

# Competitive Bid

## Future IDEEA Solicitations

<b>1. Projected Program Budget</b>	<b>\$</b>	<b>13,238,648</b>
<b>2. Projected Program Impacts</b>		
MWh		32,783
MW (Summer Peak)		6.91
<b>3. Program Cost Effectiveness</b>		
TRC		2.83
PAC		1.97

## Future InDEE Solicitations

<b>1. Projected Program Budget</b>	<b>\$</b>	<b>3,896,323</b>
<b>2. Projected Program Impacts</b>		
MWh		9,243
MW (Summer Peak)		1.95
<b>3. Program Cost Effectiveness</b>		
TRC		3.30
PAC		-

## 4. Program Descriptors

Market Sector: All  
Program Classification: Local  
Program Status: Existing Revised

## 5. Program Statement

The competitive bid process proposed by SCE is a comprehensive and multi-faceted approach that draws from the skill, experience, and creativity of the energy efficiency community. SCE's competitive bid process will help to enhance current program design as well as uncover newer approaches to capturing cost effective energy savings and demand reduction for both the short and long-term. This approach is consistent with the Commission direction to

### What's New for 2006-08?

- Innovation
  - Offer 3 types of competitive bids
  - Include a 2-stage proposal to reduce expenses for administrator and bidders
  - Special solicitation to promote next generation of energy efficiency technologies

conduct a competitive bid “for the purpose of soliciting innovative ideas and proposals for improved portfolio performance”.<sup>1</sup> Additionally, the planned competitive bid will also search and promote the latest energy efficiency technologies throughout the 2006-08 program cycle. Although these newer program approaches and technologies may be unproven in the marketplace, SCE believes these tests are necessary to help sustain cost effective energy efficiency for the longer-term.

In order to capture cost-effective energy efficiency for both the short and long-term, SCE proposes to offer three unique types of solicitation:

- **Targeted.** SCE has targeted various programs and areas which we propose to bid. During the planning process, SCE looked to current programs which could be enhanced through improved design and implementation. In the competitive bid, SCE will set the program criteria and seek bids which will improve overall program effectiveness through innovative approaches. The enhancements could take on various forms such as greater outreach, improved penetration, improved coordination with other programs, or a creative delivery approach which may reduce ratepayer cost.
- **IDEEA (Innovative Design for Energy Efficiency Applications).** SCE proposes to conduct a general solicitation to look for new program designs that have a real potential for cost effective energy efficiency. The overall IDEEA portfolio must provide cost-effective energy efficiency opportunities similar to the performance of the overall program portfolio. The winning bids must also provide installed energy and demand savings in the years they are funded.
- **INDEE (Innovative Design for Energy Efficiency).** The INDEE solicitation is a search for unique and newer energy efficiency technologies and/or very distinctive approaches to capturing cost effective energy efficiency in order to create a future for the next

**INDEE places much more emphasis on innovation and promotion of promising technologies...**

generation of energy efficiency programs. INDEE places much more emphasis on innovation and promotion of promising technologies and as a result the INDEE programs may be less cost effective than other programs in the portfolio. The INDEE solicitation proposal is borne from SCE’s current experiences with the 2004-05 IDEEA solicitation. SCE found a number of interesting program designs typically promoting the application of emerging technologies. Although these technologies had proven their technical feasibility through lab testing and individual showcasing, it was not clear whether, and if so where, their application was feasible in the marketplace. In addition, many of these proposals were very costly to implement and/or had very weak potential for short-term cost effective energy and demand savings.

Each of these solicitations will be conducted during calendar year 2005 to allow for program implementation beginning 2006. For IDEEA and INDEE, SCE proposes to

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<sup>1</sup> D.05-01-055, Section 5.2.1, p.94.

conduct additional solicitations during the three year program cycle. This will allow SCE to continue to identify the latest program concepts and technologies in order to constantly improve and enhance the overall program portfolio for the longer-term.

### **SCE/SCG PAG and Public Workshops – Recommendations**

Stemming from the PAG recommendations, IDEEA program planners have addressed and built into the program design the following:

- Targeted bidding approach –solicitations will be targeted for these specific programs.
- Two-stage bidding approach – The two-stage bidding approach will be used to solicit abstracts (Stage I) and proposals (Stage II) as a way to reduce expenses for administrators and bidders.
- Encourage bidders to present program designs to promote identified technologies – Under the INDEE umbrella program, technologies and concepts that show promise will be identified and subject to directed solicitation.

## **6. Program Rationale**

### **Program Portfolio Solicitation and Administration**

The proposed solicitation builds upon SCE’s 2004-05 IDEEA solicitation. The marketplace is a fertile source of new and innovative ideas to enhance the overall energy efficiency program portfolio. SCE proposes the continuation of IDEEA to find, fund, and test the best of these ideas from the marketplace and to provide the opportunity to “mainstream” them into the overall SCE-managed portfolio of proven, successful, and reliable programs. SCE’s objective is to ensure that the Commission’s energy and demand savings goals are achieved through the installation of cost effective energy efficiency.

### **Promoting a significant source of program innovation**

SCE proposes to seek out interested organizations that have special knowledge and experience or different links to some of our customer that permit them to promote installation, reduce market barriers, and effective use of energy efficient options through

**Through a well-advertised general solicitation, SCE will seek organizations that may find ways to “mine” energy efficiency to targeted customer segments and/or promote a promising technology.**

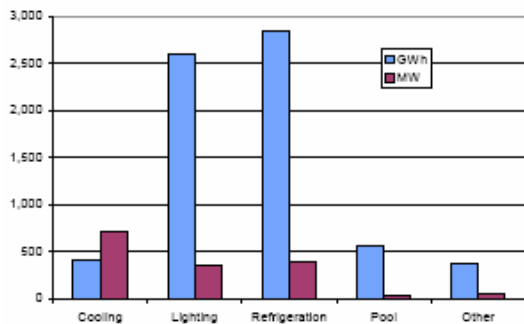
innovative ways. Through a well-advertised general solicitation, SCE will seek organizations that may find ways to “mine” energy efficiency to targeted customer segments and/or promote a promising technology.

### **Covering possible gaps in the SCE portfolio**

SCE’s comprehensive energy efficiency portfolio provides a broad coverage of market and customer segments, program approaches, and energy-efficient technologies. However, as demonstrated in the 2004-05 IDEEA programs, winning bidders were able to design boutique programs that targeted niche markets.

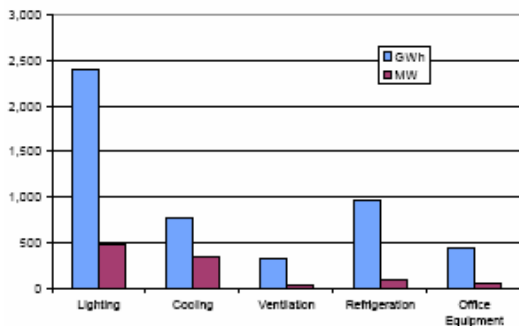
Under the targeted market approach, SCE will encourage participation from those market segments and sub-segments with greater potential for energy efficiency. As indicated in Figure 1 below, in the residential market<sup>2</sup>, the greatest potential for energy efficiency can be prioritized by refrigeration, lighting, pool pumps, cooling, and other. In addition, when analyzing the potential for emerging technologies, cooling is identified as the greatest potential for future demand and energy savings. Lighting in the residential market is another example of a possible gap in the energy efficiency portfolio. Although SCE's and third-party providers' lighting programs have been extremely successful, studies<sup>3</sup> indicate that in California, only a small percent of lighting products sold and used are compact fluorescents lights (CFL), thus there is a huge potential to expand this market and for energy savings. Many of the energy efficiency programs offered by California's investor-owned utilities have caused California CFL sales to begin outpacing the rest of the nation. The barrier for many customers to use CFL is typically the higher initial cost, limited availability and quality concerns.

**Figure 1.**  
**Residential Market Economic Potential**



In the commercial market, shown on Figure 2 below, the greatest potential for energy efficiency can be prioritized by lighting, refrigeration, cooling, office equipment, and ventilation.

**Figure 2.**  
**Commercial Market Economic Potential**



<sup>2</sup> Documentation of Energy Efficiency Potential Estimates, KEMA-XENERGY Report, pp. 31-40, July 12, 2004.

<sup>3</sup> A 3.3% saturation of CFLs to total lamps sold is indicated in the California Lamp Report, 2001, Volume 1.

**7. Program Outcomes**

The desired program outcome is to capture cost effective energy savings and demand reduction opportunities for both the short and long-term that help the overall portfolio achieve the targets, both annual and cumulative, as set forth by the Commission.

**The desired program outcome is to capture cost effective energy savings and demand reduction opportunities for both the short and long-term...**

The first step to achieving this desired outcome is to successfully solicit, select, and award program under each solicitation in time for implementation beginning 2006.

SCE will conduct multiple solicitations throughout most of the three-year program cycle. Below is an example of the staggered implementation approach (Table 1A).

**Table 1A – Implementation Schedule (Illustrative Purposes Only)**

Program	Program Budget	2006	2007	2008
Targeted Program # 1	\$10,000,000			
Targeted Program # 2	\$600,000			
Targeted Program # 3	\$1,500,000			
IDEEA Program # 1	\$800,000			
IDEEA Program # 2	\$2,300,000			
IDEEA Program # 3	1,200,000			
InDEE Program # 1	\$400,000			
InDEE Program # 2	\$800,000			
InDEE Program # 3	\$650,000			

Each of the solicitations has specific desired outcomes. The following is a list of those preferred outcomes.

Specific outcomes for the program elements are:

- Targeted
  1. Early start of the solicitation process to allow implementation in January, 2006
  2. Complete program and contractor selection by November, 2005
  3. Implement multi-year programs that typically run from two to three years
- IDEEA
  1. Early start of the solicitation process to allow implementation in January, 2006
  2. Complete program and contractor selection by October, 2005
  3. Select innovative boutique programs that serve to complement SCE’s portfolio
  4. Attempt to “mainstream” successful program concepts or parts of programs concepts into SCE programs as early as the 2007 program year, after proper evaluation
  5. Implement multi-year programs that typically run from two to three years
  6. Perform another round of solicitation in 2006 for implementation in 2007
- INDEE

1. Early start of the solicitation process to allow implementation in January, 2006
2. Complete program and contractor selection by October, 2005
3. Find, fund, and test emerging technologies that would otherwise be too expensive for smaller organizations to commercialize
4. Have an annual solicitation for pilot programs to test new technologies or non-resource concepts
5. Attempt to “mainstream” successful program concepts and/or technology into SCE programs as early as the 2007 program year after proper evaluation
6. Perform subsequent annual solicitations in 2006 and 2007
7. Implement targeted solicitations for identified technologies and encourage bidders to present program designs to promote those technologies

## **8. Program Strategy**

For the Targeted programs, will require less time because the targeted market sector, technology or strategy is predetermined thus allowing for a shorter solicitation process. For IDEEA and INDEE, SCE plans to implement the full IDEEA solicitation to cast a wide net in an effort to capture all program and technology types.

### **Two-Stage Approach**

The two-stage approach was a recommendation from a 1999 study<sup>4</sup> that enables organizations to submit program abstracts as a precursor to a full proposal. Prospective bidders will not be burdened with the cost of developing a full proposal. Also, the two-stage approach allows SCE the ability to evaluate more program concepts in a more efficient manner. This two-stage approach also allows a comprehensive solicitation that explores all program design ideas and technologies. As part of the public workshop process, many public members like the two-stage process and encourage the IOUs to propose this approach.

### **Staggered Implementation**

All three solicitations (i.e., Targeted, IDEEA, INDEE) will have different solicitation and implementation schedules. This will allow potential bidders the opportunity to participate in more than one solicitation throughout the program cycle. Additionally, the staggered approach allows SCE the flexibility to shift program funds as needed to programs that perform beyond expectations or to pull funds from programs that perform below expectations. Each solicitation has different selection, implementation, and funding guidelines.

**Targeted.** In general, Targeted programs will be implemented throughout the three-year program cycle. Budgets will be pre-determined as part of the open solicitation.

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<sup>4</sup> Evaluation of the Third Party Initiative Program, Final Report, Quantum Consulting, June 10, 1999. In addition, in preparing this program, SCE reviewed other IOUs and NYSERDA’s approach as well as receiving input from the Program Advisory Group (PAG) and selected stakeholders to Third Party Programs.

**IDEEA.** Typically, IDEEA programs will be implemented during a two-year period within the three-year program cycle. The program award values may range from \$500,000 up to \$3,000,000. The first round of solicitation and implementation will be for the 2006 to 2007 program cycle, and the second round of solicitation and implementation will be for the 2007 to 2008 program cycle. Allowing for enough time for implementation, the solicitation starts six months prior to the intended implementation date. For example, 2006 programs will be solicited in June, 2005, and 2007 programs are solicited in June, 2006. To ensure complete program shut down, each program cycle will allow for ramp-down as long as six-months before the end of that cycle. This effectively suggests a program effective run time for customer participation, from start to close, of one and a half years. Since these programs are of different nature and different customer segments, there will not be a perceived gap or downtime in between program implementation dates.

**INDEE.** Programs selected through this solicitation will have shorter durations. Serving as a test bed for new technologies or concepts, these contracts will typically be for one-year or less with smaller budgets typically running from \$300,000 and no larger than \$500,000. However, if some programs find promise, SCE may extend the program term and budget to test the program's potential for mainstreaming into the program portfolio.

### **Mainstreaming**

For programs that show potential for mainstreaming into one of program portfolio, SCE may elect to merge these concepts or technologies before the conclusion of their implementation period. If a greater demand is determined that is beyond the capability of the contractor or their program design, SCE may elect to shorten the program and its contract and mainstream the technology or concept.

Programs from the 2004-05 IDEEA that show promise but need more development either in technology, marketing, or implementation will be encouraged to bid for the this upcoming program. The evaluation criteria will have a subcategory that favors these prior program designs and concepts that show promise and needs continuation of development.

## **9. Program Objectives**

### **A. Achieve cost-effective energy and peak demand savings**

The focus will be on proposals that provide cost-effective, energy savings and peak demand reductions for both the short and long-term.

### **B. Filling gaps and adding best practices**

Winning proposals may complement or fill market niches and technology gaps, in the overall portfolio and/or offer best practices not incorporated in particular programs in the portfolio. Program implementation participants, in addition to the participants from a

broader base, will include specific segments such as manufacturers, energy services companies, consultants, energy management system contractors, lighting contractors, and mechanical contractors. As an example, specific market sub segments such as: (1) commercial office market through asset managers; (2) pharmaceutical/biomedical facilities through design-build contractors; and (3) refrigerated warehouses and produce packing houses present a significant opportunity for energy and demand savings in the short and long-term.

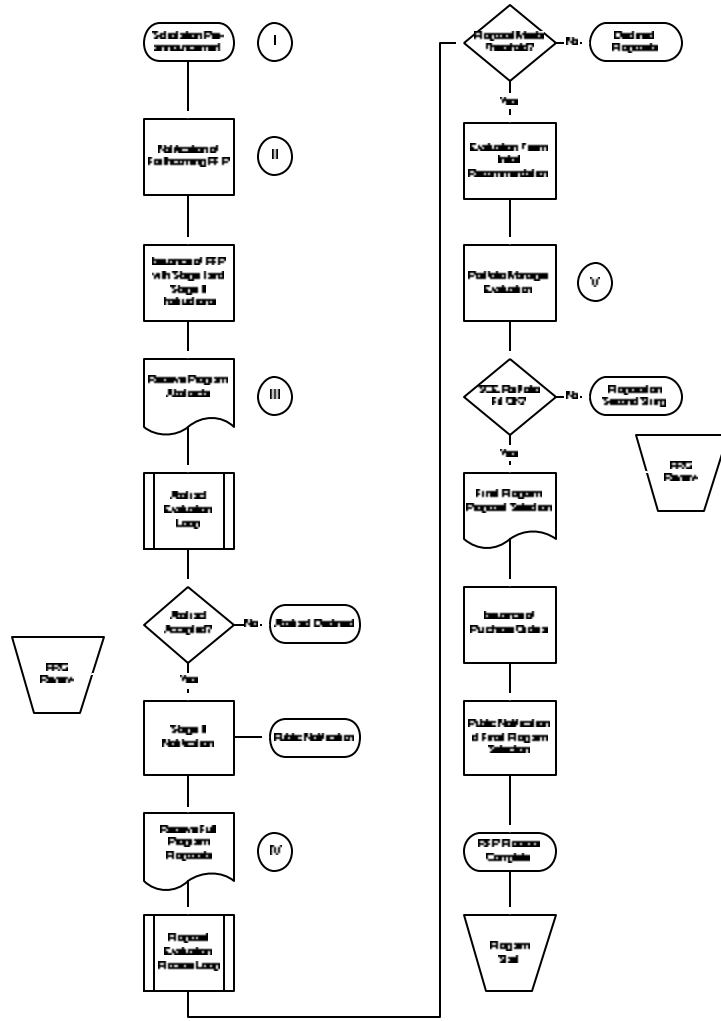
**C. Coordinating programs in SCE's portfolio for maximum effectiveness**

The winning proposals will be implemented by the bidders with SCE active support. Wherever feasible and desirable, coordination among programs will be facilitated by SCE to provide maximum effectiveness of these programs that complement SCE's services or other third-party program services.

**10. Program Implementation**

The solicitation process incorporates the two-stage (Stage I abstract and Stage II full proposal) approach tested effectively in two solicitation rounds of SCE's 2004-05 IDEEA Program. The full solicitation process involves multiple steps with multiple review loops by SCE management that allow for process checks and to ensure the solicitation process moves forward and for best portfolio fit that meets SCE's long-term energy efficiency plan. In addition, the newly formed Peer Review Group (PRG) will have a chance to review SCE's solicitation process in an oversight role. Below are the steps in this solicitation process. Illustration of the complete process is in Table 1C.

**Table 1C – IDEEA RFP Process Flow (Solicitation Process)**



**II. Solicitation (RFP announcement and release)** – The beginning of this sealed bid process starts with an official notification. This two-stage process includes an abstract submission (Stage I) and a full proposal submission (Stage II). This process allows SCE to cast a wide net on Stage I to receive as many program abstracts or concept papers without having to burden prospective bidders with writing a full proposal. The solicitation list will be from the original pre-announcement and additions to that list, as a result of the mass mailing.

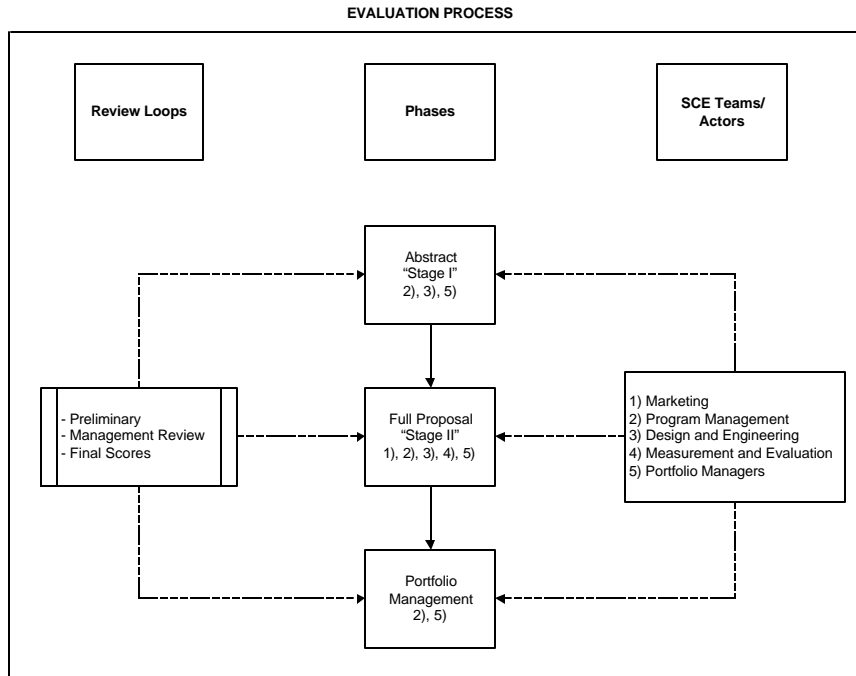
**III. Abstract Submission (Stage I)** – Due to the expected large volume of abstracts, the evaluation will be fairly subjective with a high level review of program concepts. SCE program managers, analysts, and engineers will review abstracts. Recommendations are submitted to portfolio managers. Selected abstracts will also receive technical energy savings review from SCE’s engineering group.

The abstracts must follow a SCE recommended format and must cover the proposed concept’s target market, proposed ways of achieving goal (energy savings for resource programs or non-energy savings milestones), technology offering (for resource programs), program innovation, program budget, and metrics of the proposed goal. Selected Stage I bidders will be notified of selection and asked to develop a full proposal based on the concepts of the abstract.

**IV. Proposal Submission (Stage II)** – The proposal submission for all programs is aided by a web-based submission of the soft copies of the proposals and its attachments. The hard copies are still submitted to SCE, but the soft copies are uploaded into a system that provides content validation documentation completeness. This central repository allows SCE to model a certain portfolio program mix that meets the utility needs and delivers cost-effective customer-based programs.

The proposal review process involves a complete evaluation of each proposal with the illustrated evaluation criteria proposed (Example 1D, below). Evaluation teams are organized with each team comprised of program management, marketing, and design and engineering members. This ensures an evaluation on all aspects of the program and evaluation category scores are negotiated between team members. In addition, a cost effectiveness and budget evaluation is done as part of the process. The proposals are ranked from high to low and certain evaluation categories such as energy savings realization is taken into consideration. This ranking is presented to management (portfolio managers) for determination of program suitability. The relationship of the RFP phases, review loops, and evaluation teams are illustrated below (Table 1D).

**Table 1D – Evaluation Process**



V. Program Portfolio – The portfolio managers evaluate the reviewed program proposals and hold an open discussion with the review teams. This open forum is designed to discuss the strengths and weaknesses of each program design and how it may fit into SCE’s overall portfolio. Any proposal discrepancy, changes, and suggested improvements are noted and if selected for implementation, these suggested changes are incorporated by the bidder into the program design.

### Evaluation Process and Criteria

The evaluation process is a series of “review loops” for Stage I and Stage II. Evaluation teams that consist of marketing, program management, engineering, measurement and evaluation, and portfolio management, provide input at certain phases of the process. This ensures that the teams’ evaluation is conducted under the portfolio manager’s oversight. It is the task of the portfolio managers to ensure that the program designs and technologies all fit in SCE’s overall vision of energy efficiency.

### Portfolio Management

Targeted programs are managed in the pre-determined areas of the portfolio. Portfolio management for IDEEA and INDEE requires managers to look for programs that may target market and technology niches that the current portfolio programs, through its existing delivery channels, may not be able to penetrate. In addition a balance is sought for the following:

- Distribution of residential and nonresidential programs,
- Program delivery mechanism (incentive, direct install, etc.), and/or
- Customer education delivery mechanism.

## **Staff and Subcontractor Responsibilities**

The SCE directly manages all of the component programs under the Targeted, IDEEA, and INDEE. SCE's task is to facilitate these program contracts and provide needed guidance, assistance, and direction. SCE's administrative duties include various tasks such as:

- Tracking and reporting to the Commission the status of activities and goals
- Making payments to the component program contractor
- Assisting in resolving issues among solicited programs and across the program portfolio
- Coordinating program activities with other SCE programs and non-IOU programs

## **11. Customer Description**

### **Customer Description**

This program applies to all residential and nonresidential customers within SCE's service territory.

### **Customer Eligibility**

In terms of bidders, all entities able to meet or successfully negotiate SCE's standard terms and conditions are eligible to submit proposals for this program. In terms of customers eligible to participate in the winning proposals, all customers who meet project-specific criteria and who are distribution customers of SCE are eligible.

### **Customer Complaint Resolution**

**Bidder Questions and Complaints** – All bidder inquiries and concerns related to SCE's solicitation process, commercial and contractual terms, or the purchase order contracts are directed to SCE's procurement agent. With regards to issues of program design or implementation, SCE will provide assistance to the bidder.

**Customer Questions and Complaints** – Customers concerns and questions regarding any IDEEA component program projects will be directed to SCE's IDEEA program manager. The program manager will involve the component program contractor in developing an effective response based on the contract terms and SCE policy. If a dispute arises and the program manager cannot resolve it, the issue will be brought to the attention of the next level of utility management, so that additional SCE resources can be brought in to resolve the issue.

## **12. Customer Interface**

In terms of the umbrella programs, the program is presented to prospective bidders through mass e-mail distribution, web announcement, industry newsletters, and various industry contacts. Once component programs are in place, communication between SCE and contractors will be through each program's assigned SCE program managers.

For SCE customers, methods will vary with the program selected. SCE will provide advice and support in the development and use of these methods, when requested by the program contractor.

### **13. Energy Measures and Program Activities**

#### **13.1. Measures Information**

For targeted programs, the known measure details, energy savings, and corresponding budgets are discussed in their respective program implementation plans. For IDEEA and INDEE programs, the measure information and program activities are not known until program proposals are received from prospective bidders.

#### **13.2. Energy Savings and Demand Reduction Level Data**

Energy savings and demand reduction information provided in corresponding portfolio workbook.

#### **13.3. Non-energy Activities (Audits, Trainings, etc.)**

SCE's non-resource programs under the Targeted element are found in their respective programs. For IDEEA and INDEE, the activities will not be known until the winning proposals are selected.

#### **13.4. Subcontractor Activities**

As mentioned under program implementation, subcontractors are the winning bidders. These program implementers will have the primary implementation responsibility for:

- Identifying target customers and conducting marketing activities
- Managing internal staff or contracting and managing subcontractors to carry out program work
- Coordinating with SCE on energy efficiency training seminars or workshops
- Meeting established goals and performing the work specified in the contract
- Documenting expenditures and program activities
- Resolving customer issues

#### **13.5. Quality Assurance and Evaluation Activities**

##### **13.5.1. Expected Number/Percent of Inspections (planned percent of projects)**

The planned inspection rates will range from 5% to 20%, depending on program design. Programs implementers that perform 100% inspection on their subcontractors before payment for work completed can be inspected by SCE at a rate as low as 5%.

#### **13.6. Marketing Activities**

Outreach for the open solicitation is discussed in previous sections.

### **14. Program Changes**

At the end of 2005, SCE completed its first round of program solicitations in support of the 2006-08 energy efficiency program cycle. The first round included all targeted solicitation as well the first of two IDEEA and the first of three InDEE program solicitations. SCE will conduct the next round of IDEEA and InDEE solicitations during the 2006 calendar year with implementation targeted for 2007. SCE also plans to

conduct the remaining InDEE solicitation in calendar year 2007 for implementation in 2008.