

National Action Plan for Energy Efficiency Sector Collaborative on Energy Efficiency

Pilot Project Proposal: Delivering Benchmarking to Small and Medium Enterprises

Utility programs face new challenges when seeking to reach regional business and small chains with demand side management (DSM) programs. These small to medium sized enterprises (SMEs) potentially represent attractive energy savings opportunities yet have remained outside the bounds of traditional DSM programs. Benchmarking could provide a low-cost approach to evaluating savings opportunities with these customers and attracting them to programs designed to capture savings. A utility pilot designed to reach SMEs would address barriers that limit a utility offering of benchmarking to SMEs.

Generally, a utility seeking target reductions in energy/load will aim program resources at market segments offering the most cost-effective savings, where cost-effectiveness is the product of both the level of savings available from any given customer and the cost to acquire those savings. The cost to acquire savings is a function of the customer recruitment cost and the cost of program services and incentives. Those utilities with substantial loads in the large C&I market naturally target those large customers first. SMEs receive less attention and are more expensive to reach. Furthermore, the program designs that work best for large customers often will not work well for smaller customers. If there are otherwise compelling reasons to pursue this market, utilities will often develop special program designs to target specific market niches (e.g. small retail, convenience stores, restaurants, etc). These designs often incorporate direct install elements.

The barriers faced by utilities reflect the nature of SMEs: individual loads are small, energy costs might not be a major factor in operating costs, no dedicated energy manager, the business owner/manager does not have time to evaluate various energy efficiency options, and capital is limited. Small companies are also less likely to have external motivators for environmental stewardship such as pressure from stockholders or environmental activists. While these are significant barriers, these SMEs may also collectively represent large load reduction opportunities. These customers are not likely to have previously participated in utility programs. Unless SMEs have been specifically targeted, they might not even be aware of assistance available through the utility. Additionally, SMEs will not have benefited from national corporate energy management initiatives like many nationwide companies and larger chains.

A utility pilot program designed to provide benchmarking to SMEs would test the use of benchmarking services as a way to reduce these barriers. With respect to the utility, the pilot would test the use of benchmarking as a low-cost customer and load acquisition method. Benchmarking would be used to screen and channel these customers into services that could be more specifically targeted without significant utility investment. On the customer side, the pilot would test the value of benchmarking to motivate the development of a more complete energy management strategy, and as an incentive to participate in a more comprehensive set of utility programs.

As to the delivery of benchmarking services, several program design options could be considered:

1. Offering benchmarking assistance combined with some assistance in development of an energy management strategy.
2. Use of benchmarking to screen customers for more intensive audit programs.
3. Use of benchmarking as a portal into incentive and technical assistance programs.

The design of the pilot would be shaped to meet the needs of the utility(ies) participating in the pilot. Ideally, two utilities would participate. One utility with more comprehensive offerings as well as one without a significant C&I incentive program, as a way to test consumer response.

Elements of the pilot project design, implementation, and evaluation would include:

- Designing a benchmarking project, based on a program logic model to engage SME customers
 - Choose a benchmarking system to provide to SMEs. Benchmarking program should allow for electronic transfer of energy and facility data and should be available to most commercial customers. The EPA's energy performance rating system is an example of a benchmarking program that meets these needs.
- Implementing and measuring a pilot project
 - Track the fraction of customers contacted who participate (known as the "harvest rate"). This should be measured both in terms of the fraction who participate in just benchmarking and the fraction that follow-up benchmarking with energy improvements.
 - Estimate customer acquisition cost
 - Track benchmarking results and encourage lower performing SMEs to enroll in other utility offerings
 - Record how many SMEs enroll in utility offerings to capitalize on identified opportunities. This should include a tracking of the measures adopted to gauge the extent to which multiple measures were taken..
 - Track outcomes associated with customers that benchmarked and ideally compare against a control group that did not.
 - Use the benchmarking system as one measure of the pilot program's success.

The final phase of the pilot would be to document lessons learned and make recommendations to the National Action Plan Leadership Group on best practices related to offering benchmarking to these customer classes.