Northwest Power and Conservation Council

October 1, 2013

MEMORANDUM

TO: Council Members

FROM: Charlie Black

SUBJECT: Briefing on Northwest Energy Efficiency Alliance Draft Strategic Plan

NEEA issued its draft five-year strategic plan on September 23, and is requesting comments by October 9. The strategic plan describes why NEEA exists and sets the organization's overall direction. It specifies high-level goals and strategies for 2015-2019, and outlines the challenges that NEEA faces in achieving them.

When completed, NEAA's strategic plan will lay the foundation for NEEA's 2015-2019 business plan. The business plan will set specific, measurable objectives to achieve the strategic plan's goals. It will also establish performance metrics, resource requirements and proposed budget levels. The draft business plan is scheduled to be released for review in late October.

Susan Stratton and Jeff Harris from NEEA will appear at the Council meeting on October 8 for an interactive discussion with Council Members about the draft strategic plan. To help prepare Council Members for this conversation, staff will circulate discussion points and proposed comments on the draft strategic plan later this week.

Attachment: Draft NEEA Strategic Plan

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Memorandum

September 23, 2013

TO: NEEA Stakeholders

FROM: Susan Stratton, Executive Director
Jim West, Chair, NEEA Board of Directors
Deb Young, Chair, NEEA Strategic Planning Committee

SUBJECT: 2015 – 2019 Draft Strategic Plan

On behalf of the Northwest Energy Efficiency Alliance (NEEA) Board of Directors and Staff, we are pleased to present our 2015 – 2019 draft Strategic Plan for review and feedback. We have been actively engaged in a critical assessment of our operating landscape and in a constructive dialogue that has cumulated into this draft plan.

Our Ask

Before the NEEA Board formally adopts the Plan, we want to hear from the region on our draft Plan. Some specific questions to consider as you read the draft plan are:

- Are the goals appropriate given the current landscape?
- What other trends might need to be considered?
- Is the Strategic Plan directionally correct?
- What questions do you have after reading it?
- What do you think might need clarification?
- Is the plan consistent with NEEA's vision and mission?

Our Plan

We consider the Strategic Plan as our most fundamental guiding document. It describes why NEEA exists and sets our direction. The plan states our purpose, specifies our highest-level goals and strategies, and risks we may face in achieving them.

The Strategic Plan lays the foundation for our 2015 – 2019 Business Plan, which will articulate specific, measurable objectives that correspond to strategic plan goals, associated performance metrics, budget and resource requirements. The draft Business Plan will be released for review in late October.

How To Provide Feedback

There are two ways that you can provide feedback. Please visit ConduitNW.org. There, the NEEA Strategic Planning Group has been established where you can provide feedback directly as well as to find information about two webinars, which is the second way to provide feedback.

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Who We Are

The Northwest Energy Efficiency Alliance (NEEA) is an alliance of more than 100 Northwest utilities and energy efficiency organizations working on behalf of more than 13 million energy consumers. NEEA leverages its strong regional partnerships to effect market transformation by accelerating the adoption of energy-efficient products, services and practices. Since 1997, NEEA and its partners – including Avista Utilities, Bonneville Power Administration, Chelan County PUD, Clark Public Utilities, Cowlitz PUD, Eugene Water & Electric Board, Energy Trust of Oregon, Idaho Power, NorthWestern Energy, Pacific Power, Puget Sound Energy, Seattle City Light, Snohomish County Public Utilities, and Tacoma Power –have saved enough energy to power more than 600,000 homes each year. Energy efficiency can offset most of our new demand for energy, saving money and keeping the Northwest a healthy and vibrant place to live. www.neea.org

2015 – 2019 NEEA Strategic Plan

Draft, September 23, 2013

1. NEEA's Vision & Mission

Vision: *Energy efficiency is a cornerstone of a vibrant sustainable Northwest.*

Mission: *Mobilize the Northwest to become increasingly energy-efficient for a sustainable future.*

2. Introduction

Nearly twenty years ago Northwest energy efficiency stakeholders from Idaho, Montana, Oregon and Washington came together to address the challenges of a changing utility environment. In the face of potential deregulation, the majority of Northwest utilities ramped down or ended successful local energy efficiency programs. Long-standing regional support infrastructure for energy efficiency was being down-sized or dismantled as wholesale market prices for energy dropped. At the same time, there was a growing recognition of a powerful, new approach to efficiency program design and operation. In several distinct markets the region had demonstrated the value of a coordinated, market-based approach to efficiency programs. Recognizing that this new approach would be most effective if it represented the collective market power of the entire Northwest, regional stakeholders came together and founded the Northwest Energy Efficiency Alliance (NEEA) in 1996 to capture the value of this new approach called "market transformation."

Together, we achieve sustained energy efficiency benefits through market transformation.

This process involves the identification of barriers and opportunities to accelerate and increase the ultimate level of market adoption of efficiency.

Through collaboration and pooling of resources, the region's utilities and stakeholders harness their collective influence to drive market adoption of energy efficiency products, services and practices for the benefit of utilities, consumers and the Region.

Market transformation, as practiced in the Northwest, is a commitment by the utilities, energy efficiency program administrators, and other energy efficiency stakeholders to pool united efforts to move energy efficiency markets far beyond what any organization could do individually. This collective influence empowers the region to develop the market's long-term commitment to deliver energy efficiency products, services and practices to benefit utility customers. NEEA's unique role in this process is to look to the future to find emerging opportunities and to create a path forward to make those opportunities a reality in the region. As NEEA tests and vets those emerging opportunities, it creates conditions for sustained market adoption; successful utility programs; and accelerated benefits for the end-use customer.

Since 1996, the results of the region's collaborative action in delivering energy efficiency through market transformation have exceeded the region's original expectations. Working together as an alliance, the region has cost effectively built an efficiency "power plant" of more than 900 average megawatts. Northwest energy consumers have benefitted, not only from lower utility bills, but also from products, services and practices that have:

- improved their lives and , the value and comfort of their homes;
- provided them jobs; and
- improved the profitability and competitiveness of their businesses.

Ultimately, this commitment to energy efficiency as a preferred resource and the region's focus on long-term collaborative action through NEEA has contributed to an economically vibrant and more sustainable Northwest.

Today, NEEA is a strong alliance of more than 100 Northwest utilities and energy efficiency organizations working together on behalf of 13 million energy consumers. By voluntarily joining forces in the form of the alliance, the region's energy efficiency investment portfolio is less expensive and less risky because NEEA's market transformation works to lower the cost and risk of energy efficiency and ensures future energy efficiency opportunities. By participating in the alliance, utilities[1] are able to increase the return on their energy efficiency investment through:

Why an alliance?

- Market Leverage
- Economies of Scale
- Risk Pooling

Increased Market Leverage – By coordinating activities and resources through NEEA, the region is able to exert greater influence on regional and national market actors than it could if Northwest utilities acted individually and locally. Regional and national market actors are much more likely to collaborate with an organization representing 13 million consumers than with many smaller entities. Through NEEA, the region's utilities are able to support and influence: 1) products and services that manufacturers, distributors and retailers bring to market; 2) quality, availability and affordability of products and services in the market; and 3) development and improvement of energy codes and equipment standards.

Economies of Scale – By working as an alliance to aggregate regional demand for energy-efficient products, services and practices, NEEA lowers energy efficiency portfolio costs for utilities and consumers through economies of scale. These benefits include not only reduced costs for programs, but also reduced costs for data collection, building stock assessments, field research, and evaluation and measurement.

[1] Utilities are defined as including the region's utilities as well as the Bonneville Power Administration and the Energy Trust of Oregon.

Risk Pooling – Through joint investment in NEEA, the region's utilities are able to pool their risk in energy efficiency at large – utilities are all in it together, and hence reduce their individual risk. In addition, NEEA mitigates individual funder risk associated in evaluating and accelerating emerging energy efficiency technologies, services and practices, which by nature are risky pursuits.

Currently, faced with a slow economic recovery and lack of load growth, utilities have raised questions about the business case for continued investment in NEEA. Regional-versus-local issues have also emerged as utilities looked for more concrete evidence of local value with NEEA's regional initiatives. This plan seeks to address these key issues and as well as other trends identified in the discussion of the Energy Efficiency Landscape.

What guides our work?

- Long-term Orientation & Lasting Change
- Complementary Approach
- Equity

3. Principles and Values

In the pursuit of its Vision and Mission, NEEA's staff and Board of Directors are guided by the following principles and values[2].

Principles serve as our cultural cornerstone.

***Long-Term Orientation and Lasting Change*.** NEEA's core work is the long-term development of emerging, cost-effective energy efficiency resources via market transformation. NEEA's activities aim for lasting changes in the structure/ functioning of markets resulting in the market adoption of emerging opportunities. NEEA is committed to ensuring the market transformation process of NEEA is fine-tuned, collaborative and transparent.

[2] As defined in: is "Make Your Values Mean Something" by Patrick M. Lencioni, Harvard Business Review, July 2002.

Complementary Approach. NEEA's work complements and supports utilities' local program activities; and local programs support regional work. As such, NEEA focuses on activities with market participants who are "upstream" from utility customers. NEEA recognizes the importance of the utility/customer relationship and commits to collaborate with utilities as those utilities deem appropriate on specific market transformation efforts that involve direct customer engagement. We will develop coordinated efforts that engage local programs in a way that maximizes the overall market transformation effort while upholding and enhancing customer relationships and service.

Equity. NEEA balances its portfolio of work to deliver value equitably across the region, recognizing the needs of stakeholders in all four states and in both rural and urban settings. In so doing, NEEA addresses and balances the needs of both large and small utilities and other energy efficiency organizations. This includes balancing the mix of region-wide and limited geographic opportunities as well as operational differences such as the rate of market transformation and product adoption across the region.

Values. Our values are those we strive for and need for future success.

Accountability. We take personal responsibility for our decisions, actions and results, set clear goals, and establish measurements and standards for success. We clearly define expectations, roles and responsibilities, and will ask for the help and collaboration necessary to accomplish our mission. We proactively interact, exchange ideas, seek input and share information.

***Continuous improvement/Adaptive management*.** We must adapt quickly to changes in market dynamics. We make fact-based decisions and conduct ongoing market research and evaluation to accelerate learning and improvement reflected in our work.

Operational Efficiency. NEEA is accountable to funders and ensures excellent stewardship of resources deployed to achieve regional energy efficiency goals cost-effectively . We are thorough and maintain a high level of rigor in our analytical processes. We commit to best practices in: portfolio management; development, delivery and evaluation of programs; contractor management; and budget and expenditure controls. NEEA provides a high level of visibility to all of its organizational assets to assure funders that an investment in a regional alliance is in the best interests of each funder.

Integrity/Transparency. Integrity includes honesty—both by the organization and the individual conduct of staff and management—as well as transparency and openness. NEEA is committed to an open and transparent process by which the region's dollars will be used to transform markets, and how value is determined and results reported. The criteria for these investments are directed by the NEEA Board at the highest level, with input from the Regional Portfolio Advisory Committee. Key functional areas of NEEA are operated with input from Advisory Committees and through the work of many stakeholder workgroups, staff and contractors.

Partnership/Collaboration. We value utility and stakeholder input to help shape our work - and believe two-way collaboration is necessary for success. We work towards balance between collaboration and forward progress and to seek to improve the structure, process and timeliness of decision-making.

Innovation. We are committed to advancing our work through new ideas and approaches, and refuse to accept the status quo. We take informed risks while considering the progress, resources and potential savings associated with new opportunities. We welcome change, clarify ambiguity, and are open to new mission-related opportunities.

Supportive work environment. We are committed to a supportive environment for our talented staff, including work-life balance, and a culture of respect and kindness.

Sustainability. We are committed to the practice of sustainability in our day-to-day operations and decision-making. The organization is committed to "walking our talk."

4. The Energy Efficiency Landscape

Over the last 35 years the Northwest has met over half its load growth through investment in energy efficiency; the equivalent of over 5,000[3] average megawatts of clean, carbon-free power. The region has built a robust regional energy efficiency network that plans, delivers, and measures this important energy resource. The network includes many participants and points of engagement including utility programs, state and local governments, private sector businesses, regional agencies, non-profits, advocacy groups, as well as educational and research institutions. In 2012, the total utility investment in energy efficiency exceeded $420 million, of which NEEA represented slightly less than 10%.

Despite this success, there remains significant, untapped - cost-effective energy efficiency potential. The Northwest Power and Conservation Council's Sixth Power Plan estimates that there is more than 6,000 average megawatts of achievable potential that can meet 85% of the Region's new load growth over the next 20 years. While low natural gas costs could lower the total cost-effective potential in the upcoming Seventh Power Plan, recent analysis by the Council suggests that the efficiency resource will still be very significant in meeting long-term load growth in the region.[4] Looking forward, there are both challenges and opportunities that will impact the Region's ability to realize the full potential of energy efficiency. The following trends[5] have specific implications for NEEA.

[3] Source: NW Efficiency Exchange Conference, May 2013, General Session, Tom Eckman presentation https://conduitnw.org/Pages/Article.aspx?rid=321

[4] Source: Ibid.

[5] Source: Larkspur Energy, Environmental Scan for the Northwest Energy Efficiency Alliance, November 2012

- ***Slow and uneven economic recovery.*** Some sectors and geographic portions of the region are experiencing recovery, turning attention from cost-control to meeting new demand for homes, commercial buildings and industrial production. Other areas of the regional economy and geography are struggling under difficult economic conditions, creating an uneven regional economic situation for the near future.
- ***Low load growth.*** Near-term forecasts for electric loads are predicting low, uneven growth across the region. These reduced loads are due in part to a lagging effect of the recent economic downturn, the growth of distributed generation, and in part from the success of regional efficiency efforts.
- ***Lowered avoided costs.*** Low natural gas prices are significantly reducing the cost-effective thresholds for energy efficiency. Some recently completed Conservation Potential Assessments and Integrated Resource Plans are reporting reductions of 20-30% in cost-effective energy efficiency potential compared to assessments completed a few years ago.
- ***Pressure to keep current electric rates low.*** Given the unevenness of the economic recovery and the need to recover rising infrastructure costs, many utilities face significant pressures to reduce costs to keep current electric rates as low as possible, requiring all costs, including energy efficiency programs costs, to be "on the table" as targets for cost-reduction.
- ***Customer Satisfaction.*** For many utilities, customer satisfaction has become a driving metric of overall utility success along with more traditional measures of service delivery such as reliability. Awareness and participation in energy efficiency programs has been identified as one of the top drivers of customer satisfaction.
- ***"Low-hanging fruit" is disappearing.*** Thanks in large part to the success of codes and standards, the era of large, easy-to-capture, energy efficiency programs (e.g. compact

fluorescent lamps, commercial lighting retrofits) appears to be ending. While there are still some areas of efficiency opportunity that remain "close to the ground," by and large the remaining energy efficiency potential is generally available in smaller increments, is more diverse, and tends to be integrated into larger "systems" and "behavior" that must simultaneously be addressed to capture the savings.

- ***Pace of change in technology is accelerating***. Technology in energy-consuming products and services is evolving at an increasing pace; yet current emerging technology efforts in energy efficiency are seen as slow, and are too focused on "big opportunities" to keep up with the need for new, diverse products and services to fill the energy efficiency "pipeline." For example, changes in lighting technologies are moving so quickly that products that go through "qualification assessment" for program rebates may be replaced by entirely different models or may no longer available by the time the "qualified list" is published.

Overall, these trends create a challenging, near-term environment for energy efficiency development in the region. However, within these challenges are opportunities for the region to capture more cost-effective efficiency and build on the very substantial foundation of an efficiency resource that is equivalent to almost half of the firm power output of the region's hydropower system.

NEEA is well positioned to serve the region to help address these trends. Through the vehicle of market transformation, NEEA has demonstrated the ability to help the region acquire efficiency even in complex markets where the "simple solutions" have already been taken. By leveraging our regional advantage through NEEA, the region can lower the cost of acquiring energy efficiency making it possible to continue to develop this important resource even during times of low avoided costs. By pooling investment in emerging technologies through NEEA, the region can spread the risk of rapidly changing technology. Our Strategic Goals and Key Strategies describe what NEEA will do and the approaches we will take to address the trends facing our industry.

5. Strategic Goals & Key Strategies

How do we facilitate Market Transformation?

Fill the EE Pipeline

Create Market Conditions for Sustained EE Adoption

Given the current and projected landscape for energy efficiency for the next five to ten years, the case for regional collaboration focused on transforming markets is still strong. In an era of increasing complexity, tougher cost-effectiveness thresholds, and rapidly changing technologies, NEEA provides the region a leveraged, cost-effective way to continue the legacy of energy efficiency development. NEEA's mission, "Mobilize the Northwest to become increasingly energy-efficient for a sustainable future" is as relevant now as it was in 1996. NEEA will achieve its mission by focusing on two strategic goals:

(1) **Fill the energy efficiency pipeline with new products, services, practices and approaches; and**

(2) **Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.**

These two goals are complementary and interdependent. Together, the strategies that NEEA pursues to achieve these goals comprise the continuum of market transformation activities. The key strategies associated with each goal are described below. Appendix 2 provides additional detail on the continuum of market transformation activities and depicts their interrelationship.

Goal 1) Fill the energy efficiency pipeline with new products, services, practices and approaches.

Five Year Success Metric: Fill the 20-year energy efficiency pipeline with 1,000 aMW of regional potential savings in process and 250 aMW readied for market adoption.

Since its inception, NEEA has played a key role in developing the next-generation of energy efficiency resources by scanning the market, identifying emerging energy efficiency technologies, driving regional customization and availability of emerging technologies, and conducting market research and feasibility studies. These efforts identify opportunities that allow the region to meet future energy needs in the most cost-effective way possible.

Key Strategies:

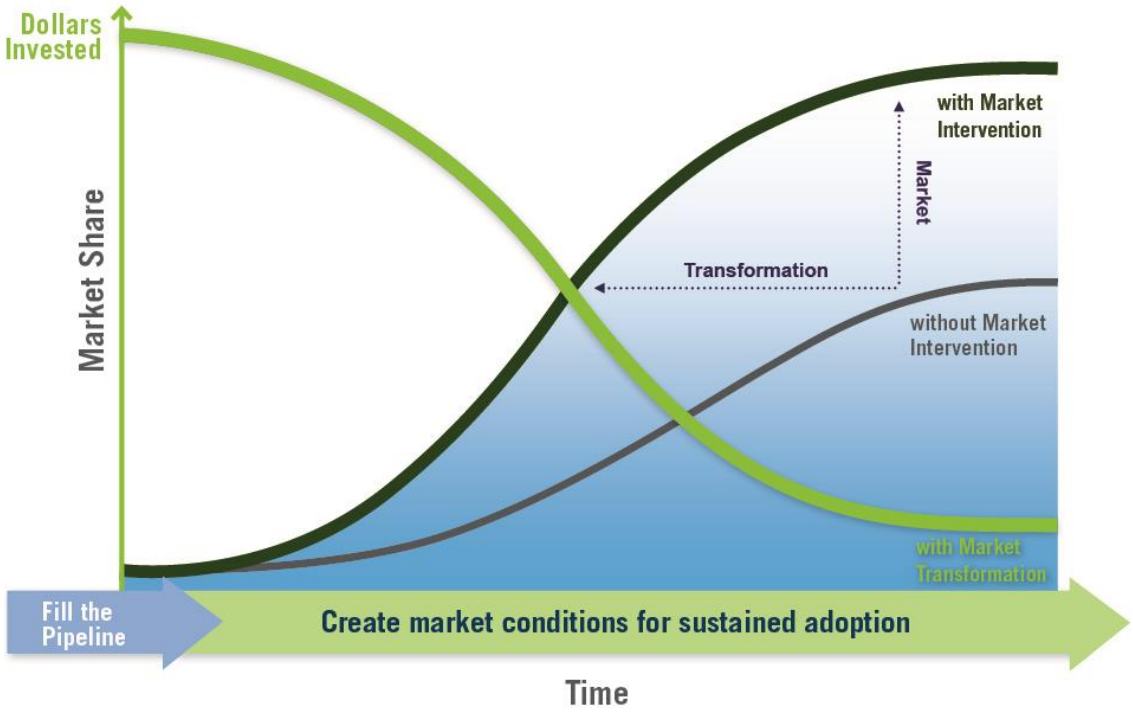
A. Conduct primary and/or secondary market research to identify market barriers that have prevented widespread market adoption of technologies and practices and for opportunity assessment (technical, market, and building stock assessments).
B. Engage in discussions with upstream market actors with an interest in bringing market-ready, energy-efficient innovations to market.
C. Develop and maintain relationships with regional/national organizations to leverage and influence their research, development and demonstration activities of new energy-efficient technologies (e.g. Department of Energy/National Labs, Electric Power Research Institute (EPRI), California).
D. In collaboration with utilities and stakeholders, conduct demonstration projects of promising technologies/approaches to validate product quality and energy savings.
E. Effectively disseminate information about, and strategies related to, these technologies within the Northwest energy efficiency community.

Goal 2) Create market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices.

Five Year Success Metric: In all of the markets in which NEEA works, NEEA programs result in substantive and measurable change in market conditions.

NEEA focuses on products, services and practices that, while technically promising, are not taking hold in the market on their own. NEEA targets these commercially available technologies because they are experiencing limited, slow or no market adoption; i.e., market research indicates that without deliberate market intervention, market diffusion of the identified energy efficiency technology or practice will move more slowly or stall. This situation is graphically represented in Figure 1, which depicts two patterns of possible market adoption over time—one without deliberate market intervention ("naturally occurring") and one with deliberate strategic market intervention to remove identified barriers to market adoption (i.e., market transformation).[6]

Figure 1: Market Adoption – with and without Market Intervention



[6] Market Transformation is rooted in social sciences theory: Edward Rogers described the "S-curve" in his seminal work, "Diffusion of Innovations" (Edward Rogers, 1962); Geoffrey Moore described the types of strategic market interventions that could help companies overcome the "chasm" between market adoption by "innovators" and "early adopters" that often afflicts the diffusion of innovations.

To realize the promise and energy savings potential of these emerging products, services and practices, NEEA facilitates the development of coordinated regional strategies to permanently remove market barriers and executes components of those regional strategies for which a regional approach brings greater value to the region than would individual action by utilities/administrators. NEEA's role varies by market transformation initiative and is characterized by activities with market participants who are "upstream" from utility end-use customers.

Without this "market development" work, the region would not capture the energy efficiency opportunities NEEA targets, because the market barriers to their adoption would persist. Figure 2, at the end of this section, provides a summary of typical market barriers and associated market intervention strategies. By executing intervention strategies directed at overcoming market barriers, ***NEEA creates the market conditions that will accelerate and sustain the market adoption of emerging energy efficiency products, services, and practices***.

Key Strategies:

A. Influence market actors to increase availability of energy-efficient products and services.
   - Develop and maintain long-term relationships with regional and national market actors.
   - Use targeted mid- (e.g., retailers; distributors) and upstream (e.g., manufacturers) incentives.
   - Work with influential companies in targeted markets to test and demonstrate the value/business case for energy efficient business practices.

B. Improve/ensure product quality.
   - Conduct lab and/or field testing and share results with the manufacturer or service provider.

- Establish 3rd-Party quality testing systems as needed (e.g., verification network for ENERGY STAR new homes; and the Program for the Evaluation and Analysis of Residential Lighting (PEARL)).
- Establish or influence product specifications (e.g.,ENERGY STAR), code or standard.

C. Build market capability.

- Develop and deliver training, certification and professional development programs for sales associates, installers, building operators, maintenance employees and other market participants.
- Work with market partners to incorporate energy efficiency in their training and professional development programs.
- Provide technical assistance and information to trades and professionals who influence energy efficiency choices.

D. Identify and develop market resources that capitalize on the compelling value proposition/business case (i.e., “non-energy benefits”) for an energy efficient product, service or practice.

- Conduct market research to identify most compelling messaging to influence purchasing behavior.
- Partner with stakeholders to conduct demonstration projects; disseminate case study results.
- Develop and disseminate marketing resources that can be used to increase market demand (e.g., research-based messaging; business case tools; case studies).

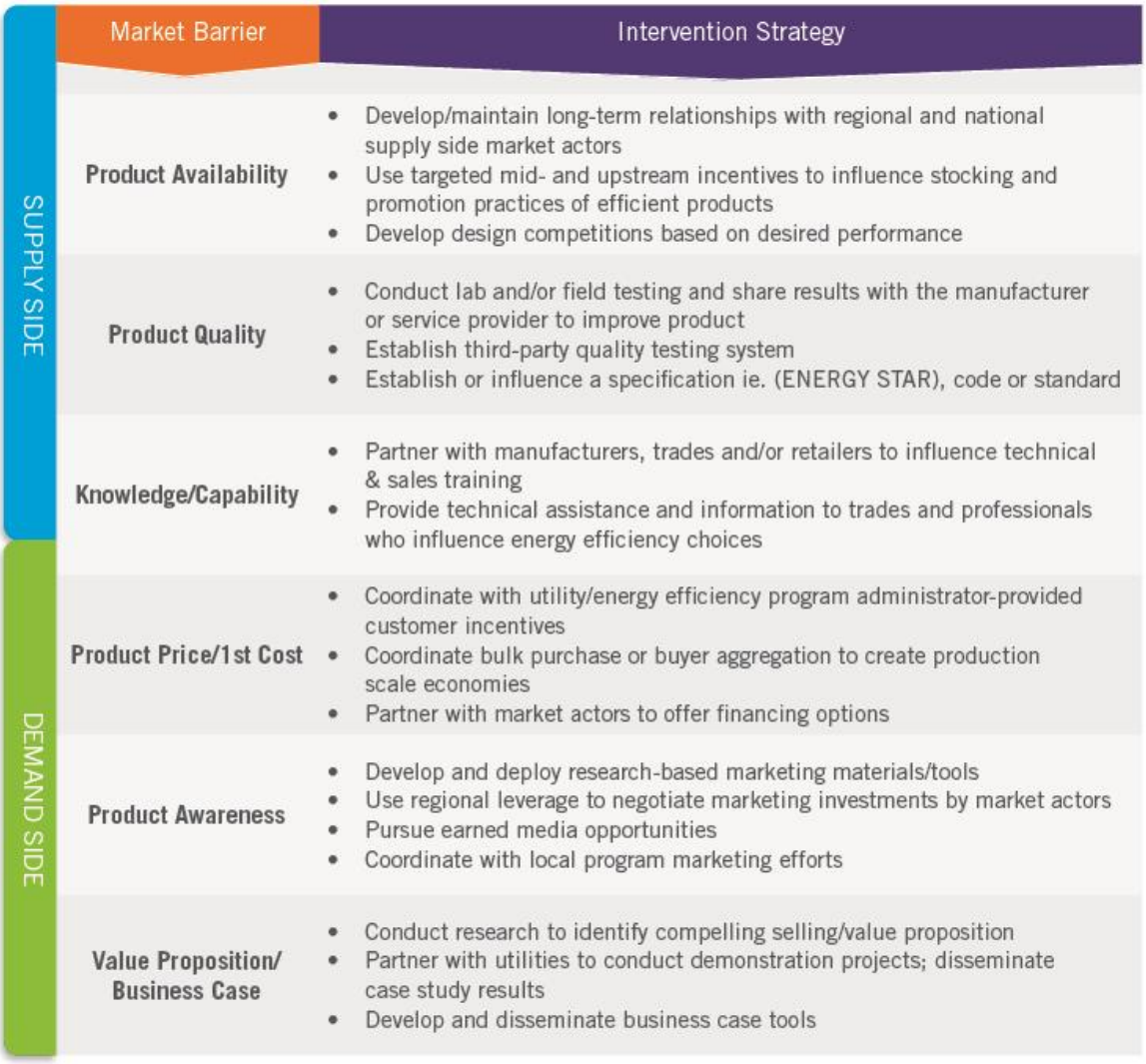
5. Increase product awareness.

- Develop and deploy research-based marketing materials/tools.
- Use regional leverage to negotiate marketing investments by market actors.

- Pursue earned media opportunities.
- Coordinate with local program marketing efforts.

6. Develop strategies to address price/first cost issues.
    - Coordinate with utility/energy efficiency program administrator-provided customer incentives.
    - Coordinate bulk purchase or buyer aggregation to create production scale economies.
    - Partner with market actors to identify/encourage possible financing programs.
7. Influence and support the successful implementation of more stringent codes and standards.
    - Pursue voluntary energy efficiency programs to advance product and building efficiency, and use data from successful programs to influence more stringent codes and standards.
    - Develop/maintain relationships with national standards-setting organizations to promote energy efficient standards.
    - Develop product standards, protocols and 3rd Party certifications to improve product quality/suitability for the region.
    - Develop/maintain relationships with regional/national organizations that influence building energy codes.
    - Develop and implement training programs in support of new codes.
    - Collect data on costs and savings performance of proposed codes and standards provisions.

Figure 2: Typical Market Barriers and Intervention Strategies



	Market Barrier	Intervention Strategy
SUPPLY SIDE	**Product Availability**	• Develop/maintain long-term relationships with regional and national supply side market actors • Use targeted mid- and upstream incentives to influence stocking and promotion practices of efficient products • Develop design competitions based on desired performance
SUPPLY SIDE	**Product Quality**	• Conduct lab and/or field testing and share results with the manufacturer or service provider to improve product • Establish third-party quality testing system • Establish or influence a specification ie. (ENERGY STAR), code or standard
SUPPLY SIDE	**Knowledge/Capability**	• Partner with manufacturers, trades and/or retailers to influence technical & sales training • Provide technical assistance and information to trades and professionals who influence energy efficiency choices
DEMAND SIDE	**Product Price/1st Cost**	• Coordinate with utility/energy efficiency program administrator-provided customer incentives • Coordinate bulk purchase or buyer aggregation to create production scale economies • Partner with market actors to offer financing options
DEMAND SIDE	**Product Awareness**	• Develop and deploy research-based marketing materials/tools • Use regional leverage to negotiate marketing investments by market actors • Pursue earned media opportunities • Coordinate with local program marketing efforts
DEMAND SIDE	**Value Proposition/ Business Case**	• Conduct research to identify compelling selling/value proposition • Partner with utilities to conduct demonstration projects; disseminate case study results • Develop and disseminate business case tools

6. Risks

NEEA's success depends on many factors in a complex and rapidly-changing environment. There are significant risks inherent in these factors which can impact its ability to achieve its strategic goals, and in the end, its mission.

Risks for which NEEA has some level of control and has plans to mitigate:

1) **Funding –** The loss of one funder can create a domino effect resulting in an organization that does not have the leverage required for market transformation. Loss of funder(s) can also create inequity and issues of free ridership across the region. Funding could be in jeopardy if:
    a) NEEA does not achieve equitable distribution of benefits across the region (i.e. urban/rural);
    b) NEEA does not achieve its goals; and/or
    c) NEEA fails to deliver on its commitments cost effectively.

NEEA mitigates this risk by clearly defining and delivering value to funders and by maintaining open, meaningful channels of communication to resolve issues and maximize NEEA's impact.

2) **Different approaches to market transformation** – Other parts of the country, namely California and New York, are actively investigating market transformation. Different approaches by these large players could create market confusion and lack of effective market influence for the Northwest.

NEEA mitigates this risk by establishing and maintaining relationships with key players in other geographies to influence and collaborate on market transformation programs.

Risks which are outside NEEA's control and cannot be easily mitigated:

1) Regulatory or Governing body decisions that end or curtail investments in energy efficiency.
2) Events or conditions that lead to a significant contraction of the economy.
3) Significant changes, such as disintermediation, in the utility industry that shifts the responsibility of energy efficiency away from utilities.
4) Ongoing pressure for utilities to limit rate increases, combined with low load growth and potentially declining avoided costs.

NEEA monitors activity and developments in the industry to identify potential impacts and will work through the Strategic Planning Committee on specific mitigation actions as the need arises.

7. Looking Forward

NEEA's five-year Strategic Plan outlines a path to build on the past success of the alliance in accelerating the adoption of new technologies and practices that boost the region's energy productivity. As the future holds more challenging and complex opportunities, the joint action of the NEEA funders will help ensure that our collective efforts are leveraged and our resources are deployed efficiently so the power of the region can deliver on the promise of energy efficiency resources, and the vibrant Northwest that we seek for our future.

Susan Stratton and Jim West on behalf of The Northwest Energy Efficiency Alliance (need to decide if signature here or in a cover message)

8. Appendices

1. Strategic Planning Process
2. Market Transformation Continuum

Appendix 1

Strategic Planning Process

In preparation for the strategic planning process, the Board conducted sessions in 2012 to determine their desired strategic direction. The Board also directed the Strategic Planning Committee (SPC) and staff to engage a consultant to do a scan of the business environment. That scan was completed in Fall of 2012 and used to inform the work of the Committee and the Board.

The strategic planning process began in earnest in 2013, with the SPC leading discussions at Board meetings in February, May, August, and December and leading full-day Board workshops in April, July, and October. Public input was solicited early in the process through the Conduit website and again after the first draft of the plan was released. Two region-wide webinars were conducted in late September and early October and the input was considered in developing the second draft. NEEA staff also met with numerous stakeholders, including state energy offices, public utility commissions, and energy efficiency advocates to capture their feedback.

After gathering and considering feedback from stakeholders, the SPC finalized the plan for Board adoption in December, 2013

Appendix 2: Market Transformation Continuum

The following is an illustration of how NEEA's Strategic Plan Goals map to Market Transformation phases and typical activities[1] that would be undertaken in that phase.

Goal 1

Filling the Emerging Technology[2] Pipeline

Goal 2

Creating the Market Conditions that will Accelerate and Market Adoption

1 Market scanning and concept identification	2 Concept opportunity assessment	3 Market and product assessment	4 Market transformation strategy testing and finalization	5 Full-scale market development/strategic market intervention[3]	6 Long-term monitoring and tracking
• Conduct secondary research on new technology in select markets • Screen unsolicited proposals to support NEEA's work • Maintain strategic alliances with other emerging technology and research and development partners (e.g. BPA E3T, EPRI, ETCC, PNNL, NBI, WCEC) • Test product "feasibility" in laboratory or similar controlled settings to verify energy savings potential	• Develop a market transformation "logic model" that links identified barriers and opportunities to specific strategies to remove those barriers • Establish preliminary estimates of regional savings potential and costs • Identify initial target market segments • Identify and describe roles and program opportunities for NEEA and utilities • Develop and implement a data management plan to collect market data (i.e. sales data) • Analyze and validate data for market progress and energy savings results	• Conduct controlled "in-field" demonstrations and technical assessments of products in targeted market applications to assess performance, energy savings and end-user experience • Test and validate assumptions about market barriers and opportunities based on limited field assessments • Analyze field data and make recommendations • Establish baseline market conditions to develop an energy savings forecast	• Develop market intervention plans to address market barriers and opportunities based on findings • Conduct market research and market characterization studies • Test and evaluate strategies in limited scale "market tests" • Incorporate any findings for next phase of continuum • Develop a cost-effectiveness model for each logic model, which produces energy savings forecasts and cost-effectiveness metrics	• Develop product standards, protocols and certifications to improve product quality/suitability for region • Design and test programs to increase product availability and sales • Provide financial incentives to national/regional market actors to influence buying, stocking, promotional practices, and to manufacturers to produce efficient/ suitable technologies • Develop training, certification and professional development programs for sales associates, installers, building operators, maintenance employees -- to increase market capability • Develop and implement research-based marketing/ communications strategies to increase product demand and raise awareness, in coordination with utilities, retailers, distributors and manufacturers • Provide technical assistance to trades, building/facility operators and professionals who influence energy efficiency choices • Collect, analyze and validate market data (i.e. sales data) for market progress and energy savings results	• Evaluate market progress of market transformation initiatives to assess lasting market change • Revise and implement a data management plan to collect market data (i.e. sales data), analyze and validate data for market progress and energy savings results

Codes and standards support
(Across entire Market Transformation Continuum)

- Provide support of voluntary programs to advance building practices, which then creates improved codes opportunities
- Collect data on costs and savings performance of proposed codes and standards provisions
- Develop and implement training programs in support of new codes
- Collect data on code compliance to help ensure energy savings is captured and verified
- Influence the development of new codes and standards by serving as a technical expert as part of the codes and standards setting process

[1] The activities listed are examples only, are not in order of priority, and may not be required for all Market Transformation efforts.
[2] "Emerging Technologies" refers to emerging technologies, services, and practices.
[3] Activities and roles vary widely from initiative to initiative and from utility to utility, but should be identified during NEEA's initiative process through stakeholder advisory channels. In all cases, effective communication, coordination and collaboration between and within organizations is essential for a successful Market Transformation effort.