

Representative PAYS® Product Concepts

The following descriptions of PAYS® products are simplified concepts, not detailed implementation designs. Detailed implementation designs include all details essential for the successful implementation of any resource efficiency offering. These concepts, on the other hand, provide an overview of how each PAYS® product offering might be made available to customers. Before allowing them to be included under a Commission-approved PAYS® tariff, detailed implementation designs will need to be developed for and approved by the Commission.

PAYS® Products Targeted to Residential Customers

Catalog PAYS® Products

Concept: Customers order efficiency measures from a catalog and pay for them over time on their utility bill, using a portion of their savings.

Description: A primary vendor is selected through an RFP process. The distribution utility includes the catalog as a bill insert along with bar coded account information to facilitate product ordering and billing. Customers can use the internet to learn more about resource-saving measures (CFLs, water savers, clock thermostats, fluorescent fixtures, etc.). Customers complete, sign and mail the order form that is attached to the bill insert to the vendor. Products are shipped to their homes (or businesses). The vendor also sends bar coded information and the original signed forms to the distribution utility.

Local vendors willing to offer customers the same deal and provide the utility with the same information can also participate. Products are warranted during the entire payment period. Returns are allowed during the first two weeks but after that, only warranty replacements are offered. Customers' payments are structured to be less than monthly savings. If customers leave the location during the payment period, they can transfer the payment obligation to a new location in the utility's service territory or must pay off the balance with their last payment. The catalog does not need to provide multi-resource saving measures.

Status: Two-page description, possible vendors have been identified, and this concept was included in the Missouri analysis: "A Preliminary Analysis of the Cost Effectiveness of Potential PAYS® Products In Missouri" (available at www.paysamerica.org).

Benefits:

- In theory, all customers can participate.
- All cost-effective residential measures for which customers can determine savings based solely on their usage pattern can be included.
- At least one potential vendor has agreed to finance the measures, eliminating capitalization issues and costs.
- Customer self certification of usage simplifies development of savings estimates and consumer assurance.

Issues:

- Small savings for large numbers of customers creates the need for a major upgrade to the

billing system.

- Extensive marketing is needed to reach deeper than early adopters. Who does it?
- Are there any legal issues associated with selecting a single vendor (even with a bidding process) who will be able to sell products billed through the distribution utility's billing system?
- What steps, if any, are required to eliminate liability to the distribution utility if the vendor goes out of business or does not deliver "promised" services?

Two-Step Weatherization as PAYS® Products

Concept: Customers contact vendors and order air sealing and low cost measures installed as a fixed-price PAYS® product. Cost-effective major projects will also be able to be installed as PAYS® products.

Description: Low income providers, or vendors willing to use state-approved audits, expand their services to customers not eligible for grant programs. In Step One, customers who are pre-qualified with a telephone audit (to assure savings), are offered air sealing and installation of low-cost measures as a flat fee service (with PAYS® charges based on average savings). The provider goes to the home after the customer signs an agreement to pay the tariffed charge. Provider performs blower door air sealing, installs CFLs and water savers, performs an efficiency test on heating system, and based on quick inspection, may perform an audit if there are likely cost effective opportunities.

In Step Two, any cost-effective major projects identified by the energy audit are implemented as a custom PAYS® product (the cost is determined based on an individual analysis of the package of measures to be installed).

Status: Two-page description, possible vendors have been identified, and this concept was included in the Missouri analysis: “A Preliminary Analysis of the Cost Effectiveness of Potential PAYS® Products In Missouri” (available at www.paysamerica.org).

Benefits:

- Can be operated where low income providers want to expand services to customers not eligible for grant programs, expanding their capabilities and revenues and helping clients who just miss income guidelines.
- Takes benefits of federal low income program marketing and audit and makes them available as a PAYS® product for all residential customers.
- For the first time, all residential customers, including tenants, have a real opportunity to purchase both low cost and major measures.

Issues:

- Low income audits' savings estimates are not very reliable. Is there a liability issue when actual savings do not exceed costs?
- Who trains vendors and who pays for the training?
- Will not be available where either the existing low income provider or another vendor choose not to offer program services.
- Needs to address all resource saving measures to be successful; raising issue of measures that save other resources billed on electric bill.
- Step One will likely require both permanent and portable measures to be cost effective, complicating billing for large numbers of customers.
- PAYS®' requirement to only consider current resource costs without inflation or non-financial adders and to assure significant savings to participants means many “desirable” projects likely to benefit society and customers will not qualify unless subsidies are available to qualify these measures as PAYS® products.

Multi-Family Housing PAYS® Products

Private Housing Retrofit

Concept: Tenants, coop boards, or building owners can install energy-saving equipment with occupants paying on their electric bills and lowering their energy costs.

Description: Certified vendors propose projects that qualify as PAYS® products. Prior to installation, the Certification Agent verifies analyses, primarily using telephone checks to building/energy managers. For residential buildings with numerous tenants, services may be identical to the C&I HVAC Upgrade and Lighting Retrofit PAYS® products described below.

Status: Nothing further has been written for this option.

Benefits:

- Targets private multi-family rental housing where previous programs have failed because of the split incentive between landlords and tenants.
- PAYS® unique non-debt obligation should facilitate installations by coop boards, landlords, and others.

Issues:

- This project is the most likely to conflict or raise issues with NY State or City rent laws regarding what can and cannot be done (e.g., units where refrigerators, heat or hot water are included in the rent).
- For those housing units where the tenant pays some utility costs, a determination of who must approve the project is required.

Master-Metered Public Housing Retrofit

Concept: Public Housing operators can install energy-saving equipment that lowers their monthly operating costs without traditional approvals.

Description: Certified vendors contact public housing authorities and offer to install HVAC upgrades, lighting improvements and water saving equipment as PAYS® products. Since these measures are paid for through a tariffed charge, no budget changes or federal approvals should be required. Prior to installation, the certification agent verifies analyses, primarily using telephone checks to building/energy managers.

Status: Possible vendor has been identified and this concept was included in the Missouri analysis: “A Preliminary Analysis of the Cost Effectiveness of Potential PAYS® Products In Missouri” (available at www.paysamerica.org).

Benefits:

- Reduced costs for publicly financed housing (i.e., all taxpayers benefit).
- Addresses contracting issues for housing authorities.
- Addresses need for multi-resource measures and billing issues.

Issues:

- Needs to address measures with multi-resource savings to be successful; raising the issue of charging for measures saving other fuels on the electric bill.
- For those housing units where the tenant pays some utility costs, a determination of who must approve the project is required.

Commercial and Industrial PAYS® Products

HVAC System Upgrade

Concept: Fuel dealers and HVAC equipment providers will be able to sell upgrades and replacements as PAYS® products to building owners without requiring up-front payments, increased debt, or additional risk.

Description: Certified furnace and boiler companies can package upgrades and replacements as PAYS® products providing they screen cost effective based on increased efficiency using the PAYS® Analysis Tool. If customers (and building owners) approve the purchase, the work order is sent to the Certifying Agent who verifies the savings estimate (usually by phone but some selected visits will be made) prior to installation. The upgrade or replacement is then installed and the customer(s) at that location is (are) billed for the project until all payments are made. Documented repair costs may be considered in the savings calculation.

Status: Nothing further has been written for this option.

Benefits:

- Measures that usually are not included in other programs that have cost and environmental benefits can be installed.
- Vendors are empowered to market viable offers for cost-effective HVAC system upgrades or replacements.

Issues:

- Needs to address measures with multi-resource savings to be successful raising the issue of charging for measures saving other fuels on the electric bill.
- May not be compatible with standard landlord practice (desire) of transferring central HVAC costs to individual tenants (except in coops).

Lighting Retrofit

Concept: Lighting vendors will be able to sell more efficient indoor and outdoor lighting as PAYS® products to building owners without requiring up-front payments, increased debt, or additional risk.

Description: Certified vendors can package lighting retrofits as PAYS® products providing they screen cost effective based on increased efficiency using the PAYS® Analysis Tool. If customers (and building owners) approve the purchase, the work order is sent to the Certifying Agent who verifies the savings estimate (usually by phone but some selected visits will be made) prior to installation. The upgrade or replacement is then installed and the customer(s) at that location is (are) billed for the project until all payments are made.

Status: Nothing further has been written for this option.

Benefits:

- Cost-effective measures that building owners or tenants have not installed will be installed.
- Vendors are empowered to market viable offers for cost effective measures.
- Can facilitate use of existing rebate offers (i.e., more occupants, including tenants, can benefit from available NYSERDA subsidies.

Issues:

- There may be the need to work out the relationship to other program offers now available for PAYS® products.

ESCO PAYS®

Concept: Energy service companies (ESCOs) make a new, more compelling offer to potential customers. Instead of guaranteed savings involving detailed contracts with numerous caveats, ESCOs offer to install measures that the customer pays for only as long as (s)he benefits. Because this is a tariffed charge, there should be no change to debt status and no special approvals required.

Description: Certified ESCOs contact or are contacted by building managers or energy managers and propose projects that qualify as PAYS® products. Approval should not entail budget changes, board or stockholder approvals or change debt status of the entity. Prior to installation, the certification agent verifies analyses, primarily using telephone checks to the building/energy manager. The ESCO finances installation and instead of recovering costs from building owner, collects payments from the distribution utility.

Status: Nothing further has been written for this option.

Benefits:

- This is the only PAYS® option, other than the catalog option, that does not require identification of capital to pay for the up-front costs for measures.
- PAYS®, by addressing duration of ownership and debt issues and offering independent verification of savings estimates, increases the desirability of ESCOs offers.

Issues:

- The contractual arrangement between the ESCO and the utility needs to be developed.
- Other than the natural check of requiring measures to qualify as PAYS® products, there is no assurance that the cost for a specific project will be a good deal or reasonable for customers; it is important that marketing materials and forms do not convey tacit approval of ESCO prices.

PAYS® New Construction/Major Renovation

Concept: Installing more efficient heating, cooling, lighting and energy management systems or other resource efficiency equipment becomes less expensive than installing baseline equipment because more than 100% of the incremental cost is shifted to the end users who will reap the lower operating costs.

Description: Certified vendors contact or are contacted by developers/owners and propose projects that qualify as PAYS® products. The certification agent can also refer interested parties to appropriate certified vendors. Approvals will result in lower project costs. PAYS® charges are determined by the certification agent which must verify savings assumptions and ensure they are made clear to subsequent occupants who will assume the charges.

Status: Nothing further has been written for this option.

Benefits:

- Real market transformation effort because it makes it cheaper for developers and owners to install more efficient equipment at the time of construction.

Issues:

- The contractual arrangement between the developer/owner and the utility needs to be developed.
- The certification process is more involved since each project is a custom project, realistic baselines must be developed in order to make assumptions about measure costs and savings and assuring real savings to end users.
- Because most projects will not be decided on by end-users the additional incentive of treating more than the incremental cost as the PAYS® portion of the measure is needed. The best way to convey why this is a good deal to consumers needs to be developed.
- Because most projects will not be decided on by end-users the additional incentive of treating more than the incremental cost as the PAYS® portion of the measure is needed. A system for determining how much more than the incremental cost can and should be transferred to end-users needs to be developed.
- Significant marketing will be needed so that the key people learn of the deal. Enrolling industry leaders and trade groups through focus groups and member marketing will be essential.

Miscellaneous PAYS® Products

Advanced Meters

Concept: Building owners and coop boards who believe they will save money by installing advanced meters can install them as PAYS® products.

Description: Certified vendors contact or are contacted by customers and propose installing advanced meters, either as a stand-alone measure or as part of a package of measures that qualify as PAYS® products. Prior to installation, the certification agent verifies customers' understanding of the savings and costs, primarily using telephone checks to the decision maker. Both the cost for the initial analysis and the installation are treated as energy services charges that will be paid for over time by each individual tenant.

Status: Nothing further has been written for this option.

Benefits:

- Eliminates issue of how to capitalize cost for analyses and installations of advanced meters.
- Reliability of cash stream will allow for NYSERDA bonding.
- PAYS® offer will make installing advanced meters attractive to most customers.

Issues:

- Some customers will not be able to or choose to reduce their use; the Commission and relevant housing bodies will have to determine if it is good public policy to force these customers to both pay the real costs for their use and the costs to determine their use.
- Subsequent occupants must receive early disclosure of the advanced metering obligation at their location to avoid confusion and anger.
- Is it possible to create "fail safe" mechanism so that those customers or successor customers who do not realize sufficient savings to offset meter costs can opt out without penalty, at least for the analysis portion of the project?

PAYS® Enhancing Existing NYSERDA Programs

Concept: Participants in designated NYSERDA subsidy programs can opt to pay their co-payments using the PAYS® tariff to ensure they only pay while they personally benefit from the measure.

Description: Certified vendors participating in NYSERDA programs inform participants of the PAYS® payment option. Interested customers sign the PAYS® Customer Agreement form (and obtain building owner permissions if necessary).

Status: Nothing further has been written for this option.

Benefits:

- Most, if not all, barriers to participating in NYSERDA programs are eliminated, increasing equity and potential savings.
- Tenants will be able to participate in NYSERDA programs.

Issues:

- The subsidy amount will need to be used to lower the cost of the project, not paid to the building owner (who may not be paying for the measure).
- Appropriate authorities must agree that use of subsidies does not alter occupant's relationship to PAYS® measure in terms of debt obligation and ownership.