

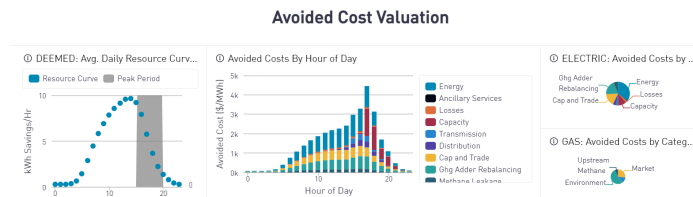
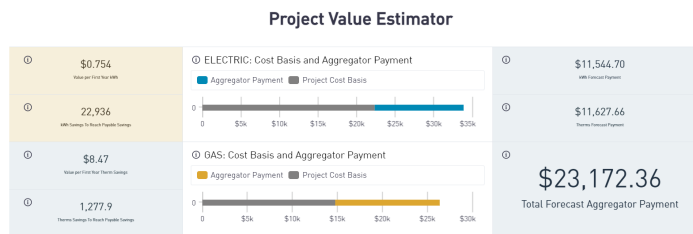
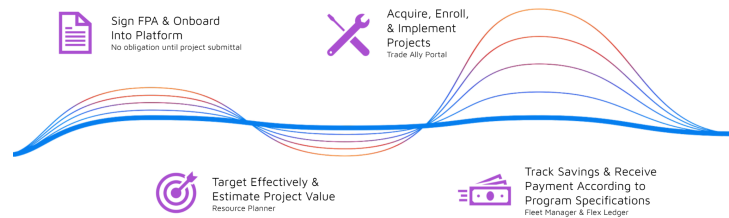


The FLEXmarket Opportunity for ESCOs

Energy Service Companies are routinely seeking out end customers to provide a host of energy solutions that reduce energy costs, reduce complexity, and achieve unique customer goals including comfort and carbon reduction. In order to make a project work economically, an ESCO may introduce a variety of value streams such as bill savings, grants, contract negotiations, and sometimes utility programs that offer rebates or other incentives for efficiency measures. Ratepayer-funded utility programs contain incentive budgets that allow utilities to compensate program participants for delivering grid benefits such as avoided energy cost and T&D infrastructure. However, traditional utility programs are often a source of frustration for program participants due to the program rules, procedures, and red tape that creates barriers to full participation.

The Demand FLEXmarket alleviates these burdens by making program and project enrollment as simple and straightforward as possible. ESCOs participate in the market as aggregators (defined as anyone submitting projects) and can onboard by signing a single Flexibility Purchase Agreement (FPA). After onboarding, aggregators have immediate access to existing marketplaces upon acceptance of M&V terms. From there, Recurve can assist with targeting high-value customers and aggregators can begin submitting projects that result in pay-for-performance incentives aligned to grid value. Once a project is submitted, the consumption at the utility meter is tracked relative to a baseline counterfactual model using the open-source [CalTRACK](#) methods.

Aggregator / Trade Ally



The savings calculated for the project are mapped to the avoided cost curve for the utility and then paid out at a rate that meets program cost effectiveness requirements for the utility. At the end of year 1, the annual savings are extrapolated through the end of the anchor measure's (lighting, HVAC, water heating, etc.) expected useful life (typically 10-15 years). The exact rate (\$/kWh) that ESCOs are paid will be determined based on project costs, savings delivered, and when the savings occur.

The MCE Commercial Efficiency FLEXmarket, for example, currently has ~\$5 MUSD in annual incentives budget set aside for participating aggregators. This incentive budget is perfectly positioned to become a value stream for ESCOs to utilize in Pro Formas to enhance project economics without adding additional cost. This value stream can also unlock potential for project finance based on past aggregator performance.