

**GOVERNANCE PROCESS AND PROGRAM ADMINISTRATION FRAMEWORK
END-STATE VISION**

Staff believes that the end state described in the "Consensus Proposal" does not provide a workable long term framework for energy efficiency program administration. A more desirable end-state would allow for the presence of a competitive dynamic in the future administration of efficiency programs to ensure both a high quality and timely outcome in terms of energy efficiency market penetration and the overall cost effectiveness of the entire portfolio. Such an end-state would cultivate the program administration capabilities of third party administrators as well the utilities, and NYSERDA while providing the Commission future options in allocating and directing resources to achieve state-wide policy objectives for energy efficiency.

To achieve a more robust future end-state with regard to the overall administration of initiatives authorized to achieve state-wide policy goals for energy efficiency, Staff recommends that the Commission proceed as follows:

- Approve quickly the Fast Track program proposals contained in Staff's December 3, 2007 filing in this proceeding. Doing so would provide the following benefits:
 1. It will quickly ramp up energy savings in 2008 and 2009 by enhancing some currently under funded initiatives to improve their market penetration. This will allow progress to be made toward attainment of the 15 by 15 goal for electricity usage reduction beginning in 2008 and help build expertise and infrastructure for later undertakings.
 2. Provide the utilities with an opportunity to administer new programs in currently under-served markets for small business customers and residential HVAC equipment replacement. This

will provide a stepping stone in the utilities' development of technical capabilities and ability to deliver energy efficiency programs.

3. Allow NYSERDA and the utilities the opportunity to submit a joint plan which would transition the program administration responsibilities beginning in 2010 as follows:
 - a. NYSERDA would have the primary administration responsibility for New and Retrofit Construction Programs, Market Transformation Programs, the EmPower NY Program, statewide marketing initiatives, and Research & Development initiatives. (DHCR would have administration responsibility for WAP.)
 - b. Utilities would have the primary administration responsibility for a Small Customer Direct Install program and rebate programs for HVAC equipment replacement.
 - c. Program administration roles for large customer programs would require that NYSERDA would retain the responsibility for statewide program design, the hiring of service delivery or services fulfillment contractors and providing program quality assurance monitoring.
 - d. The utilities would provide intake and referral functions and oversee the timely completion of individual efficiency projects for all

statewide efficiency programs available in their service territories.

- e. The utilities would be allowed to recover direct costs for their marketing and recruitment activities consistent within Commission-approved program budgets and would be eligible to collect incentives payments based on measurable program enrollment and related energy savings performance.
4. Establish a competitive solicitation framework, administered by NYSERDA, for obtaining energy efficiency resources that would allow utilities, utility subsidiaries or other qualified third parties to participate. Staff recommends that the initial solicitation take place in 2010 for a portion of the 15 by 15 goal. Depending on the results of initial solicitation in terms of cost and delivery performance subsequent solicitations could be made in 2011 and 2012. The resources acquired through the competitive solicitation process could be allocated to specific NYISO reliability zones as reliability needs dictate.
- Implement the governance proposal made by Staff in Working Group #1, that would employ a single statewide collaborative process model facilitated by Staff to review and recommend to the Commission EPS programs, and that would provide for regional differentiation where market circumstances warrant. The goal would be to a develop consensus on a statewide integrated portfolio of energy efficiency programs and the related plans and budgets for Commission review. Parties could, however, advocate in an evidentiary proceeding for another outcome they believe to be better than the consensus proposal.

- The collaborative process would include:
 1. NYSERDA, the utilities, other state agencies and authorities, or third party administrators to submit proposed program plans to the collaborative process for review and comment.
 2. EPS Program Plan, developed collaboratively, would be sent to the Commission for approval.
 3. The Commission would approve, reject or modify the Plan as appropriate and issue an Order authoring the designated program administrators to develop and file detailed implementation plans as a prerequisite to granting funding allocations.
 4. The Commission would authorize the implementation plans and any required tariffs.
 5. The overall program would be reviewed periodically and updated recommendations sent to the Commission.
 6. A formal progress reporting framework would be established by Staff to keep the Commission and all stakeholders informed on the implementation of the program.

- Program Evaluation for non-SBC programs would be managed by Department Staff with input from a statewide Evaluation Task Force

The approach outlined above provides an opportunity in a planned manner to develop and enhance the roles and capabilities of multiple entities in the delivery of energy efficiency programs within the state and for those entities to demonstrate their effectiveness. It also gives the Commission the flexibility to adjust the allocation of resources for the administration of the energy efficiency

resources as circumstances and the performance of the various administration entities may require.