

# Market Development Initiative (MDI): Research overview

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Energy Efficiency



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# Research overview: Scope

A joint RFP was conducted to select a research partner, with **Griffin & Strong** selected to conduct the research.

The research was constructed to address the following:

- Identify barriers faced by disadvantaged communities from fully participating in Energy Efficiency as workers, trade allies, and implementation contractors
- An estimation of the availability of diverse firms in the utility's service territory through a market assessment
- Best practices and recommendations to promote opportunities for diverse firms, along with facilitating workforce development in disadvantaged communities

# Research overview: Market actor feedback

Griffin & Strong was tasked with gathering input from key market actors:

Methods	Joint utility effort
<b>Surveys completed:</b>	
Community Based Organizations	28
Implementation Contractors	74
Trade Allies / Service Providers	417
<b>Interviews conducted:</b>	
Community Based Organizations	12
Implementation Contractors	10
Trade Allies / Service Providers	30

# Research findings: Internal assessment

The research surfaced the following potential barriers to increased participation by diverse (and small non-diverse) firms:

## **Open vs. Closed Contractor Networks**

Confusion about which programs have open or closed networks, and what requirements must be met to participate in closed networks.

## **Key Performance Indicators (KPIs)**

KPIs negotiated with implementation contractors (ICs) and pushed down to their sub-contractors may be revised during the contract term between the IC and the utility without sub-contractors' input, potentially committing the subcontractors to performance goals they may not be able to meet.

## **Pay for Performance (P4P)**

P4P requires firms to “float” or “carry” costs for equipment and/or services until reimbursement from the utility. Smaller contractors generally do not have the financial ability to carry these costs until paid.

## Research findings: Internal assessment (continued)

The research surfaced the following potential barriers to increased participation by diverse (and small non-diverse) firms:

### **Portfolio/Offering Size**

A smaller firm with established capacity and skills in a portion of a larger offering is ruled out because it cannot perform or manage all aspects of the full offerings. This effectively established the firm as a sub-contractor candidate only.

### **Insurance Requirements**

Carrying general liability and cybersecurity insurance is a prohibitive cost for diverse (and small non-diverse) firms who have not previously engaged in work with the utility. This poses an upfront barrier to such companies at the time of bid.

### **Paperwork**

Diverse and small non-diverse firms typically do not have the staff to handle the administrative burden associated with energy efficiency program applications and reporting.

# Research findings: Market landscape assessment

The research surfaced the following potential barriers to increased supplier and workforce diversity:

## **Energy Efficiency as a Niche Industry**

It may not be cost-effective for a firm in a more general trade(s) to take on work in a more specialized area (such as energy efficiency), unless there are prospects for a significant number of present and future contracts.

## **Access to Capital**

Limited access to capital is a challenge for small and diverse firms, affecting their ability to purchase equipment, hire/retain employees, and build capacity in a meaningful way to facilitate bidding on larger projects.

## **Training**

Training, mentorships, and related community-based programs offer opportunities to enhance an individual's skillset, but challenges to accessing those resources include lack of awareness and cost constraints.

## Research findings: Market landscape assessment (continued)

The research surfaced the following potential barriers to increased supplier and workforce diversity:

### **Certification**

Diverse firms often do not recognize the value of becoming certified as a diverse firm (e.g., MBE, WBE) or are otherwise unwilling to spend the time and money needed to obtain necessary certifications, which can prevent them from qualifying for certain types of work.

### **Networking**

Small firms recognize the importance of building relationships to drum up business but struggle with the amount of time required and, notably, lack access to the utility to build a relationship.

### **Business Support and Advocacy Partners**

There are governmental and nonprofit business support organizations that help small businesses build capacity, offer training, and address other concerns. Many small/diverse businesses are not aware of these organizations or the assistance that they provide.

# Research findings: High-level recommendations

The research provided the following high-level approaches to improve supplier and workforce diversity:

## **Education and Outreach**

Increase awareness among diverse business owners of business opportunities providing energy efficiency services, including detailed information about individual program requirements and the roles of trade allies / service providers, implementation contractors, and subcontractors.

## **Partnerships**

Build strategic partnerships with targeted business support, advocacy, and other organizations that can help the utility achieve its MDI goals.

## **Access to Capital**

Leverage workforce development, disadvantaged community, and other available funding to develop solutions that can help address financial challenges faced by small/diverse contractors.



# Research findings: High-level recommendations

The research provided the following high-level approaches to improve supplier and workforce diversity:

## **State Resources**

Integrate existing utility trade ally / service provider programs into the Clean Jobs Workforce Hubs to be established by DCEO, which will offer training, certification preparation, and skill development in clean energy related industries. Educate DCEO about diverse suppliers' workforce development needs.

## **Training, Certification, and Licensing**

Broaden connections to community colleges, unions, and CBOs to leverage existing (or create new) energy efficiency training, certification, and licensing programs for diverse workers. Explore web-based learning, networking, and mentorship opportunities.

Thank you!



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