STAKEHOLDER CONSULTATION PROCESS FOR AN ADMINISTRATIVE MODEL FOR DSM DELIVERY IN NOVA SCOTIA

FINAL REPORT

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EXECUTIVE SUMMARY

The Faculty of Management at Dalhousie University was requested by Conserve Nova Scotia to prepare a proposal for a stakeholder consultation process for determining optimum designs for administration of electricity demand side management in the Province of Nova Scotia. The proposed brief was:

- **Establish a five stage stakeholder consultation process**
- **Provide relevant information to stakeholders on the variety of DSM administration models currently being used (including their strengths and weaknesses, key factors that contributed to their use in a particular jurisdiction, their suitability for use in the NS situation, etc)**
- **Attempt to secure a consensus (not necessarily unanimity) on the recommended administrative model(s)**
- **If no consensus is achievable on one model, then put forward administrative models that have significant stakeholder support identifying the strengths and weaknesses of each in the Nova Scotia context**
- **Identify the regulatory/legislative implications of the model(s) presented**

This report describes i) how the process unfolded; ii) the principal outcomes of the process; and iii) recommendations for the Government of Nova Scotia on steps necessary to implement the recommendations.

We recommend that the Government of Nova Scotia establish an independent 'third party' model of Electricity Demand Side Management Administration which we are characterising as a **Performance–Based Independent Efficiency Agency.** We suggest that this Agency be regulated by the Utility and Review Board (UARB) under an amendment to legislation, and be created by an Act of the Provincial Legislature and be provisionally entitled the **Nova Scotia Electricity Efficiency Agency.**[1]

The key characteristics of the entity are:

- **The Agency should be an Independent Multi-Purpose Entity (eg. a not-for-profit company created by legislation with all shares held by the Province of Nova Scotia)**
- **The Board of the Agency should be appointed by the UARB on merit according to pre-determined criteria and a transparent recruitment process (advised by an Interim Steering Committee)**
- **The Agency will have clear performance targets and management will have incentives to perform**
- **There will be regular independent performance audits against targets conducted by an independent auditor**
- **There should be a formal review before renewal of mandate through a Performance Review Mechanism (within a maximum period of three years)**
- **All funders and users of the Agency's programs should be involved and served in an accountable and transparent manner**

[1] We also offer the possibility to Government that - for reasons of longer term cost-effectiveness and synergy - consideration be given to leaving open the option of the Agency one day being renamed the Nova Scotia **Energy** Efficiency Agency and for it to become a 'one stop shop' for administration of multi-fuel efficiency measures. This would of course be subject to renewal of mandate with appropriate regulatory oversight and stakeholder involvement in design.

- **There should be secure funding**
- **The power utility should be a key partner on program branding and other activities including program delivery (should it decide to compete to provide such services)**
- **The Agency should be flexible enough to evolve its mandate and scope of activities according to public policy and other needs over time.**

We do not recommend consideration of alternative models at the present time.

DESCRIPTION OF PROCESS

Following a provisional meeting with officials of Conserve Nova Scotia and the Department of Energy on 19th December 2007, Dalhousie University prepared and submitted a proposal to conduct a stakeholder consultation process for determining optimum designs for administration of electricity demand side management in the Province of Nova Scotia. The proposal is attached as Appendix 1 to this document and was submitted 30th January 2008.

Potential stakeholders were identified through discussions with readily identified actors followed by telephone and email outreach to those stakeholders and further elicitation of names of potential stakeholders. Mid-way through the process a public advertisement was placed in the Chronicle Herald newspaper to further identify individuals and organisations that might wish to participate in consultations.

Three meetings were held with stakeholders between February 22nd and April 4th, and up to 40 stakeholders and their representatives attended on each occasion. In addition, four rounds of telephone and email outreach were conducted (one before each meeting) in order to ascertain views that stakeholders might prefer to express privately (see Appendix 4 for questionnaires). Finally, some stakeholder groups sent in letters and other communications that summarised their perspectives.

The PowerPoint presentations for each stakeholder meeting and the stakeholder outreach questionnaires are provided in Appendix 5.

Prior to the first meeting of stakeholders a paper entitled ***Overview of Administrative Models for Electricity DSM*** was circulated to attendees and non-attendees in order to try and clarify definitions and characteristics of the available models. This paper was drafted by our independent expert consultants and the final version of the document is presented in Appendix 2.[2]

Preparation for the first meeting of the stakeholders (February 22nd) invited the following input from stakeholders:

- **Identify any options that you believe may have been omitted;**
- **Comment on the list of potential advantages and disadvantages identified for each identified option;**
- **Suggest amendments to the working document that may assist in reaching consensus on definitions, descriptions and potential advantages and disadvantages identified.**

A strong majority of stakeholders who responded (12 of 13) believed the ***Overview*** paper "captured the main options for electricity demand side management". Nearly as strong a majority (11 of 13) believed "fairly captured the potential advantages and disadvantages identified for each identified option".

The first meeting of stakeholders (February 22nd) had the following objectives

- **Discuss and try to achieve consensus on the 'four options' and their potential advantages and disadvantages**
- **Discuss and prioritise the key principles that will drive our recommendation of a preferred administrative option for Nova Scotia**

[2] The paper went through three drafts based on stakeholder feedback and review.

- **Discuss the process and timescale which will allow us to achieve consensus on a preferred option for Nova Scotia**

At the meeting on 22nd February we achieved these objectives, making suggested amendments to the ***Options*** paper, proposing a number of ***Principles for Success*** for the process, and agreeing the importance of convening an expert seminar on Electricity DSM as soon as that could be arranged.

The Principles for Success, as discussed and later summarized and amended with stakeholder input are set out below.

Principles for Success	**Primary Objectives (in order of priority identified by NS stakeholders)**	**Subsidiary Objectives (also identified by NS stakeholders but with less consensus)**
Accountability and oversight. There need to be 'crisp and clear' delineation of authority and responsibility between the delivery agents and the administrator.	1. The DSM administrator is accountable for results/performance 2. Credible measurement - ability to monitor/ change/evaluate 3. Clear decision making structure (who makes the final decision) 4. No conflict of interest (convergence of interest)	Need for clearly defined roles and mission, administrator must be a trusted point of contact, chosen model must have broad stakeholder support and communicate effectively with stakeholders
Administrator effectiveness: fast and market responsive decision-making	1. Flexibility to adapt to changing public policy 2. Flexibility for program design 3. Responsiveness to long range planning 4. Builds implementation infrastructure (relates to human resource capability)	Speed of implementation, ability to move quickly (there is an urgency for action/program implementation and delivery), nimbleness, learn from mistakes/successes of others
Compatibility with public policy goals: avoidance of unhelpful politics – eg. pressure to deliver funding to constituencies, rather than to acquire cost-effective energy savings	1. Maximizing contribution to achieve the economic, social and environmental goals – transparency was also named as a top priority 2. Must be in context of province's sustainability act 3. Equity component – participation for low income – Who's paying, how much? And who's benefiting? 4. Non–bureaucratic and entrepreneurial that encourages competitive and innovative solutions	Represent everyone
Secure funding allocation: avoidance of misuse of funds for other budgetary purposes.	1. Results oriented versus spending oriented 2. Cost effective allocation 3. Predictable and dependable funding sources/multi-year	

On 26th March a one day expert seminar was convened to explore in more detail the possible advantages and disadvantages of the different models for DSM Administration in the Nova Scotia context. Preparation for the meeting invited stakeholders to offer final comments on the ***Options*** paper and prioritise the ***Principles for Success*** (captured in the above table).

The expert seminar received presentations from five perspectives. Each presenter was asked to help Nova Scotia stakeholders understand the advantages and disadvantages of their models with respect to the ***Principles for Success.*** The briefing provided to speakers is reproduced in Appendix 3.

The expert presenters for each option were as follows[3]:

- **Third Party Administration**
  - **Tom Foley (Energy Trust of Oregon)**
- **Efficiency Utility Administration**
  - **Blair Hamilton (Vermont Energy Investment Corp)**
- **Utility Administration with Regulatory Oversight**
  - **Tim Stout (National Grid USA)**
- **Government Administration**
  - **Elizabeth Weir (Efficiency New Brunswick)**
- **Utility Administration with Stakeholder Advisory Boards**
  - **Michael Stoddard (Environment Northeast)**

During the seminar our experts devoted equal time to presentations and questions, giving stakeholders every opportunity to explore the possible risks and benefits of these models as they might be applied in Nova Scotia. Stakeholders were also asked to note and submit particular comments on risks and benefits from their perspectives immediately after the session or later.

On April 4th the Dean of Management of Dalhousie University presented back to stakeholders his recommended option for the Electricity Demand Side Management in Nova Scotia and invited reactions to the recommendation. He recommended that the Government of Nova Scotia establish an independent 'third party' model of Electricity Demand Side Management Administration which he characterised as a **Performance–Based Independent Efficiency Agency.**

The decision criteria applied in making the recommendation were summarized as:

- **Consistency with Principles for Success**
  - ***Accountability and Oversight***
  - ***Administrator Effectiveness***
  - ***Compatibility with Public Policy Goals***
  - ***Secure Funding Allocation***
- **Maximise Speed - Minimise Risk**
- **Maximise Stakeholder Consensus - Minimise Divisiveness**
- **Accountability to funders (ratepayer versus taxpayer)**

[3] Subject to copyright and agreement of the presenters, the PowerPoint presentations from this session may be made available to interested parties.

ATTITUDES OF STAKEHOLDERS TO PROCESS

Throughout the process of stakeholder consultation, the Dalhousie University team carefully tracked stakeholder attitudes both to the offered options and to the process itself. At the first stakeholder meeting we offered the following 'rules of the game' in order to try to ensure a common vision for the process and its outcome:

- **Keep eyes on the prize**
  - **Best possible result for the people and the environment in Nova Scotia**
  - **Maximise contribution to achievement of Provincial economic, social and environmental goals**
- **Keep an open mind**
  - **Listen and inquire**
  - **Avoid assumptions based on past (mis-) understandings**
  - **Remember that not all stakeholders are in the room**
- **Promote consensus and win-win outcomes**
  - **'both and' rather than 'either or' thinking**

Broadly speaking, these rules were observed in a good spirit, although they did come under strain towards the end of the process when certain stakeholder positions were being advanced with more vigour and persistence. This was perhaps understandable as the potential implications of the models became clearer for stakeholders and decision-time drew closer. This was reflected in a slight softening of trust in Dalhousie's facilitation and the Government of Nova Scotia's ability to respond effectively to final recommendations.

From before the first stakeholder meeting through to the run-up to the final stakeholder meeting stakeholders were asked the following question:

Based on what happened at the meeting on [date], on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you place in Dalhousie University now to run a fair and objective consultation process?

Over the six weeks trust in Dalhousie's process went from a score of 5.0, to 4.4, to 3.9. Care should be taken when interpreting the data; sample sizes were relatively low (typically less than 15) and respondents were not identical each time. However, given the fact that the facilitation process was providing something of a 'lightning rod' for stakeholder concerns, the facilitators were happy that trust and confidence held up as well as it did.

Stakeholders were also asked:

Based on what happened at the meeting on [date] on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you are willing to place now in the Government of Nova Scotia responding effectively to the recommendations of the consultation process?

Over the six weeks trust in the Government's ability to respond effectively went from a score of 3.5, to 3.3, to 2.7. Again, care should be taken in interpreting these data. Clearly stakeholders were keen to send a signal to the Government that they expect action and this question allowed them to send such a signal.

Finally, between the first and third meetings stakeholders were asked:

Based on what happened at the meeting on [date], where 1 = Much Less Optimistic and 5 = Much More Optimistic, are you now more or less optimistic that we will be able to make clear recommendations to the Province in a timely and consensus-based way?

Stakeholder opinion on this question went from 3.2 to 3.3, demonstrating perhaps that despite the signals being sent to the facilitators and to the Government, stakeholders were not discouraged by the unfolding of the process, although the level of optimism remained moderate.

ATTITUDES OF STAKEHOLDERS TO OPTIONS

Before each stakeholder meeting stakeholders were asked:

Based on what you learned at the meeting [date], on a scale of 1-5 where 1 = highly undesirable and 5 = highly desirable can you please comment on what you now think will work for Nova Scotia.

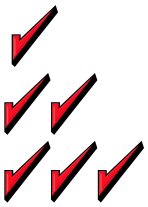
Again, we must note the care with which these data must be interpreted given the relatively low sample size and the variability in the sample. Nevertheless, as we can see below, the popularity of the different options remained remarkably stable throughout the process. Scores should be read from left to right with the most recent score on the left and the first score on the right.

Utility Administration			
▶ **Regulatory Oversight**	**2.0**	**(2.3)**	**(1.8)**
Utility Administration			
▶ **Stakeholder Board**	**2.1**	**(2.3)**	**(1.8)**
Government Administration			
▶ **New Brunswick Model**	**2.6**	**(2.70**	**(2.4)**
Hybrid	**n/a**	**(n/a)**	**(3.7)**
Efficiency Utility			
▶ **Vermont New Model**	**4.0**	**(3.6)**	**(n/a)**
Third Party Administration			
▶ **Oregon Model**	**4.2**	**(3.9)**	**(3.7)**

We can summarise these data as follows: i) the Utility Administrator option is generally not favoured by stakeholders; ii) the Government Administrator option is generally not favoured by stakeholders although it is supported strongly by some of the industrial stakeholders; iii) the Hybrid Administrator option is generally not favoured by stakeholders and was in any case eliminated from the options through discussion; iv) the Efficiency Utility Administrator option merits both strong support and strong (if more minor) opposition; and v) the Third Party Administrator option merits strongest and most consistent support among stakeholders, including among some of the industrial stakeholders.

RECOMMENDATION

Based on the foregoing analysis, the decision criteria[4] described earlier, and input from stakeholders at the third stakeholder meeting we constructed a table outlining the potential strengths and potential sources of risk for the four options where:



= Potential Source of Risk (assuming early implementation)

= Neutral (assuming early implementation)

= Potential Strength (assuming early implementation)

CRITERION	UTILITY ADMINSTRATOR	GOVERNMENT ADMINISTRATOR	EFFICIENCY UTILITY ADMINISTRATOR	THIRD PARTY ADMINISTRATOR
ACCOUNTABILITY & OVERSIGHT	✓	✓	✓✓✓	✓✓
ADMINISTRATOR EFFECTIVENESS	✓✓	✓✓	✓✓	✓✓✓
COMPATIBILITY WITH PUBLIC POLICY GOALS	✓✓	✓✓	✓✓✓	✓✓✓
SECURE FUNDING ALLOCATION	✓✓	✓	✓✓✓	✓✓✓
MAXIMISE SPEED – MINIMISE RISK	✓✓	✓✓	✓	✓✓✓
MAXIMISE STAKEHOLDER CONSENSUS – MINIMISE DIVISIVENESS	✓	✓	✓✓	✓✓✓
ACCOUNTABILITY TO FUNDERS (RATEPAYERS PAY)	✓✓	✓✓	✓✓✓	✓✓✓
ACCOUNTABILITY TO FUNDERS (TAXPAYERS PAY)	✓	✓✓	✓✓	✓

The table is not intended to be anything other than impressionistic, but it does try to capture and summarise the overall picture from our analysis and the expressed opinions of stakeholders.

[4] See earlier Principles for Success table for details of criteria and sub-criteria

Based on the analysis we conclude that with goodwill and appropriate speed of decision-making:

- **All options *could* work;**
- **All options *could* be up and running by June 2009 with varying levels of complication;**
- **Three options would risk divisiveness if we moved to them *now*, but all could (in theory) be considered in the future when capacity and experience are more established;**
- **Thus we believe that only one option would merit significant (if not total) consensus today *provided key safeguards are in place.***

Thus we recommend a Third Party Administrator model that we will refer henceforth to as a **Performance–Based Independent Efficiency Agency.** We recommend this model regardless of source of funding, but we believe that ratepayer funding with direct mechanisms of stakeholder involvement and oversight for different classes of customer is likely to result in greater engagement with programs and thus greater accountability for performance.

Below we depict the main elements of the model as we are recommending it (Figure 1).

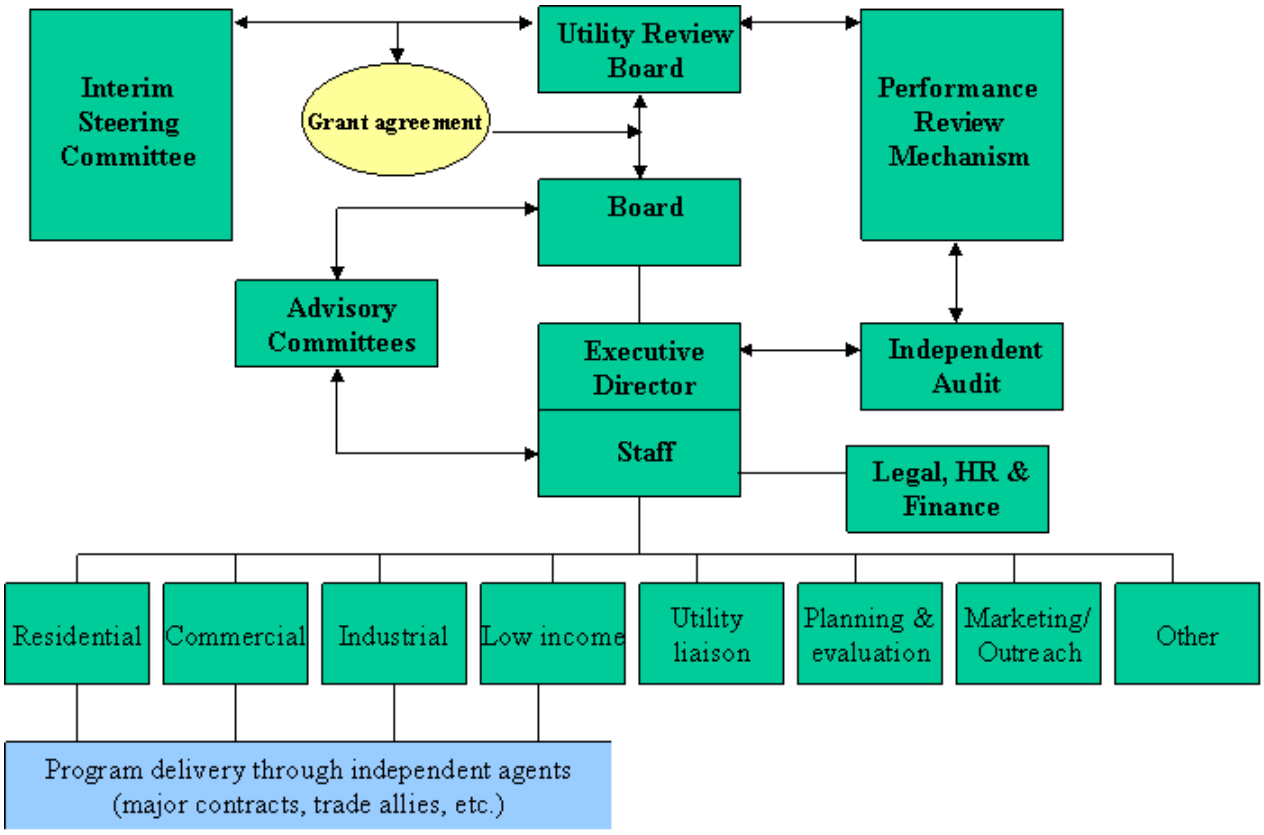


Figure 1 Main Organizational Elements of the Proposed Nova Scotia Electricity Efficiency Agency. NB this model has been modified slightly from that originally presented to stakeholders based on the advice of our legal experts.

HOW THE MODEL ADDRESSES IDENTIFIED PRINCIPLES FOR SUCCESS

In the course of the consultation process stakeholders identified a hierarchy of guiding principles deemed necessary for ensuring the success of Demand Side Administration in Nova Scotia. These principles were carefully considered in the final recommendations of the model presented here and are directly addressed in this section. The table of Principles for Success - as identified by stakeholders – was described earlier. We deal with each category in turn.

Accountability and Oversight

The primary objectives under this Principle for Success were:

- The DSM Administrator is accountable for results/performance
- Credible measurement - ability to monitor/ change/evaluate
- Clear decision making structure (who makes the final decision)
- No conflict of interest (convergence of interest)

It is clear that many stakeholders are sceptical about any structure and mandate that does not include strong accountability with appropriate performance metrics. For this reason, several stakeholders expressed a strong preference for competitive solicitation for the role of Administrator through an RFP process. Such a process was ruled out on several grounds: possible time delays, costs, complexity and a lack of critical mass of expertise in the province to mount multiple competitive bids. In order to compensate for this we envisage the Agency being run like a business with targets explicitly agreed at the level of the UARB on a (minimum) tri-annual basis. These targets would be contractually assigned to the Board of Directors of the new Agency. The Board would then organize staff and contractors to deliver the required results.

We do not believe that it is appropriate, at least initially, to impose under-performance penalties on a non-profit public agency. However with the right Board of Directors recruiting the right Executive Director, and with staff with receiving the right performance management, compensation and incentives, we believe that the enterprise will have the appropriate motivation to succeed. The cost of failure for the Board would be removal of mandate within three years. The cost of failure for the Executive Director and staff would be loss of position.

Furthermore, actual delivery will be delegated in large part to private sector contractors, who would receive incentives and penalties, benchmarked against quantifiable performance targets and contractual metrics.

It is envisaged that the Board will develop targets for each sector, with specific targets being devoted to low income group, residential, commercial and industrial users. Based on our stakeholder consultation process, special care will need to be taken over low income group and industrial targets so that benefits within those (and other sectors) are fairly shared (over time) with contributors in each sector.

We propose an independent audit function for the Agency which would make annual reports to the Agency, the public and the UARB. The Auditor will be engaged through a Performance Review Mechanism (which could be put in place by an *ad hoc* advisory committee established by the UARB) in order to ensure complete impartiality. In addition the Agency will naturally have its own internal audit and reporting function to provide program by program assessments of

measurable outcomes. The scope of the PRM may vary over time according to perceived needs and issues identified by the UARB or other parties eg. the Government of Nova Scotia.[5]

A number of stakeholders expressed the concern that Nova Scotia is a jurisdiction with a history of political interference in staffing processes, and that this might be perpetuated in the Agency. For this reason we believe that the selection of the initial Board should be carried out by an advisory committee appointed by the UARB which will be called the Interim Steering Committee. The ISC will conduct a transparent merit-based recruitment process, including the possible use of an executive recruitment firm, to identify Board members who will be selected according to clear criteria. There should be no requirement that either the ISC or the eventual Board be representative of specific financial or program interests in order that they may single-mindedly discharge their obligations to the Agency according to their targets and agreed *modus operandi*. In this way conflicts of interest, or indeed any appearances of conflict, will also be avoided. Thus we do not envisage that the ISC will be a representative group in the sense that it should reflect the separate interests of individual user groups hitherto identified. However it will be important for the Government of Nova Scotia and the UARB to appoint individuals to the ISC who are of high professional and expert standing[6] and who also maintain strong sensitivity to stakeholder interests. This will allow for the continued building the trust and goodwill established in the process to date.

It is also envisaged that the ISC will agree on recommended policies pertaining to i) the role and mandate of the Board; ii) the skills and capabilities envisioned for the Executive Director; iii) reward and incentive structures; and a number of other factors deemed essential to the smooth running of the Agency in its first months. These recommendations will be forwarded to the new Board on its inception. It will then be at the Board's discretion to accept or modify these policy recommendations.

Once established, the Board will have complete fiduciary responsibility for the Agency and be wholly responsible for its strategic direction. The Board will also appoint the Executive Director (effectively the Chief Executive Officer of the Agency) and will continually review and monitor the overall performance of the entity.

Administrator Effectiveness

The primary objectives under this Principle for Success were:

- Flexibility to adapt to changing public policy
- Flexibility for program design
- Responsiveness to long range planning
- Builds implementation infrastructure (relates to human resource capability)

[5] For example, if there is a high level of trust in the Agency's own auditing and reporting procedures, it may not be necessary to commission anything other than verification type procedures.

[6] As a minimum, these individuals must have collective experience of Nova Scotia law and public policy, the functioning of the electricity industry, performance-based management, and corporate governance. The ISC as a whole must have business acumen and should also be able to demonstrate sensitivity to social, environmental and economic interests.

We believe that these objectives should be built into the mandate of the Board of the Agency by the ISC.

We further believe that the proposed corporate structure allows for maximum administrative flexibility to adapt to changing public policy, evolving program design and maturing program delivery expertise. A lean initial staff will allow maximum flexibility to determine which functions should be retained in house long term and which should be contracted out. In a highly competitive labour market for the particular expertise sought, the proposed model allows the Agency to pay market based compensation and performance-based incentives in order to attract the highest qualified staff. Staffing patterns can of course evolve efficiently if mandates expand (eg. in any future all-fuels or renewables programming scenarios).

Being able to plan for investments over the long term, starting with a rolling three year period seems to us to be essential if the Agency is to achieve early momentum and mobilize sufficient investments. However, this factor is in slight tension with the desire to maintain accountability and (in the event of under-performance) to end the mandate of the Board and Agency within three years of inception eg. if it fails to meet targets. For this reason, again we will defer to the wisdom of the ISC to design the initial mission and mandate of the Board and Agency in such a way that maximum performance over the long term does not come at the cost of unreasonable risk in the short term.

We were also persuaded by the strong arguments of Efficiency New Brunswick and many Nova Scotia stakeholders that this Agency should endeavour – over time – to explore synergies with other energy savings schemes and even to accept responsibility for such schemes if that is deemed appropriate by the Government of Nova Scotia and relevant stakeholders. In this way we might imagine that one day the Electricity Efficiency Agency might become the **Energy** Efficiency Agency, thereby creating the kind of 'one stop shop' for all energy savings schemes that New Brunswick, Oregon, and Vermont are attempting to become.

Compatibility with Public Policy Goals

The primary objectives under this Principle for Success were:

- Maximizing contribution to achieve the economic, social and environmental goals – transparency was also named as a top priority
- Must be in context of province's Environmental Goals and Sustainable Prosperity Act
- Equity component – participation for low income – Who is paying, how much? And who is benefiting?
- Non–bureaucratic and entrepreneurial that encourages competitive and innovative solutions

As noted above, we expect the Agency to be run like a business. But it will be a business with an explicit public purpose, hardwired into its mandate which will be to achieve:

1) **The best possible result for the people and the environment in Nova Scotia; and**
2) **Maximise its contribution to the achievement of Provincial economic, social and environmental goals**

The three-year targets of the Agency will undoubtedly be set in the full understanding that they must contribute to the provincial sustainability targets whilst maintaining equity between sectors and making special provision for those on low income.

In those jurisdictions that we have explored that have implemented DSM successfully, special arrangements for low income customers have been made and effectively implemented.

In terms of accountability to particular sectoral interests in spending, in Oregon there is an 80% rule of thumb which implies that at least 80 cents on every dollar invested by and allocated for a sector is returned through investments in that sector within the financial year. In Oregon, the funding and allocation sums are 'trued up' over time to ensure minimal cross-subsidisation but maximum synergies where these are to be gained. We believe this sort of approach can certainly work in Nova Scotia very well and assuage most concerns that efficiency can work for everyone and benefit everyone a) by avoiding more expensive base load generation costs; b) by ensuring transparency and competition for efficiency savings at the implementation level; and c) by encouraging entrepreneurial and creative activity, both solicited and unsolicited.

In addition to these practical matters, the Agency will be authorized by the Provincial Legislature; and it will have independent audits through the Performance Review Mechanism. At the program implementation level, Stakeholder Advisory Committees will act as real-time checks and balances on the programming, the efficiency of programs and the contribution being made to the public purpose.

Secure Funding Allocation

The primary objectives under this Principle for Success were:

- Results oriented versus spending oriented
- Cost effective allocation
- Predictable and dependable funding sources/multi-year

The important point here is that the transfer of funds to the administrator – from whatever source – must be irreversible[7] in order to build stable program delivery and secure the confidence of program clients and delivery agents. And in order to deliver effective programs that acquire a stream of savings, the Administrator must be able to make multiyear funding commitments to both program clients and delivery agents.

As noted above the targets established by the Interim Steering Committee and adopted by the UARB will determine the agenda for the Agency for the period 2009 to 2012 (the first three years of operation). Every decision taken by the Board, the Executive Director and the staff, advised by the Stakeholder Advisory Committees will be in service of meeting these targets.

We expect that funding will come from electricity users, as they have the most to gain from efficiency investments and the most to lose if more expensive energy supply options are required because efficiency targets are not met. Least cost planning exercises regularly identify electric energy efficiency as the cheapest and most environmentally beneficial option to pursue to meet future load requirements. However, in the event that the Provincial Government wishes instead to raise taxes to pay for the Agency's investments, presumably with a view to introducing new formulae for future electricity rate setting through the UARB because of this new 'subsidy' from the taxpayer, we would still recommend the administrative model described here. We would then also suggest additional and special safeguards be put in place to avoid raiding of surplus funds and more direct accountabilities to Ministers and Deputy Ministers whose responsibilities include taxation and spending policies.

[7] Except for obvious circumstances of egregious maladministration, if such was identified through the independent assessments of the Performance Review Mechanism. Under these circumstances we would expect the assets of the Agency to be frozen for possible future transfer to another body.

Under the model proposed here, funded by ratepayers, with the provisions we have recommended, we have attempted to minimize the danger of budget raids or political interference. And again, with the structure we recommend, neither do we see any impediment to making multi-year commitments and managing investments across rolling three year cycles.

We have already described how the Agency might develop with an initial three year mandate, indefinitely renewable, subject to performance, independent audit, and (minimum) three year full performance reviews. We have also suggested that should there be a will to evolve the model over time for reasons of greater efficiency or potentially better results (eg. to an Energy Efficiency Utility or to another model) that would be entirely feasible under the structure we propose. It is not our intention here to assume this will happen, as we expect the new Agency to succeed in its proposed format. However, we do believe that the Government of Nova Scotia should keep an open mind on opportunities for optimization of the model if they emerge. And of course we have left open the option of a move to multi-fuel efficiency administration if that was deemed desirable; subject to appropriate stakeholder consultation.[8]

Whatever administrative option is in play over time, we believe that a long term commitment should be made to funding the activities of the administrator – most likely through a systems benefit charge or separately set public purpose charges for each sector. It would be typical to lock in such commitments for a minimum of 10 years in order to avoid creating uncertainty in the contractors and energy efficiency consultants building their businesses on the implementation of DSM.

[8] Only electricity supply stakeholders were consulted in this process.

SETTING UP THE AGENCY

In order for the Agency to be fully functional by June 2009, some early activity will be required.

Legislative enablement will be necessary. In addition, the Interim Steering Committee (ISC) will need to be appointed by the UARB in order to put in train selection processes for the Board and draft policies and targets for the new Agency.

The ISC will also have to advise the UARB on the contract which it will need to mandate the Agency so that the UARB has the powers to:

1) Issue a Grant Agreement which establishes the Agency's mandate
2) Set minimum performance targets (through the Grant Agreement). These are suggested to include at a minimum: MW savings per year, minimum spending on low income customers, equitable spending between other customer classes, spending limitations on administration and marketing (eg. less than or equal to 7% and 4% respectively). These performance standards should be developed in consultation with stakeholders.
3) Appoint a Board of Directors
4) Design the annual audit requirement and the structure and mandate of the Performance Review Mechanism.
5) Require quarterly and annual reports.
6) Set policy on performance-based incentive structures (to be set out in the Grant Agreement). For example, achieving and exceeding targets can be incentivized via a bonus structure to the ED and the staff. Bonuses can be set at different levels based on level of targets achieved (eg. 90, 100, 110 and 120%). The bonus standards should be reviewed through the Performance Review Mechanism every three years and re-established in line with new goals and targets. Annual audits will be required before bonuses are paid. Performance-based incentives should also be applied to program delivery agents to encourage/reward the meeting and exceeding of targets.
7) Initiate an early Performance Review if deemed important.
8) Terminate the mandate of the Agency eg. following the issue of appropriate prior warnings.

Board of Directors

It is envisaged that the Board of the Agency will comprise people of impeccable character, managerial and public experience, with an interest in energy efficiency, but not a financial stake in those contractors and agents implementing energy efficiency. Board members should not represent any particular constituency. Administrators in other jurisdictions have sought out individuals with backgrounds in business and public boards, and a commitment to energy efficiency and environmental objectives. The Board's primary role is to focus on policy and strategy, setting goals consistent with UARB targets, fiduciary responsibility, endorsement of investments in implementation of programs, and selection of the Executive Director.

As noted above, board members should be *appointed* by the UARB, based on an open public recruitment/application process overseen (in the first instance) by the Interim Steering Committee. Subsequent vacancies should be filled by the board under processes of good corporate governance, with appropriate notification to and ratification by the UARB.

Executive Director and Staff

Executive Director

As soon as the Board is selected, a search committee (Board sub-committee), perhaps serviced by an executive search firm, should conduct a recruitment and interview process and appoint the Executive Director. Ratification of the Executive Director appointment could be done by the UARB if deemed useful.

Staffing

Based on the experience of similar start-up efforts, the initial staff of the organization might include:

- Program Staff, including: a Residential Sector Manager; a Commercial Industrial Sector Manager; and a Low Income Sector Manager (could be combined with Residential); Staff Engineer(s).

- Administrative Staff, including: an Administrative/Personnel Manager; Fiscal Officer; Counsel (could be outside counsel initially); a Marketing Manager (could be an outside contractor); a Data Collection and Reporting Manager; (also could be contracted out).

- Evaluation Manager

Program Sector Manager[9] duties typically include:

- Design programs, in consultation with Program Stakeholder Advisory Committees (PSACs)
- Establish program terms and conditions; set consumer incentives
- Draft RFPs for program implementation, including performance metrics (and accompanying penalties and rewards)
- Administer implementation contracts

Acting on staff/PSAC recommendations, the Board sets performance metrics for prospective implementation contractors; which are then reflected in RFPs and subsequent contracts.

Program Stakeholder Advisory Committees

Stakeholder Advisory Committees are the interface between broad customer groups and constituencies and the staff and Board, advising staff and vetting new program ideas and modifications before presentation to the Board.

The Board selects the Committees which in other jurisdictions typically consist of representatives of such significant stakeholders as:

[9] A lean Program Sector Manager model allows for outsourced program implementation and delivery, but retains the option to bring service delivery in house as local expertise grows.

- Customer groups (eg. industrial, business, residential, low-income, municipal, etc.)
- Public interest representation (eg. environmental groups, sustainability organizations, etc.)
- Entities with an interest/complementary charters (eg. Department of Energy/Conserve Nova Scotia, ratepayer advocate, Nova Scotia Power, etc.)
- Trade allies (eg. HVAC contractors, electrical contractors, energy service companies, manufacturer's reps., etc.)
- Professional allies (eg. architects, engineers, lighting designers, etc.)
- Representatives of the Board

The Committees provide input to staff on program design, goals, etc. Proposals advanced for board approval with joint Council/staff recommendation. Council consensus should be sought, but a majority vote moves proposals forward. A minority report to the Board is permitted.

PROGRAM DELIVERY

Programs designed by staff, with stakeholder support and Board approval, are delivered by private contractors selected by competitive procurement. The Utility may also play an active role in bidding for such opportunities.

For procurement purposes, programs are clustered into logical market sectors for service procurement. For example, Residential New Construction and Residential Retrofit can be logically delivered by separate contractors; New Commercial Construction and Commercial Retrofit could be delivered by the same contractor.

Contractors operate under performance metrics; for which they are rewarded if they exceed and penalized if they fail. Some metrics may flow through from broad metrics assigned to the Agency (a share of kWh savings, marketing and overhead cost constraints, for example). Others may be unique to the sector or contract (percentage of new construction market captured, etc.) This segmented delivery model allows the Agency to maximize the benefits of outsourcing – selecting the best contractors for each discrete market area, while minimizing risks – a non-performing contractor can be easily dismissed, with minimum disruption to the overall program effort.

The model also reserves the choice to bring certain elements of consolidated service delivery in-house at future, if desired and as local experience and expertise grows.

LEGISLATIVE AND REGULATORY REQUIREMENTS[10]

Legislative and regulatory requirements will depend to some extent on specific design details that are not yet developed. Therefore the perspectives that follow are somewhat preliminary. It is hoped nevertheless that they establish a starting point upon which to build as the proposed model undergoes further elaboration.

The "Principle for Success" of highest relevance to this part of the discussion is "Accountability and Oversight". Just as success demands a "crisp and clear" delineation of responsibility between the administrator and the delivery agents, it will demand a "crisp and clear" relationship between the administrator and its regulator(s) and between and among regulatory processes. The regulatory and legislated oversight process must effectively ensure and reinforce accountability for performance while leaving responsibility for performance with the administrator.

Constitution of the Agency

From a legislative standpoint, the core of the proposed model will be the regulatory relationship between the Utility and Review Board (the UARB) and the Nova Scotia Electricity Efficiency Agency (the Agency).

Recognizing that the Agency must in the end be responsible for the plan it develops and implements to achieve the targets that are given to it, the relationship between the UARB and the Agency will have the following components when the Agency is in steady state and fully operational: development of the DSM plan (particularly of DSM targets) by the Agency (with significant stakeholder input); submission of the plan for approval to the UARB; review and approval of the plan by the UARB through the regulatory hearing process (inclusive of broad stakeholder participation); implementation of the plan by the Agency; periodic evaluation of performance against approved targets by the UARB through the mechanisms laid out either in legislation or in UARB policies, including those providing for ongoing stakeholder participation; and the making of appropriate rulings by the UARB for the purpose of further target setting or revision and (in the event of failure) rulings that may include reallocation of DSM responsibility to an alternative agency or (in the event of a move toward multi-fuel responsibilities) broadening the mandate of the Agency.

For this relationship to be effectively established in law, the Agency should ideally be a distinct legal entity from the UARB. That is, it should not be or be seen to be the creation of the UARB. Otherwise, the UARB would be the *de facto* provider or manager of DSM programs, not the regulator of the delivery of them. Accountability will be less meaningful than would otherwise be the case.

The strongest mechanism for establishing this necessary relationship of institutional differentiation is legislation that constitutes the Agency as a distinct statutory entity. This could be done by amendment to the *Public Utilities Act* or under stand alone legislation that was linked to the *Public Utilities Act*. Other options that might be considered (such as creation of the Agency under a contract with the UARB or through incorporation as a not-for-profit society under the *Societies Act*) would not provide the necessary level of institutional differentiation that is fundamental if the Agency is to be subject to meaningful external oversight.

Giving the Agency a statutory foundation will also have the benefit of mitigating any concerns that potential delivery agents might have about entering into contractual relationships with the Agency,

[10] This section is contributed by William Lahey, with the assistance of Meinhard Doelle, both of Dalhousie Law School.

given the newness of the DSM program in Nova Scotia and the performance conditional nature of the Agency's continuing involvement.

Administrative Mandate of the Agency

It is key to the proposed model that the Agency does not "own" the DSM mandate. Instead, it is critical that the Agency's continuation as the provider of the DSM program be contingent upon successful performance, measured against targets and programs that are aligned with the goals found in the *Environmental Goals and Sustainable Prosperity Act*, and that are developed in consultation with stakeholders.

This necessary contingency may seem in tension with the view that the Agency should be constituted as a distinct statutory entity. This tension can be resolved by careful design of the legislation that is used to establish the Agency. Such legislation should confer standard (generic) statutory powers on the Agency and deal with its basic internal governance and administrative structures, including internal accountability structures and processes. It should not however, deal in detail with the DSM mandate of the Agency, except to the extent necessary to ensure that it has ample jurisdiction in general terms to undertake such DSM activities and responsibilities (if any) as are conferred upon it through a contract with the UARB. In other words, the legislation should leave the details of the DSM mandate of the Agency (and of other DSM providers who may take the place of the Agency) to the contractual instruments that, under the proposed model, are envisaged as the mechanism that the UARB will primarily rely upon to confer responsibility for DSM programs on the Agency (or on any alternative DSM provider). It will however, be useful to have a clear statement of principle in the legislation that the Agency will be responsible for achieving performance measured against targets that align with the goals set out in the *Environmental Goals and Sustainable Prosperity Act* and that are set through a participatory regulatory process.

The contracts that are to define the detailed mandate of the Agency will have to be authorized by legislation. This will have to be done with considerable care. On the one hand, the statutory foundation for such contracts needs to be broad and flexible enough to evolve with time and experience. It needs to authorize contractual relationships that are "business like" in their emphasis on results instead of compliance. On the other hand, the statutory authority for DSM contracting needs to unquestionably enable the UARB to perform the regulatory role that it must play if it is to effectively protect the specific interests of ratepayers and the broader interest of the public in efficient and effective DSM programming.

In effect, the legislative jurisdiction of the UARB and of the Agency to define the DSM mandate of the Agency through regulatory contract must be broad enough to encompass all the matters on which the UARB will receive advice relevant to the mandating of the Agency from the Interim Steering Committee. These are listed in the section of the report entitled "Setting UpThe Agency", above.

Legislative Mandate of the UARB

Under existing legislation, the UARB has no statutory authority to regulate a demand side management agency that is not a regulated electrical utility. Indeed, the authority of the UARB to regulate demand side management activities, even when undertaken by a regulated electrical utility, is not as clear and as comprehensive as it might be.

Success of the proposed model (or of any model that depends upon UARB oversight) will require legislative amendments that give the UARB authority over a DSM regime that is linked to but distinct from its current mandate over the business of electricity generation and distribution. The

linkage is critical for various reasons. One is to ensure ongoing alignment between DSM program design and performance with the obligations of the utility to maintain reliability standards that are regionally defined and enforced. More broadly, the mandate of the UARB in respect of DSM must be part of its larger mandate over integrated resource planning, which encompasses electricity supply and demand options and environmental requirements, including renewable energy portfolio requirements. In the design of the legislative changes that will be needed to give the UARB a broader DSM mandate, it will be critical to think through the relationship of this mandate to the current emphasis on secure electricity at lowest cost.

The specific functions that are envisaged by the proposed model and assigned to the UARB will have to be specifically authorized by new legislation. These functions include: taking advice on appointments from an Interim Steering Committee; making appointments to the Board of the Agency; entering into contracts with the Agency or other DSM administration; establishing and taking advice through the Performance Review Mechanism; conducting hearings and review processes in respect of DSM performance and related matters; and taking regulatory actions in respect of DSM, including the issuing of rulings or orders or the taking of other actions, such as contractual cancellation. Most fundamentally, the UARB will have to be given clear and comprehensive authority to oversee the funding of the Agency (and of the DSM program) through the rate setting process, picking up advice and stakeholder input (through the Interim Steering Committee and possibly other mechanisms) as funding moves from one regulatory process (rate review) to another (DSM program delivery).

Oversight and Accountability Framework

The proposed model contemplates the existence of a Performance Review Mechanism (the PRM) that receives input from and oversees an independent audit process of the Agency's performance. It contemplates the PRM being directly linked to the UARB, through the UARB's oversight role of the Agency.

These institutions and processes could be structured in a number of different ways. Different options would have different implications for legislation. Our recommended approach is to structure the PRM and the independent audit process as part of the UARB's regulatory process.

Under this approach, the PRM would be established as an advisory process for the UARB. This is relevant to the question of whether the PRM should be legislatively established (or prescribed) or whether legislation should instead leave the whole matter of ongoing audit and advice on DSM Agency performance to the UARB, at least as it relates to the external regulatory process. The latter is more consistent with existing UARB practice, under which the Board engages expert advisors as required to provide advice on major hearings, particularly those with a wider policy scope. It is also most consistent with the advisory status of the PRM and would provide the greater protection against the possibility of conflict or uncertainty over regulatory roles and responsibilities.

This would suggest a broad, flexible and discretionary legislative mandate that empowered the UARB to establish and maintain a performance review mechanism that could be structured (and restructured) by the UARB to ensure relevancy and responsiveness to the advisory needs of the UARB as they change over time.[11] UARB oversight of the functioning of the Agency's internal

[11] This distinction is similar to the distinction that is often drawn between 'quality control' and 'quality assurance' in a business setting, the latter being more concerned with ensuring the integrity of those managerial systems designed to meet overall goals rather than the specifics of data and measurements. In this respect, the PRM is a quality assurance mechanism that will audit and assure the integrity of the Agency's own internal audits and quality control mechanisms.

processes of audit and performance evaluation may help to keep responsibility for DSM delivery performance with the Agency and its stakeholders, where it properly belongs.

Further thought needs to be given to the linkages that might exist between the ongoing performance review process and stakeholder advisory committees that will be in place at the Agency level. We recommend deferring this discussion and more precise details of how the PRM will work to the Interim Steering Committee, once it is established, in consultation with the UARB.

The Interim Steering Committee

The Interim Steering Committee (the ISC) that is proposed would be tasked with related but quite different types of responsibilities. It would oversee a recruitment process for initial members of the Board of the Agency and provide these names to the UARB for formal appointment. It should be made clear that this is envisaged as an advisory function, as an approach that limited the UARB to confirming ISC decisions would be quite unusual and of understandable concern to the UARB. An approach that may be acceptable is one in which the UARB is limited to appointing from persons proposed by the ISC but free to refuse nominees.

A similar (but broader) role envisaged for the Interim Steering Committee is providing advice to the UARB on the targets that become the core of the mandate of the Agency once they are adopted by the UARB and incorporated into the contract that will define the mandate of the Agency. It appears that these recommended targets will be at the level of the DSM program as a whole and at the level of the particular sectors. It is contemplated in this area that the ISC will play a policy-making function in that the targets are expected to advance those found in the *Environmental Goals and Sustainable Prosperity Act*.

In both of the above roles, the ISC will be advisory to the UARB. It is however, also envisaged to have the responsibility of advising on the development of the legislation that will be needed to put the overall model into process. In this role, it is presumably envisaged that the ISC will be advisory to Government, through Conserve Nova Scotia, with the UARB also involved. In carrying out this role, linkages could usefully be built between the ISC process and the role of the Roundtable on Environmental Sustainability under the *Environmental Goals and Sustainable Prosperity Act*.

In all of its proposed functions, the ISC has the potential to be the bridge between the stakeholder consultations that have taken place and the process of elaboration and implementation that must now follow if the proposed model is to become functional by June of 2009. The ISC should therefore be established as quickly as possible, without waiting for legislative changes. Indeed, it is important to get the ISC formally constituted precisely so that it can provide advice on the legislative changes while ensuring broad stakeholder awareness of the legislative change process. Given the advisory nature of its responsibilities, the ISC should be able to begin its work in anticipation of the legislative changes that will be needed to enable the UARB to act on ISC advice on appointments and targets.

As it will be important for the UARB and the Agency to have a clean two-way relationship on mandate and performance against mandate, the ISC will not necessarily have a life beyond the inception of the Agency. However, the UARB will have the authority to strike similar committees or seek equivalent professional advice on mandate and performance, including the design and updating of PRM activities. Again, we recommend deferring this discussion and more precise details of how the PRM will work to the Interim Steering Committee, once it is established, in consultation with the UARB.

Observations on the Legislative Process

The above discussion deals at a general level with the legislative changes that will be needed to implement the proposed model for DSM administration. Equally important is the process that will be followed for making these changes and for defining them more precisely. Depending on how it is structured, the process can be an enabler or a barrier to the successful development and implementation of the proposed model. The need for action that is immediate enough to have the new system in place by June 2009 needs to be balanced against the continuing need for stakeholder involvement and the need for legislative changes that are precisely tailored to the policy objectives and regulatory and operational requirements, as informed by continuing dialogue and analysis. A process of legislative change that aims to do too much too quickly may not be able to achieve and maintain this balance. Conversely, a process of legislative change that leaves all of the legislative changes until the point at which all the questions have been answered would prevent success by June of 2009. Accordingly, thought should be given to a sequential approach to legislative change that is aligned with the sequence of activities that will have to be taken on the ground to get the Agency up and running, with the appropriate regulatory framework in place, by June 2009. Such an approach would start with the establishment of the ISC, with the process for recruiting members of the Board of the Agency and with the appointment of the successful candidates, with recruitment of an Executive Director and with the development of the targets that will become the core of the mandate of the Agency. Subsequent phases of the process will then be able to proceed with benefit of input from the Agency and with better knowledge as to the precise legislative changes that would be required or helpful in other and more technical areas.

RELATIONSHIP WITH THE UTILITY

Consistent with successful experience elsewhere, it is proposed that each Utility of a particular size should have an *ex officio* seat on the Agency Board for informational but not decision-making or voting purposes (as will pertain for the UARB). As noted earlier, the current electricity utility (NSP) may bid for program delivery services, in competition with, or collaboration with, other outside bidders.

In addition, it is envisaged that staff from the new Agency will work with NSP on future IRPs, and they will work with NSP to develop a marketing and outreach strategy[12]. It is expected that NSP will be encouraged to work with the Nova Scotia Electricity Efficiency Agency to help ensure the most appropriate programs are developing (i.e. provide energy consumption trends, etc.), and NSP will collect relevant charges from users and transfer them to the Agency on a monthly basis.

[12] We expect that any marketing and branding strategies developed by NSP, Conserve Nova Scotia and other parties in coming months will be of sufficiently high quality to be of value to the new Agency when it is established and that such brand equity will be shared in common by the new parties after inception, subject to appropriate IP agreements. However we do not wish to bind the decision-making of the new Agency in this regard as they will need to make their own decisions on these matters in due course.

MULTI-FUELS

Many stakeholders expressed the importance of moving beyond electricity energy efficiency to all fuels. Most agreed that the initial mandate of the administrator should focus on electricity DSM in the first instance but that there should be scope to move to other programming in time. As noted above, the one-stop shop approach of Efficiency New Brunswick, the Energy Trust of Oregon and the Vermont Energy Efficiency Corporation were seen as good approaches to adopt in Nova Scotia. To this end it is recommended that the mandate of the NS model be electricity efficiency initially but that would not preclude a future move to program delivery for renewable energy, fuel switching, and other mechanisms. Moreover the Agency would not be precluded from receiving funds from any source in the pursuit of its mandate. Again we recommend deferring this discussion and more precise details of how the mandate of the Agency may evolve to future processes of stakeholder consultation and policy-making by the Government of Nova Scotia.

APPENDIX 1

PROJECT PROPOSAL

STAKEHOLDER CONSULTATION PROCESS FOR AN ADMINISTRATIVE MODEL FOR DSM DELIVERY IN NOVA SCOTIA

Submitted by:
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INTRODUCTION

As part of its Integrated Resource Plan, Nova Scotia Power (NSP) has been asked, among other things, to develop a Demand Side Management (DSM) plan for the electricity sector. That plan is being prepared through a collaborative process with stakeholders, which will be submitted to the Utility and Review Board (UARB) and reviewed in a public hearing. The DSM plan will consider many details: level of annual investment including potential ramp up, program details for all electricity sectors, how DSM program costs will be recovered in rates, and how the DSM program will be tracked and reported. Not addressed by the plan is the question of program administration. A number of stakeholders have expressed an interest in arrangements for DSM in the Province and it is proposed that a range of DSM administration models be considered.

This project establishes an independent stakeholder consultation process to thoroughly assess the various options for administration and accountability for an electricity DSM program in Nova Scotia. The project will identify the range of alternative administration models and weigh the pros and cons of each with stakeholders. The aim is to build consensus based on agreement of goals and a ranking for the preferred option(s). The project will identify how the preferred option(s) could be implemented in Nova Scotia and what would be the relative benefits and risks and regulatory and legislative implications of various options.

PROJECT OBJECTIVES

The overall project objective is to develop and undertake a collaborative stakeholder process that will inform and make recommendations for the decision on who would best administer and/or be accountable for DSM program delivery for the electricity sector in Nova Scotia. The project will also inform Government on any necessary changes in legislation / regulation needed to implement the identified options. Demand Side Management is understood here to mean a range of measures used to encourage electricity demand reduction.

The project will:

⇒ establish a five stage stakeholder consultation[13] process (see chart overleaf)

⇒ provide relevant information to stakeholders on the variety of DSM administration models currently being used (including their strengths and weaknesses, key factors that contributed to their use in a particular jurisdiction, their suitability for use in the NS situation, etc)

⇒ attempt to secure a consensus (not necessarily unanimity) on the recommended administrative model(s)

⇒ if no consensus is achievable on one model, then put forward administrative models that have significant stakeholder support identifying the strengths and weaknesses of each in the Nova Scotia context

⇒ identify the regulatory/legislative implications of the model(s) presented

[13] Stakeholders to be consulted in this project will be identified by 'snowball sampling' interviews with potentially interested parties early in phase 1 of the project and are likely to include a range of individuals and organisations with varying levels of direct and indirect interest in the outcome.

Dates	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
January 10th	Task 1: Identify stakeholders [CC]; Task 2: Commence stakeholder outreach in order to: a) Agree definitional and scoping issues [DW; JL]; b) Research and agree tentative short list of generalised DSM administration options for consideration [JL; DB]; c) Achieve commitment to process [DW;CC]; d) Agree broad principles of engagement/success criteria etc [DW;CC]				
Mid-February (date to be decided)		Task 3: Meet with stakeholders as a group in order to a) Receive presentations from jurisdictions and model proponents [CC] b) Capture further inputs on criteria for successful choice of administrative model(s) [DW] Task 4: Debrief with all			

		stakeholders on an individual basis [CC]. NB DB and JL attendance optional.			
Mid-March (date to be decided)			Task 5: Meet with stakeholders as a group in order to a) Receive a presentation from Doug Baston on success factors; benefits and risk factors in response to tentative options and stakeholder views [DB]; b) Debate and re-affirm principles for shortlisting [DW]. Task 6: Debrief with all stakeholders on an individual basis [CC].		
Early April (date to be decided)				Task 7: Meet with stakeholders as a group in order to: a) Present recommendations; b) Rank recommendations; c) Attempt to drive consensus. Task 8: Debrief with all stakeholders on an individual basis. NB DB and JL to	

				be present.	
Mid-late April (date to be decided)					Task 9: Report to Government [DW; DB; JL]. Task 10: Report to stakeholders [CC].

ACTIVITIES

Project management, stakeholder outreach and senior facilitation = 30 days (5 days DW; 25 days CC)

Research components = 13 days (2 days DB; 5 days JL; 6 days CC)
- Compilation of administrative models
- Pros and cons of each option
- Implication of policy options in the NS context (best practices)
- Implementation (regulatory/legislative) issues of the chosen model (groups of preferred models)

Workshop components = 14 days (6 days CC; 4 days JL; 4 days DB)
- Workshop preparation (identify stakeholders, presenters and prepare information for attendees)
- Workshop summaries/follow-up notes
- Workshop participation – facilitation, note-taking, etc.

Report preparation = 11 days (1 day DW; 4 days DB; 3 days JL; 3 days CC)
- Report writing
- Review by Client and final revisions

The final deliverable of the project will be a report outlining the models reviewed, stakeholder responses, consensus position, considerations for implementation (regulatory/legislative issues) and suggestions for next steps.

PROJECT COSTS[14]

Consultancy time and rates

Project management and facilitation (David Wheeler) (6 days @ $4000) – *Gratis*
Project co-ordination and stakeholder outreach and research (Corrine Cash) (40 days) = $12,000 total
Senior DSM consultant (Doug Baston) @ $1000/day (up to 10 days) = $10,000 (sub-contract)
Policy consultant (Judith Lipp) @ $500/day (12 days) = $6000 (sub-contract)

Workshop/Direct Expenses

- Venue for workshops *Gratis*
- Workshop refreshments $2000
- Travel and accommodation for expert presenters $6000

Contingency $3000

Estimated Total Direct Costs (excluding Conserve NS costs): $39,000 plus applicable taxes

QUALIFICATIONS OF THE CONSULTANT[15]

This project will be executed by a team of consultants led by Dr. David Wheeler of Dalhousie University who will facilitate and oversee the consultation process. Doug Baston will provide expert insight to the project as senior DSM consultant and will attend and present at two of the stakeholder meetings. Judith Lipp is a Dalhousie PhD Candidate who has extensive experience with Nova Scotia energy policy and policies in other jurisdictions. Corrine Cash is a Research Officer in the Faculty of Management, Dalhousie University.

David Wheeler

David Wheeler is Dean of the Faculty of Management, Dalhousie University, Nova Scotia. The Faculty of Management comprises four Schools: the School of Business Administration, the School of Public Administration, the School of Information Management and the School of Resource and Environmental Studies as well as the Marine Affairs Program. The Faculty of Management at Dalhousie has a holistic and values-based approach to management education and research and is united by the philosophy of 'Management Without Borders'. The Faculty is also home to five research centres: the Eco-Efficiency Centre, the Centre for Management Informatics, the Norman Newman Centre for Entrepreneurship, the RBC Centre for Risk Management and the Centre for International Business Studies.

[14] Because this contract contains no overhead component or margin, days incurred beyond the amounts estimated here will be charged at full rate eg where extra work is incurred at the request of Conserve Nova Scotia or where Conserve Nova Scotia accepts a prior recommendation of the consultants to conduct more work eg for the good of the process and its stakeholders. Contingency will not be incurred without prior approval of Conserve NS.
[15] Full *curricula vitae* available on request.

David Wheeler has published more than 70 articles and book chapters in a wide variety of academic journals, books, parliamentary inquiries and popular journals, and has delivered speeches to numerous conferences and events. He has written or edited three books and has done numerous television and radio broadcasts on environmental and social issues and business. David was principal author of *The Stakeholder Corporation* - the first business text to be endorsed by former UK Prime Minister, Tony Blair. He was an advisor to the UK Government on governance aspects of the Company Law Review, a member of the UK Government Advisory Committee on Consumer Products and the Environment and the Reference Group for Canada's National Report to the World Summit on Sustainable Development (Rio+10). He was co-founder of the UK business-led *Committee of Inquiry - A New Vision for Business* that reported directly to Prime Minister Tony Blair in November 1999.

Prior to his recent academic appointments, David was a member of the Executive Management team of The Body Shop International for 7 years overseeing a business operating in 50 countries with worldwide retail sales of $1 billion. As Executive Director of Environmental and Social Policy David had strategic oversight of sustainability issues and non-financial auditing and reporting. In addition to these duties he was responsible for human resources and learning for the group. In his time with The Body Shop, David oversaw the publication of five Environmental Statements in line with the European Union Eco-Management and Audit Scheme. In January 1996, The Body Shop published its first comprehensive and independently verified social, environmental and animal protection audit statement - the *Values Report.* A second *Values Report* followed in January 1998. Both reports were rated top in a worldwide ranking by SustainAbility for the United Nations on environmental and social reporting.

David started his career in the water industry where he specialised in water pollution control. Later as a Senior Research Fellow at the Robens Institute of the University of Surrey he became a leading researcher and commentator on standards of drinking water and recreational water in the UK, achieving World Health Organization Collaborating Centre status for the Robens Institute. During his time at Surrey University David was a frequent consultant to United Nations and other development agencies working in water and sanitation programs in less developed countries. He supervised development projects in twelve countries in Africa and Latin America and co-developed the *DelAgua* drinking water test kit which is now used by development agencies in more than fifty countries worldwide. The invention won a national award, presented by Prime Minister Margaret Thatcher in 1990.

In his career David Wheeler has advised a number of organizations and individuals, including:

i) The Governments of Canada, Ontario, Nova Scotia, the United Kingdom, Botswana, Brunei, Mexico, Nicaragua, Peru and Tanzania; Federal Government of Canada Departments advised include Environment Canada, Industry Canada and the Canadian International Development Agency;
ii) International development agencies including the World Health Organization, the Pan American Health Organization, the Red Cross/Red Crescent, Oxfam, the International Development Research Centre, the United Nations Development Program and the International Finance Corporation (World Bank);
iii) Companies such as BP, AMEC, Dofasco, EnCana, Novo Nordisk, TD Bank, Thames Water, The Body Shop, EML and WSAtkins;
iv) Research Organizations such as the National Round Table on the Environment and the Economy (Canada), the UK Science and Engineering Research Council, the British Geological Survey, the Water Research Centre and the Building Research Establishment;
v) Professional, civil society and other organizations and individuals including HRH The Prince of Wales, the UK Shadow Secretary for Environmental Protection, the UK Shadow Secretary for Foreign and Commonwealth Affairs, the Canadian Institute for Chartered

Accountants, Greenpeace, the National Association of Local Government Offices, the Lancashire County Council, and the Devon and Cornwall Police.

Doug Baston

Doug Baston is the Principal of Maine-based North Atlantic Energy Advisors. NAEA concentrates in energy efficiency program design, delivery, and management for utilities and public system benefits programs, as well as public policy analysis and support around issues of energy efficiency and renewable energy. In recent years he has led design of the initial Business Program for Efficiency Maine and the collaborative process that designed the New Jersey Smart Start Program for commercial, industrial and institutional customers. He is currently the lead Commercial and Industrial Advisor for the Massachusetts Collaborative. He has also served as a technical consultant to a variety of Non Governmental Organizations, including: the Natural Resources Defense Council, the Conservation Law Foundation, the Energy Foundation, the Kendall Foundation, the Natural Resources Council of Maine, Northeast Energy Efficiency Partnership, Environment Northeast, the Consortium for Energy Efficiency, the Union of Concerned Scientists, the American Council for an Energy Efficient Economy, and the World Bank.

Doug has a B.A. and a J.D. from the University of Maine and has studies utility economics and regulatory policy at Portland (Oregon) State University and Lewis and Clark College. He is licensed before the Maine and Federal bars. He serves on the Board of Directors of the New Buildings Institute and Environment Northeast.

Corrine Cash

Corrine Cash has ten years of experience working in the private sector, primarily in the medical supply industry. Through this employment she worked closely with a diverse range of professionals, ranging from administrators to engineers. A large component of her employment involved understanding the needs of clients and delivering upon these requests, all while taking into account the wide range of concerns of the various actors. She also worked with a number of volunteer organizations, both internationally and locally and has managed a variety of technical projects. With one degree focusing on Kinesiology from Acadia University, she is presently working on a second degree in International Development Studies at Dalhousie University and as Research Officer in the Faculty of Management.

Judith Lipp

Judith Lipp has more than nine years of consulting and research experience in the energy policy sector. She is currently working on her PhD at Dalhousie University where she is researching the role of public policy in promoting renewable energy. Judith grew up in Nova Scotia where she completed her undergraduate degree in economics and development studies at Saint Mary's University. In 1997 she travelled to Europe to work and study. She completed her Masters degree in Environmental Management at Oxford University in 1998 and went on to work as a research consultant with the Environmental Change Institute in Oxford, researching policies to promote energy efficiency and green electricity in the UK and European context. From 2002-2003 she worked as a consultant with IT Power, an internationally active renewable energy company. Her focus there was on the development of renewable energy promotion policies in Europe and the assessment and consideration of socio-economic impacts of renewable energy projects in developing countries. She returned to Halifax in 2003 to start her PhD. She works as a consultant on a part-time basis and in that capacity has helped prepare several energy-related studies at the

national, regional and provincial level. Her work includes a project for the Nova Scotia Department of Energy, *Achieving Local Benefits: Policy Options for Community Energy in Nova* which involved two workshops and interviews with local stakeholders. She co-authored GPI Atlantic's *The Energy Accounts for the Nova Scotia Genuine Progress Index* and *A Vision and Strategy for Green Power in Atlantic Canada*, commissioned by Pollution Probe.

APPENDIX 2

Electricity Conservation in Nova Scotia

Administration of Demand Side Management Approaches

Overview of Administrative Models for Electricity DSM[16]

INTRODUCTION

Demand Side Management or DSM describes the collection of methods or actions used to influence the quantity or patterns of use of energy consumed by end users. This is done in a manner that can be quantified and verified to a degree that it may be relied upon as an energy resource—on an equal footing with a supply side option. DSM can include the promotion of energy efficiency, reduction of peak demand, fuel substitution and load management. Although DSM strategies around the world have frequently been administered by electric utilities, it is also common to see government agencies and/or independent third parties taking on this role. The task of this consultation project is to recommend an optimum administration model (or optimum models) for the Province of Nova Scotia. This 'working document' is a starting point for the process by providing an overview of possible DSM administrative models for consideration.

In reading the document stakeholders are invited to:

1) Identify any options that may have been omitted
2) Comment on the list of potential advantages and disadvantages identified for each identified option
3) Suggest amendments to the working document that may assist in reaching consensus on definitions, descriptions and potential advantages and disadvantages identified.

[16] This paper was prepared by independent consultants Judith Lipp and Douglas Baston, under contract to Dalhousie University and does not necessarily represent the views of Conserve Nova Scotia or the Government of Nova Scotia. It is the final of three drafts of a paper incorporating feedback and commentary by stakeholders.

OVERVIEW OF ADMINISTRATIVE MODELS[17]

Before wide-spread electricity market opening in the USA and Europe (late 90's onward), DSM programs were generally administered by electric utilities. With the introduction and spread of competitive markets as well as a result of various unique political experiences, that pattern has evolved. A 2003 study of DSM programs in the USA found that half of the states with public benefits energy efficiency programs were relying on state government agencies or independent organisations to administer those funds. As experience with various administrative models grows and jurisdictions acknowledge the importance of energy efficiency and demand reduction for meeting multiple public policy objectives, the question of how best to manage and administer DSM programs is highly salient.

Five main models of DSM administration can be identified. Each one is described below with examples and potential advantages and disadvantages listed in Table 1. The five models are:

Model 1 - Utility administration
Model 2 - Government administration
Model 3 - Independent third party administration
Model 4 - Dedicated energy efficiency utility
Model 5 - Hybrid administration

Assessments on these various models have not established one compelling model for all jurisdictions. Successful DSM experiences have been documented under each type of approach. According to a comparison of DSM programs in the US, "the preferred approach in any particular state seems to depend very much on the particular situation in that state. Each administrative type experienced varying levels of success when measured against program spending, program savings, emissions reductions, and overall cost-effectiveness, with no approach appearing to dominate." (GDS Associates, 2008). Below we set out the five basic models that we have identified together with a brief description of each.

[17] The description of these models is compiled from the following sources:
Blumstein, C., Goldman, C. and Barbose, G. (2003). Who Should Administer Energy-Efficiency Programs? August 2003, University of California Energy Institute, Centre for the Study of Energy Markets. Available on-line: http://www.ucei.berkeley.edu/PDF/csemwp115.pdf, accessed 02Feb08.
Didden, M. H. and D'haeseleer, W. D. (2003). *Demand Side Management in a competitive European market: Who should be responsible for its implementation?* in Energy Policy, Vol 31, pp1307-1314.
Eto, J., Goldman C. and Nadel, S. (1998). Ratepayer-funded Energy Efficiency Programs in a Restructured Electricity Industry: Issues and Options for Regulators and Legislators. Lawrence Berkeley National Laboratory, Report Number LBNL-41479. Available on-line: http://eetd.lbl.gov/ea/ems/reports/41479.pdf, accessed 02Feb08.
GDS Associates (2008). Connecticut Electric Savings Program Study, Draft Report to the Connecticut Energy Advisory Board. Available on-line: http://www.ctenergy.org/pdf/DraftConsStudy.pdf accessed 02Feb08.
Harrington, C. and Murray C. (2003). Who Should Deliver Ratepayer Funded Energy Efficiency? A Survey and Discussion Paper. May 2003, The Regulatory Assistance Project. Available on-line: http://www.raponline.org/Pubs/RatePayerFundedEE/RatePayerFundedEEPartI.pdf, accessed 02Feb08.

Model 1 - Utility administration (with regulatory oversight)

In this model, the utility has the "central role in administering energy efficiency activities, providing general administration, program design, oversight of implementation (significant elements can be contracted out to private firms), evaluation, and cost recovery subject to regulatory oversight." (Eto et al, 1998). The utility is usually required to develop an overall DSM plan, including a proposed budget and program design explaining how ratepayer funds will be used. These plans are submitted to the utility regulator for review and approval. In some cases, utility plans reflect input from major stakeholders and possibly a consensus settlement. Utility management designs individual programs and is responsible for overall program management and administration. Program oversight varies by jurisdiction but often there is some kind of Advisory Board or 'Collaborative' that negotiates with the utility, reviews plans, and recommends to the utility regulator as shown in Figure 1. This model is found in many places including Connecticut, Massachusetts, Arizona, and Rhode Island.

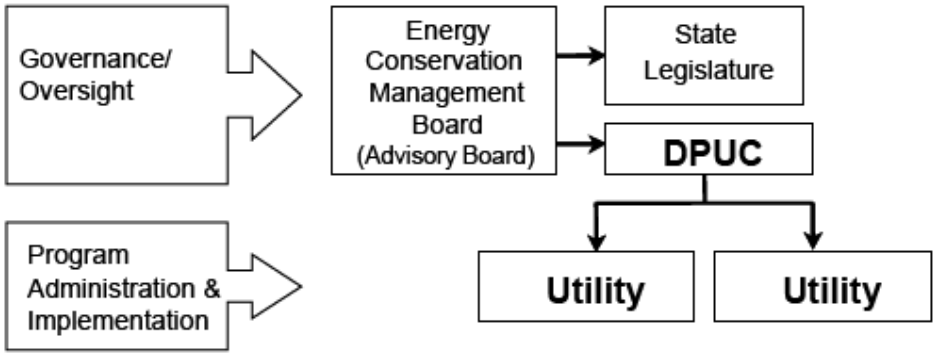

Figure 1: Utility administration (Connecticut model). From Blumstein et al, 2001
DPUC = Department of Public Utility Control

Model 2 - Government administration

Under this model, an existing public agency administers publicly funded energy-efficiency programs. This could be a public energy office, a public utilities commission, a general services administration, economic development agency, or housing and social services agency. The utility collects the public benefit funds and transfers them to the public agency, which oversees program administration, while implementation is usually contracted out to multiple delivery agents. The key is that the government agency both administers the program and designs the programs and provides most detailed delivery direction, with contractors performing under fairly close supervision of government program managers. An advisory board and/or other public agent like a regulator may be present to provide governance for accountability and oversight. An example of this model can be found in New York (depicted in Figure 2).

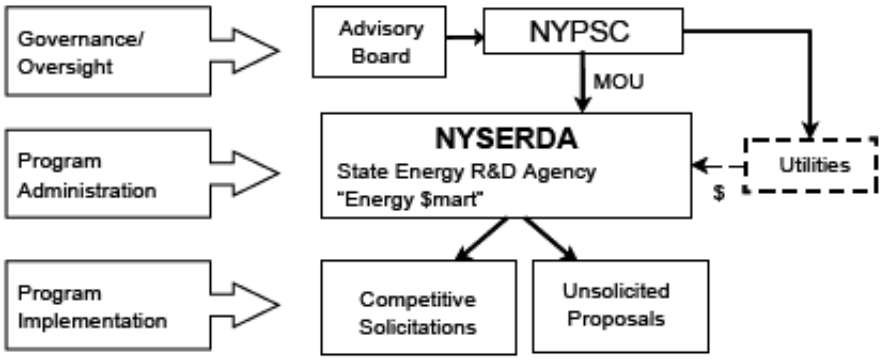

Figure 2: Government administration (New York model). From Blumstein et al, 2001

The New York State Energy Research and Development Authority (NYSERDA) is the primary administrator for energy-efficiency programs in New York. NYSERDA's administration of the programs is based on an inter-agency Memorandum of Understanding (MOU) with the New York Public Service Commission (NYPSC), which
receives guidance from an independent advisory group in its review of NYSERDA's program management and implementation (Eto et al, 1998).

Model 3 - Independent third party administration

In this option, an existing agency or other entity (chosen through tender) is designated to administrator DSM programming. This can be a not-for profit, single purpose organisation or crown corporation given the mandate to pursue public-purpose goals for energy efficiency. In some instances, this organisation may also deliver other energy programs like support for renewable energy to provide a one-stop shop of sustainable energy programming to consumers. There are several variations on how this model is set-up and governed. The arrangements surrounding Vermont's Energy Efficiency Utility are depicted in Figure 3. Oregon also uses a non-for profit agency to administer DSM. Efficiency New Brunswick is a crown corporation.

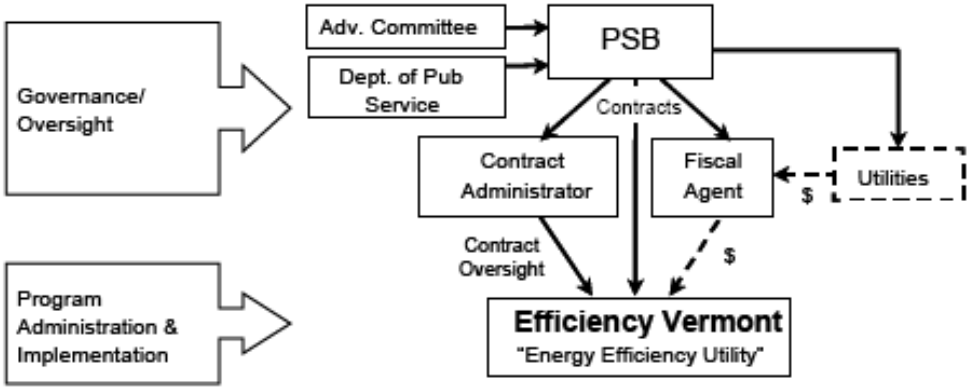

Figure 2: Independent third party administration (Vermont model). From Blumstein et al, 2001

PSB = Public Service Board

Model 4 - Hybrid administration

The hybrid approach combines elements from the previous models, which can be done in several ways. Administrative responsibility may, for instance, be shared by utilities and third parties as in California, with different programs administered by each. In 2002 the California Public Utility Commission (CPUC) "established a set of statewide programs, which were to be managed and implemented largely by the utilities, and established policy goals, budgets, and a competitive solicitation process for "local" programs, which were to be administered and implemented primarily by other entities." Before this move, the majority of funds were allocated to state-wide programs and thus under utility control. To increase the flexibility of the programs and better serve hard-to-reach customer segments, the CPUC shifted funding toward local programs operated by non-utility entities. The CPUC's own function also changed somewhat, moving beyond oversight to more directly conducting some program administration functions such as the solicitation and selection of the local program proposals (Blumstein et al, 2003). New Jersey and Maine also fit this model.

Model 5 – Energy Efficiency Utility[18]

A newly emerging concept for DSM administrative is the energy efficiency utility. The new structure is analogous to a supply utility under performance-based regulation and includes adoption of long-term budgets and resource acquisition goals. No such model has yet been implemented although Vermont has enacted legislation to enable the creation of this new structure, which will be much like other franchised utilities. This change allows the efficiency program administrator to take on larger and longer-term roles, commitments, and partnerships, including long-term resource planning, financing, and bidding resources into the regional forward capacity market. The independent third-party model in Vermont has imposed significant constraints on the evolution of these roles and responsibilities. The regulator's contractual relationship with the efficiency utility, as opposed to the judicial relationship it has with other utilities, has also presented some difficulties and constraints, hence the move towards this new structure.

[18] Based on a draft paper submitted to the American Council for an Energy Efficient Economy: Hamilton, B. (forthcoming). *Taking the Efficiency Utility Model to the Next Level.*

Table 1: Potential advantages and disadvantages of DSM administrative models

Model	Potential Advantages	Potential Disadvantages
1: Utility	• Utilities often have DSM admin experience • Single administrative and delivery entity can minimize administrative costs • Technical expertise on energy use • Established relationship with electricity users (detailed information on customer energy-use patterns & a system for billing customers) • Utility contracting and program revision processes are (relatively) more nimble than those of government • Regulatory/oversight process already established (UARB)	• Some utilities have done a poor job in DSM delivery • Without some compensating mechanism, the utility revenue model creates an incentive to increase sales, not reduce them – i.e. have interests that are fundamentally incompatible with reducing demand • Some utilities no longer have in-house expertise in this area • Difficult to integrate electric and non-electric efficiency strategies and create a single point of contact for customers • Program success determined by commitment and leadership within the utility - multiple competing priorities
2: Government	• Single agency with provincial reach can minimise administration costs • Might be less likely to be perceived by participants as having conflicts of interest • May have significant experience with dispensing funds through competitive solicitations • In theory, public agencies have well-developed processes to ensure input and accountability for use of public funds • Actual delivery can be placed in the hands of contracted market-based service providers who are in a position to pay high compensation for the best available talent • Can integrate multi-fuel strategies, gov't standards, training, renewables • Flexibility to design programs that align with broad public policy objective	• Existing agencies may be ill-equipped to focus on a new / expanded mission • Limited experience with this type of programming / limited technical expertise • Constraints imposed by staffing limitations or bureaucratic procurement requirements • Not nimble in making program adjustments • Politicized priorities and institutional caution may produce uninspired programming • Potential for budget raids that hamper achievement of goals • Difficult to provide performance incentives/penalties • Cannot be regulated, therefore less oversight and access to information compared to regulated entities / Accountability difficult to enforce • Bureaucratic requirements imposed by government can frustrate customers • Contracted program deliverers are profit-motivated private firms. Good programming may not always align with the most profitable programming. • For-profit contracts usually produce expensive program delivery • Keen program oversight is required

3: Independent third-party	• The organisational form, structure, and mission can be structured to be compatible with public-policy goals • Market participants are less likely /unlikely to perceive conflicts of interest • Can be created to have a single-focus (ability to stay on task) • Flexible planning and competitive procurement processes can be employed • The organisation may be able to attract highly motivated, skilled technical and administrative staff • More nimble in making program revisions • Expertise can be developed using local resources with some loyalty to the locale • Accountability and oversight can be focused on one entity • Administrative role can be removed in event of non-performance • Can implement strong performance accountability mechanisms • Can be overseen by the regulator • Insulated, but not totally protected from budget raids • Can integrate multi-fuel strategies, gov't standards, training, renewables	• Creation of a successful new institution/organisation depends on a broadly shared consensus regarding mission, objectives, funding sources, and appropriate organisational form and governance - these issues may be time consuming to address • A successful new institution requires the presence of some existing local energy efficiency expertise in the non-government sector • May involve high start up costs • Requires an organisation with broad reach – may be hard to establish in the short term • Relationship with the regular is contractual, not regulatory • If the third party administrator is a for-profit organization, then DSM programs would bear the added cost burden of this administrator's profit
4: Energy efficiency utility	• Analogous to existing regulated energy supply utilities thus greater familiarity for the regulator (clear relationship) • Can engage in long-term financial and resource supply commitments and partnerships (active and central role in integrated resource planning) • Potential for high mission alignment (low conflict of interest) • Ability to provide performance accountability mechanisms, including performance rewards and penalties • Insulated from budget raids • Pay structure can be aligned with other utilities thus able to attract highly motivated, skilled technical and administrative staff • Can integrate multi-fuel strategies and allow for implementation of performance accountability mechanisms for non-electric energy programs • Flexible planning and competitive	• This is an untested model - lack of experience with it creates many unknowns that need to be addressed • May require complex legal framework to be enabled – time consuming • May involve high start-up costs

	procurement	
4: Hybrid approach	• May be used when no broadly shared consensus can be achieved • Administration rests with entities that can best achieve goals – recognises strengths and weaknesses of administration by different parties • May better achieve public policy objectives (enables broader scope) – eg pursuit of both market transformation and resource acquisition goals	• Can result in confusion – responsibilities tend to overlap and need to be clearly defined • May result in higher administrative (i.e. higher overheads) and transaction costs • Needs particularly strong governance and accountability oversight • As a suboptimal model, it may exhibit many of the disadvantages of both the third party and government delivery models cited above

APPENDIX 3

Electricity Conservation in Nova Scotia

Administration of Demand Side Management Approaches[19]

OVERVIEW AND GUIDELINES FOR SPEAKERS

26th March 2008

PROJECT OVERVIEW

Commissioned by Conserve Nova Scotia (http://www.conservens.ca/), and carried out by Dalhousie University Faculty of Management (http://management.dal.ca/) this project has established an independent stakeholder consultation process to thoroughly assess the various options for administration and accountability for an electricity DSM program in Nova Scotia. The project aims to identify the range of alternative administration models and weigh the advantages and disadvantages of each with stakeholders. The aim is to build consensus based on agreement of goals and a ranking for the preferred option(s). The project will identify how the preferred option(s) could be implemented in Nova Scotia and what would be the relative benefits and risks and regulatory and legislative implications of various options. The overall objective is to make recommendations to the Government of Nova Scotia on what sort of entity would best administer DSM program delivery for the electricity sector in the Province.

Progress to Date

The project hosted its first stakeholder consultation workshop on February 22nd. Stakeholders were asked to complete a telephone questionnaire prior to the workshop to gauge their confidence in the process and their preferences regarding DSM models. Workshop participants were also sent an overview paper, outlining four types of DSM administration models. These were reviewed at the workshop and participants asked to identify key principles they wish to see in a NS model. The full list of principles was later sent to all stakeholders with a

[19] Demand Side Management is understood here to mean a range of measures used to encourage electricity demand reduction.

request to prioritise them. It is these principles the project will use to help define an appropriate DSM administration model for NS. Workshop participants were also keen to hear directly from those who have experience with different DSM models, thus we have convened a second workshop on March 26th, to which you have been invited. This document is intended to help guide you as you prepare for your presentation.

GUIDELINES FOR SPEAKERS

Your audience is knowledgeable and very interested in understanding the nuances the DSM administrative model used in your jurisdiction, including the historical context, the relationship between different actors and the advantages and disadvantages of your model from different stakeholder perspectives. Also of interest is how the model addresses various principles that have been identified at our last workshop, these are presented below. We ask that you also speak to these if you can (see Principles for Success table below). We are allowing 30 minutes for each presentation plus 20 minutes facilitated Q@A. Below we set out a checklist for your presentation in order that we achieve the highest level of comparability and relevance for our audience. The meeting will take place in an executive classroom at the Faculty of Management and there will be approximately 40 people in attendance. The meeting will be facilitated by Dean of Management, Dr David Wheeler.

Checklist for Your Presentation

- Administrative model overview, perhaps depicted in a diagram showing who interacts with who
- How and why your particular model emerged (very brief history)
- Advantages and disadvantages, risks and benefits of your particular model (as perceived by different actors)
- How well your model responds to the four Principles for Success (and any relevant objectives outlined in the table below).
- Key lessons for Nova Scotia to take away from your experience

PRINCIPLES FOR SUCCESS[20]

The following four principles and accompanying primary and secondary objectives were identified by stakeholders in Nova Scotia as key decision criteria for determining a DSM administrative model for the province. Each of the objectives is listed in order of priority based on an informal tally of stakeholders' feedback. The original questionnaire included five principles but given overlap with other areas these have been narrowed to four.

Principles for Success	Primary Objectives (in order of priority identified by NS stakeholders)	Subsidiary Objectives (also identified by NS stakeholders but with less consensus)
Accountability and oversight. There need to be 'crisp and clear' delineation of authority and responsibility between the delivery agents and the administrator.	• The DSM administrator is accountable for results/performance • Credible measurement - ability to monitor/ change/evaluate • Clear decision making structure (who makes the final decision) • No conflict of interest (convergence of interest)	Need for clearly defined roles and mission, administrator must be a trusted point of contact, chosen model must have broad stakeholder support and communicate effectively with stakeholders
Administrator effectiveness: fast and market responsive decision-making	• Flexibility to adapt to changing public policy • Flexibility for program design • Responsiveness to long range planning • Builds implementation infrastructure (relates to human resource capability)	Speed of implementation, ability to move quickly (there is an urgency for action/program implementation and delivery), nimbleness, learn from mistakes/successes of others
Compatibility with public policy goals: avoidance of unhelpful politics – eg pressure to deliver funding to constituencies, rather than to acquire cost-effective energy savings	• Maximizing contribution to achieve the economic, social and environmental goals – transparency was also named as a top priority • Must be in context of province's sustainability act • Equity component – participation for low income – Who is paying, how much? And who's benefiting? • Non–bureaucratic and entrepreneurial that encourages competitive and innovative solutions	Represent everyone
Secure funding allocation: avoidance of misuse of funds for other budgetary purposes.	• Results oriented versus spending oriented • Cost effective allocation • Predictable and dependable funding sources/multi-year	

[20] As categorised by Doug Baston and further identified by NS stakeholders.

APPENDIX 4

Stakeholder Outreach (1)

My name is Corrine Cash/Maggie Morrison and I am calling you on behalf of Dr David Wheeler who is Dean of the Faculty of Management at Dalhousie University.

Dalhousie University has been engaged by Conserve Nova Scotia on behalf of the Province of Nova Scotia to conduct a consultation process on what might be the optimum administrative arrangements for future investments in Demand Side Management. If you would find it helpful we can send you a copy of the Dalhousie University proposal for this work so you can see in more detail what is planned for the consultation process and what are the ways in which stakeholders can make their views known.

My purpose in contacting you now is to ask you about the process and what you would like to see happen. It is envisaged that there will be several opportunities for stakeholders to give private and confidential feedback through conversations like this. In addition we intend holding three workshops between mid February and mid April that Dean Wheeler will facilitate. It is hoped that you will be able to participate in these activities in order that the best advice possible can be given to Conserve Nova Scotia by the end of April. The workshops will examine a range of options and will seek to identify advantages and risks associated with these options.

If you have time I would like to ask you some questions about our proposed process and your willingness to participate. My questions should take no more than 10-15 minutes to answer. None of your responses will be quoted directly; rather your answers will be aggregated and even Dr Wheeler will only see aggregated responses. So you can be completely frank and honest in your opinions.

1) On a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you are willing to place in Dalhousie University to run a fair and objective consultation process?
2) On a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you are willing to place in the Government of Nova Scotia responding effectively to the recommendations of the consultation process?
3) On a scale of 1-5 where 1 = not at all willing and 5 = extremely willing, how willing are you to attend three half-day stakeholder workshops between mid-February and mid-April?
4) On a scale of 1-5 where 1 = not at all willing and 5 = extremely willing, how willing are you to answer up to six short individual surveys like this one between now and mid-April?
5) Would you be available on the following dates for half day facilitated stakeholder meetings looking at international best practices in DSM administration and possible local options: February 15th or February 22nd; March 14th or March 17th; April 14th or April 15th.
6) Would you be willing for me to call you again in 1-2 weeks' time to get your immediate feedback on some definitional and scoping issues?
7) Who would you recommend we also include as key stakeholders in this process?
8) Do you have any comments or advice for us going forwards?

Stakeholder Outreach (2)

My name is Maggie Morrison and I am calling you on behalf of Dr David Wheeler who is facilitating the session on Friday on administrative options for electricity demand side management in Nova Scotia.

You should have already received from Corrine Cash the paper drafted by our independent consultants on the four main options for administration of DSM based on their international review. My purpose in contacting you now is to ask you about the session on Friday and what you think it is reasonable to achieve. I also have some questions of a practical nature to ask you.

My questions should take no more than 10-15 minutes to answer. As before, none of your responses will be quoted directly; rather your answers will be aggregated and even Dr Wheeler will only see aggregated responses. So you can be completely frank and honest in your opinions.

First I would like to ask you some questions about the paper we sent to you.

1) Do you think we have captured the main options for electricity demand side management in the paper. Just to remind you, they were: Model 1 - Utility administration (with regulatory oversight); Model 2 - Government administration; Model 3 - Independent third party administration; and Model 4 - Hybrid administration. Do you agree that these are the main options?

Yes ☐ No ☐

If no, what other options might we consider?

2) Do you think we have fairly captured the potential advantages and disadvantages identified for each identified option?

Yes ☐ No ☐

If no, would you be willing to email us some suggested amendments before Friday?

3) On a scale of 1-5 where 1 = highly undesirable and 5 = highly desirable can you please comment on your CURRENT THINKING on what will work for Nova Scotia?

	Highly Undesirable 1	2	3	4	5 Highly Desirable
Utility Administration (with regulatory oversight)	☐	☐	☐	☐	☐
Government Administration	☐	☐	☐	☐	☐
Third Party Administration	☐	☐	☐	☐	☐

Hybrid Administration ☐ ☐ ☐ ☐ ☐

On Friday, do you think it will be possible for the group to narrow the list of 'front runner' options from four to two?

Yes ☐ No ☐

I would now like to ask you some practical questions in preparation for Friday.

Do you plan to attend?

Yes ☐ No ☐

Will anyone be attending with you (if yes, please provide names and affiliations).

Will you be staying for lunch?

Yes ☐ No ☐

We will be sending out meeting location details, but do you feel you need any more information before Friday?

Yes ☐ No ☐

If yes, record below

Is there anything else you would like to tell us in advance of the meeting?

Yes ☐ No ☐

If yes, record below:

Thank you for your time and please remember we will be starting at 9 am prompt on Friday. Refreshments will be available from 8.30.

Email back to:
Fax back to:
For telephone inquiries call:

Stakeholder Outreach (3)

My name is Maggie Morrison and I am calling you on behalf of Dr David Wheeler who facilitated the session on Friday on administrative options for electricity demand side management in Nova Scotia.

You should have already received from Corrine Cash the Key Success Factors and Principles paper. My purpose in contacting you now is to ask you about the session on Friday and whether you think we are making progress. I also have some questions of a practical nature to ask you.

My questions should take no more than 10-15 minutes to answer. As before, none of your responses will be quoted directly; rather your answers will be aggregated and even Dr Wheeler will only see aggregated responses. So you can be completely frank and honest in your opinions.

First I would like to ask you some questions about the paper we sent you on Key Success Factors and Principles.

1) Do you think we have adequately captured the Key Success Factors and Principles to guide us in making our recommendations to the Province on optimum arrangements for administration of electricity DSM in Nova Scotia?

Yes ☐ No ☐

If no, what other key success factors and principles should we consider?

2) Based on what you learned at the meeting last Friday, on a scale of 1-5 where 1 = highly undesirable and 5 = highly desirable can you please comment on what you now think will work for Nova Scotia?

	Highly Undesirable 1	2	3	4	5 Highly Desirable
Utility Administration (with regulatory oversight)	☐	☐	☐	☐	☐
Government Administration	☐	☐	☐	☐	☐
Third Party Administration	☐	☐	☐	☐	☐
Efficiency Utility/Vermont Model	☐	☐	☐	☐	☐

3) Based on what happened at the meeting on February 22nd, are you now more or less optimistic that we will be able to make clear recommendations to the Province in a timely and consensus-based way?

Much Less Optimistic 1 2 3 4 5 Much More Optimistic

☐ ☐ ☐ ☐ ☐

4) Based on what happened at the meeting on February 22nd, on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you place in Dalhousie University **now** to run a fair and objective consultation process?

4) Based on what happened at the meeting on February 22nd on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you are willing to place **now** in the Government of Nova Scotia responding effectively to the recommendations of the consultation process?

5) I would now like to ask you some practical questions in preparation for our next meeting when we will be showcasing the 'best practice' examples of successful DSM Administration in North America. Which dates are possible for you to spend a day learning about successful DSM Administration in North America .

March xx Yes ☐ No ☐

March yy Yes ☐ No ☐

March zz Yes ☐ No ☐

6) Is there anything else you would like to tell us to help make this process efficient and successful.

Yes ☐ No ☐

If yes, record below:

Email back to:

Fax back to:

For telephone inquiries call:

Stakeholder Outreach (4)

My name is Maggie Morrison/Corrine Cash and I am calling you on behalf of Dr David Wheeler who facilitated the session on Wednesday 26th March on administrative options for electricity demand side management in Nova Scotia.

My questions should take no more than 10-15 minutes to answer. As before, none of your responses will be quoted directly; rather your answers will be aggregated and even Dr Wheeler will only see aggregated responses. So you can be completely frank and honest in your opinions.

First, we would like you to identify your stakeholder category:

Consumer Representative

Low Income Representative

Industry Representative

Municipality Representative

Environmental Representative

Renewable Energy Representative

Consultant

Other (Please Specify)

Now I would like to ask you some questions about what we learned in the meeting on Wednesday 26th March.

1) Based on what you learned at the meeting last Wednesday, on a scale of 1-5 where 1 = highly undesirable and 5 = highly desirable can you please comment on what you now think will work for Nova Scotia?

Highly Undesirable	1	2	3	4	5	Highly Desirable
Utility Administration With Regulatory Oversight	☐	☐	☐	☐	☐	
Utility Administration With Stakeholder Advisory Board	☐	☐	☐	☐	☐	
Government Administration/ New Brunswick Model	☐	☐	☐	☐	☐	

Third Party Administration/

Oregon Model ☐ ☐ ☐ ☐ ☐

Efficiency Utility/

Vermont New Model ☐ ☐ ☐ ☐ ☐

In order of preference, please list these five options in order of preference, starting with your most favoured option and ending with your least favoured option.

2) Based on what happened at the meeting on February 22nd, are you now more or less optimistic that we will be able to make clear recommendations to the Province in a timely and consensus-based way?

Much Less Optimistic 1 2 3 4 5 Much More Optimistic

☐ ☐ ☐ ☐ ☐

3) Based on what happened at the meeting on March 26th , on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you place in Dalhousie University **now** to run a fair and objective consultation process?

4) Based on what happened at the meeting on March 26th on a scale of 1-5 where 1 = no trust and 5 = total trust, can you please tell me how much trust you are willing to place **now** in the Government of Nova Scotia responding effectively to the recommendations of the consultation process?

6) Is there anything else you would like to tell us to help make this process efficient and successful.

Yes ☐ No ☐

If yes, record below:

Email back to:

Fax back to:

For telephone inquiries call:

APPENDIX 5

Expert Presentations (3rd Stakeholder Meeting)