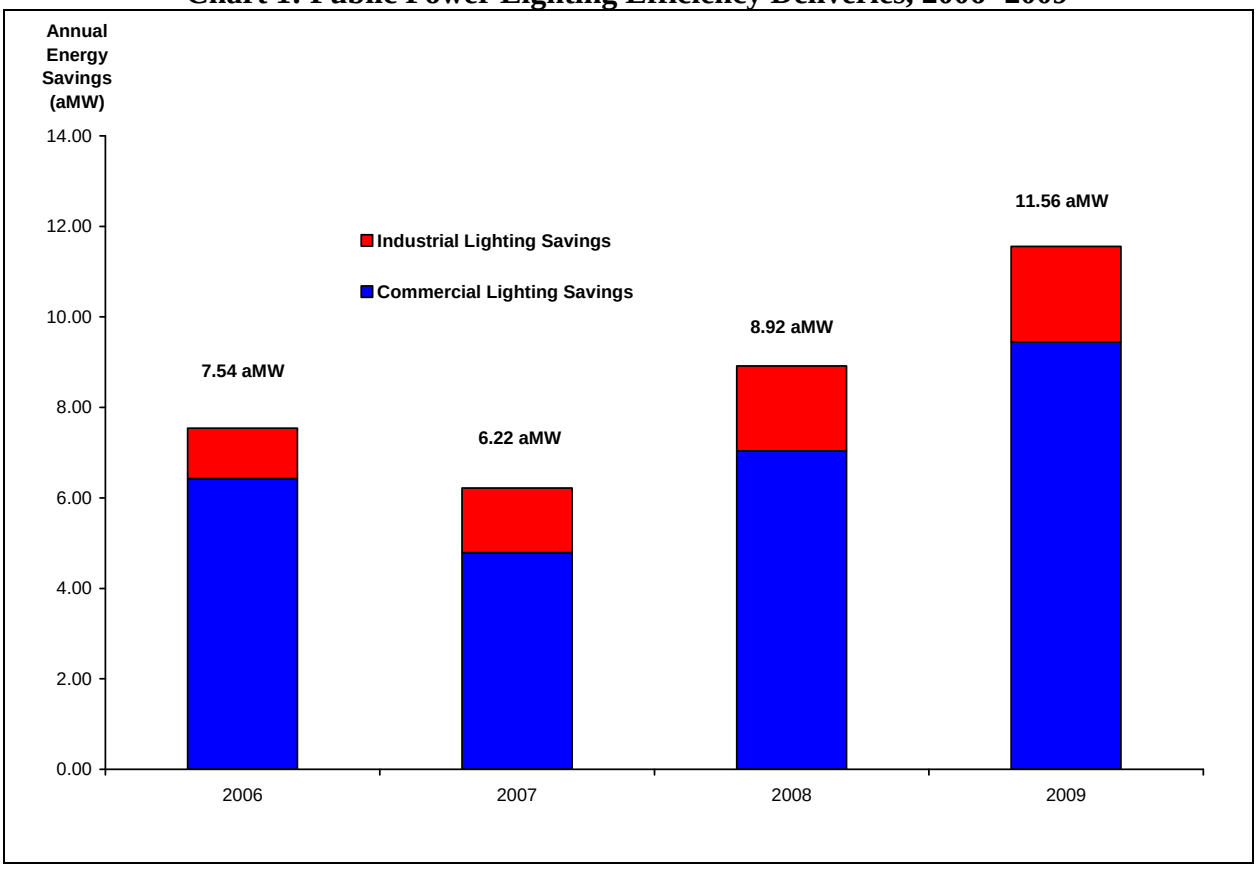
Results

This new approach to presenting the services of the TAN has been successful. Though definitively linking success to marketing and program support efforts can be vexing, lighting program deliveries are broadly higher across the region and have nearly doubled in the years since the launch of the TAN (See Figure 1 below). Virtually all regional utilities participate in the network, and both utility program administrators and contractors have cited the network as a contributor to their success. Further, a number of public utilities that previously did not offer lighting efficiency programs have recently launched offers – the existence of TAN support is one of the reasons cited for reevaluating the potential for program success. The network itself has grown and now has participating contractors in many geographic areas that lacked capacity – as a result, efficiency opportunities that might previously have fallen through are now more likely to be implemented.

Although the program implementation context is still not as straightforward as in other regions, contractors are better able to navigate the complex landscape of efficiency in the Pacific Northwest. Utility program managers across the region are reporting much more contractor activity – this, in turn is driving rapid increases in total energy savings. The TAN has proven such an effective tool in spurring contractor interest in lighting efficiency that the region is discussing how to manage the network to reduce absolute numbers of "participants" in order to focus on cultivation of the most capable trade allies. An effort that was initially managed to increase the quantity of allies now has the luxury of focus on quality – beggars are now in some sense choosers. Utility program administrators are able to present their programs to and connect with larger numbers of contractors than they could previously. Regional lighting efficiency deliveries continue to grow.

Crucially, the regionally coordinated approach has meant increasing deliveries for almost all programs, with very little evidence of cannibalization. As illustrated in the figure below and confirmed by anecdotal reports from utility program managers, the TAN has truly increased the region's capacity to deliver lighting efficiency rather than merely shifting activity between service territories. A rising tide has thus raised all boats, and as activity has increased, formerly unattractive areas for efficient lighting have managed to attract contractor attention through relatively untapped opportunity.

Chart 1: Public Power Lighting Efficiency Deliveries, 2006- 2009



Source: Bonneville Power Administration

As the region implements the 6th Power Plan, the critical role of the regional TAN is only expected to grow. The TAN is the single best channel through which to communicate shared priorities, and is a key component of regional efforts to shape and direct contractor activity around issues including the phase-out of fluorescent T-12 lamps, how and when to integrate controls strategies into efficiency products, and the deliberate and controlled embrace of appropriate cutting edge lighting technologies. Supported by an effective regional trade ally network, the Pacific Northwest is well-positioned for continued success in commercial and industrial lighting energy efficiency.

Lessons Learned

The Pacific Northwest's experience with the TAN has demonstrated that trade ally networks can be effective in the context of multiple, varied utility programs in a concentrated geographic area. However, successful implementation in this context requires an adjusted approach that (1) prioritizes helping contractors connect with different utility programs instead of merely presenting a single program, and (2) highlights commonality across programs rather than dwelling on differences between programs. Specific lessons for successful implementation in a challenging, multi-program landscape are discussed below.

Focus on Commonality

Emphasizing common priorities of across different utility programs is key to crafting a message that is acceptable to participating programs and effective in driving efficiency projects. In an implementation context of widely varying utility programs, finding these common priorities can be a major challenge for two main reasons. First, in some areas there will be very little initial commonality across programs – the efficiency landscape is highly varied. Second, where there is little history of utility coordination, program managers may not be accustomed to thinking in terms of regional priorities. Commonality may well exist, but there is a body of work necessary to identify areas of agreement. The TAN has allowed for a regional focus on common messages in two principal ways. First, the existence of a single regional entity dedicated to supporting all utility lighting efficiency programs has naturally positioned the TAN to identify areas of cross-program agreement. Simply stated, no other organization has the broad view needed to identify these areas. Second, the TAN hosts annual meetings of utilities to foster coordinated approaches to program administration. These "summit" meetings for program managers are working sessions designed to plan TAN activities for the year, enable learning from the experience of other programs, and increase the likelihood of the region taking a consistent, if not identical, approach to emerging issues.

Commonality can also be cultivated, but it is critical that the quest for consistency between programs be grounded in reality. In the context of commercial lighting, utilities in the Northwest have made large strides towards coordination, but not in the core areas of incentive levels and program tools. Incentive levels vary largely, and for good reason – given differences in retail electricity rates across utility territories (and particularly between public and investor-owned utilities), uniform incentives would result in enormously different project economics, including paybacks that differ by a factor of three. Recognizing that some areas of program variability are necessary, the TAN has focused on cultivation of agreement in areas of "new" activity. For example, regional utilities recognized the broadly untapped potential of lighting controls to increase savings from projects and reached consensus around emphasizing controls at the regional trainings. Concentrating on this area where efforts could be improved without changing program fundamentals was an "easy" opportunity to move towards regional consistency – indeed, BPA modified its program requirements to better accommodate controls projects. In sum, a forward looking orientation on where programs will be going is one effective strategy developing a message that will work in the context of multiple, varying utility programs. Beyond providing a marketing message for trade ally trainings, the exercise of working with programs on future planning can minimize unnecessary variation between programs going forward - with salutary results for the regional efficiency opportunity.

Expand the Network to Create Value

One irony of managing a regional trade ally network is that expanding the reach of the network will increase its success even though the scope of the operating environment simultaneously becomes more complex. Simply put, once the operating environment is sufficiently complex that a trade ally network's primary role shifts from operation of a single program to facilitating navigation to different programs, then the network will be more valuable if it can be a comprehensive resource for *all* programs in a region.

In the case of the TAN in the Northwest, this meant that while the network was created and funded by BPA primarily to catalyze public utility lighting energy efficiency programs, inclusion of investor-owned programs was critical to attracting contractors to trainings. Recognizing this, BPA worked with regional investor owned utilities to include them in TAN activities. IOUs have also included public utilities in events with an IOU primary focus. For example, in the greater Portland area, a TAN training in Vancouver, Washington includes presentation of Energy Trust of Oregon program updates. Similarly, the Energy Trust includes public utility program updates at a Portland training. Both trainings will present identical technical training information so that notwithstanding variation in funding sources, contractors experience a forum for comprehensive efficiency program information. In addition to creating a more valuable experience for contractors, lighting distributors and other market actors are more likely to attend a large event, further increasing the networking opportunity for all involved. In short, there are scale economics in regional trade ally network implementation.

Conclusion

A regional trade ally network approach can be successful in supporting increased output of varied utility efficiency programs across multiple, closely-packed service territories. However, it is critical to understand that the role of a regional network under these circumstances will differ considerably from that of a conventional, single-program trade ally network. Whereas a conventional network serves to operate and market an efficiency program to contractors, the Bonneville Power Administration's experience with a regional trade ally network in the US Pacific Northwest shows that a role of facilitation, helping contractors and vendors navigate the complex efficiency landscape, is central to success in a regional effort. In providing value to contractors as a single initial point of contact for the efficiency business opportunity, there are advantages to including all regional programs in a network. Further, a regional network's success can be enhanced by focusing on common priority areas for utilities programs – cultivation of commonality is another opportunity that is promising when pursued pragmatically. Using all of these approaches, the Northwest Trade Ally Network for Commercial and Industrial Lighting has played a key supporting role in the recent significant expansion of lighting efficiency in the Pacific Northwest.