



Pay for Performance

Innovation in Energy Efficiency

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Challenge and Opportunity

Unlock additional savings potential in existing commercial and institutional buildings

Reduce risk and increase certainty of EE savings over time

Encourage a nexus of building technology and human behavior and measure that result with precision

Create an improved business case for building owners and managers that changes the nature of the market



What is Pay for Performance (PfP)?

PfP is an energy efficiency project incentive structured on annual payments for measured and verified energy savings.

(Today's one time up-front rebate/incentive, replaced by annual payments based on measured & verified savings over a negotiated term)

PfP addresses a different problem set

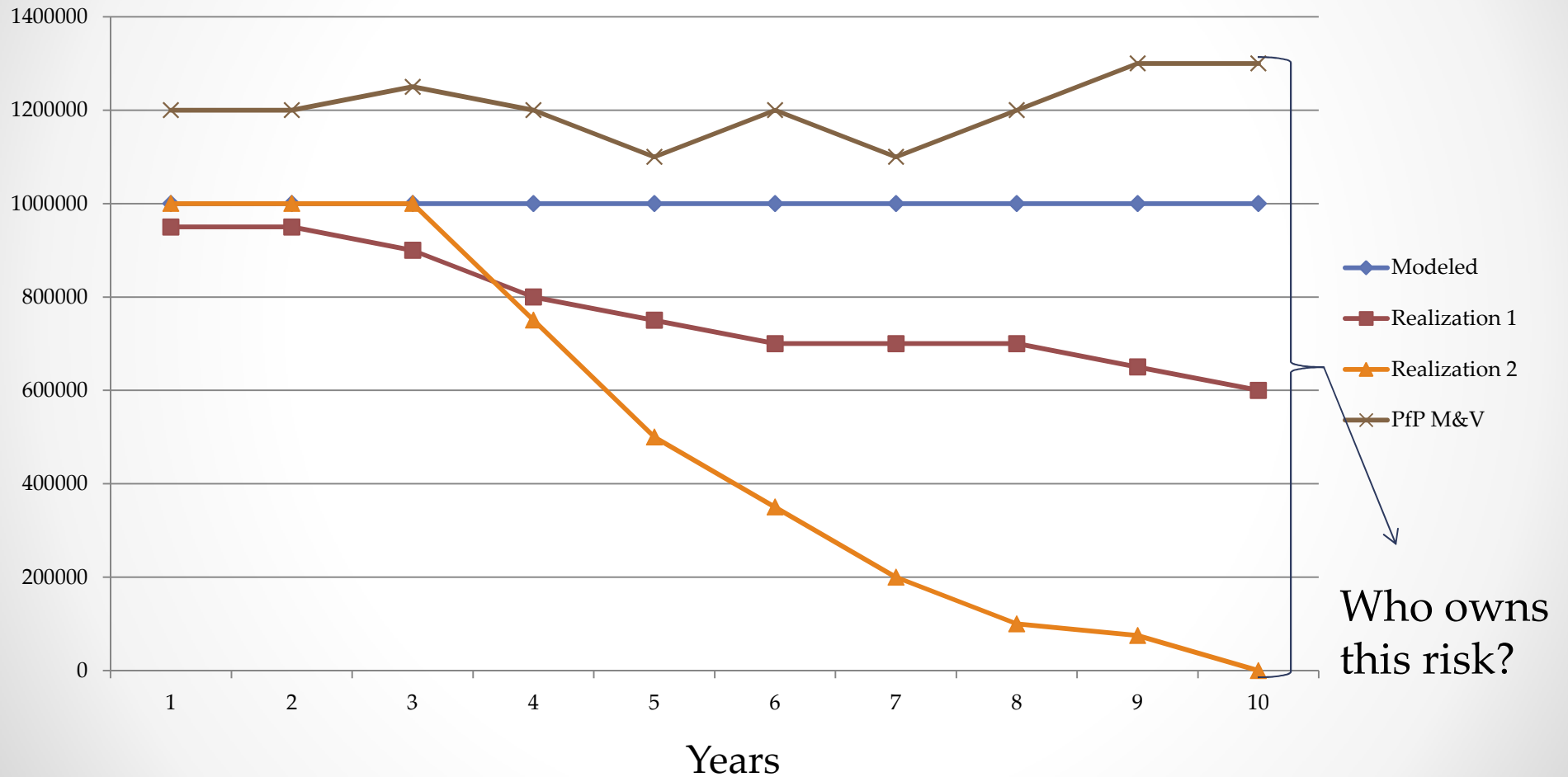
We need more and deeper energy savings from buildings

Efficient televisions and light bulbs are great, but they are insufficient in realizing the full market potential for EE

Opportunity to transition from exclusivity of focus on measure by measure energy efficiency to acquisition schemes that are building system focused

Opportunity to find a way to integrate building technology improvements with human behaviors and create a reward structure for that integration

Current Approach: Savings over time



PfP Approach

- Transition from measure by measure to building system focus
 - Sustained optimized performance of current building systems
 - Large capital investments that modernize building infrastructure
- Changed business case that relies on annual revenue streams instead of one time cost buy down
- Game changing approach that is less dependent on cream skimming of the lowest cost, highest yield measures
- Addresses the uncertainty of long term persistence of savings

Opportunity to sell EE from the top down rather than the bottom up

Attribute comparison

	Risk	Energy Savings Quantification	Persistence of Savings	Cost	Market Factors
Traditional Approach	Utility assumes the risk of savings realization at installation and over the assumed life of the measure	Ex ante savings quantification is contentious and increasingly expensive; Difficult to account for human behavior (+/-); Tends to be measure dominated	Savings decay can be common due in part to human behavior, but the utility has no recourse; Lost savings are not quantifiable	Relative ease in establishing incentives with assumption driven analysis of size, shape, and duration of savings	Single widget or project focus; Tactical, short term customer relationship approach
Pay for Performance	Contractor-customer share risk for ex ante savings floor; Utility risk at installation much reduced	With accepted M&V protocol, quantification of savings is highly certain; Behaviors can be accounted for (+/-); Whole building/system oriented	Less savings decay expected due to economic motivation of the customer; Human behavior can be a positive and is quantifiable	Requires a different approach to calculate the value of the savings based on agreed savings floor and length of the agreement	Strategic integration into customer business model and decision-making process; Long term focus



**THE CITY OF SEATTLE
CITY LIGHT DEPARTMENT**

2013

REQUEST FOR PROPOSALS

Pay-for-Performance Pilot Program

Amendment Issued January 10, 2013

PROPOSAL DUE DATE: Friday, February 15, 2013 @ 5 PM