

# DSM SOURCING REVIEW: INTERIM RESULTS

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# RESEARCH OBJECTIVES

- 1** Provide comprehensive review of Xcel Energy's process to select third-party implementation vendors.
- 2** Recommend potential changes to the procurement process to improve vendor participation and customer satisfaction.
- 3** Make recommendations to enhance alignment with national best practices.
- 4** Deliver recommendations on ways to expand use of diverse and inclusive vendors.



# COMMON ACROSS BENCHMARKED UTILITIES\*

## Vendor Identification & Notification of Solicitation

- Open solicitations that are posted publicly and anyone can bid.
- Wide outreach via email lists, trade associations, energy efficiency conferences, and more.
- Commitment to doing business with small and diverse vendors.

## Solicitation Review Process

- A cross-functional, internal evaluation team determines scoring criteria and weighting.
- Experience and expertise was typically the highest weighted criteria.
- Price is weighted between 10 - 20%, typically the lowest or second lowest scoring criteria.
- Diversity weighted between 10% - 20%.
- Has strong language in the RFP about partnering with or engaging diverse businesses.

## Bidder Communication, Award Notification & Contracting

- Three utilities offer pre-bid conference calls or webinars.
- Questions are due by a certain date.
- Provide terms and conditions up front and use 'redlines' from bidders in evaluation criteria.
- Notify winners through online procurement platform.
- Complete contracting before nonwinners are notified.

\*Encolor reviewed five publicly available RFPs from five utilities issued in the last 2 years. We interviewed four utilities who all had more information available publicly, indicating a bias in our sample.



# VARIANTS ACROSS BENCHMARKED UTILITIES

## Vendor Identification & Notice of Solicitation

- 2 utilities require signed NDA before a bidder can access the procurement documents.
- Actions to advance equity: bidders required to meet affirmative action requirements, publicly available diverse supplier database, RFP networking, diverse vendor workshops.

## Solicitation Review Process

- One utility has evaluators conduct blind review. They reported an increase in small, diverse vendors winning contracts since moving to a blind review.
- One utility conducts interviews for all vendors. They reported an increase in small, diverse vendors winning contracts since implementing the interview process.
- Only one utility includes a budget in the RFP.
- One utility uses an online platform to document scores.

## Bidder Communication

- One utility offers pre-bid training for technical RFPs.
- One utility keeps the Q&A period open during the duration of the RFP.



# XCEL ENERGY SOURCING PRACTICES

## Vendor Identification & Notice of Solicitation

- Primarily uses a closed solicitation process.
- Thorough internal process for identifying potential bidders, in particular diverse businesses.
- Strong commitment to diversity, but the commitment is inconsistently applied.

## Solicitation Review Process

- Uses a standard bid evaluation practice in line with industry standards.
- Price can be the highest weighted criteria.
- Diversity inconsistently weighed across solicitations at 2%, 10%, and not at all.
- Language around diversity was soft: “Consultant **may consider** diverse...” vs. “Bidders **must include** strategies to engage...”)

## Award Notification & Contracting

- No differences were observed between Xcel Energy’s and benchmarked utilities’ award notification and contracting process.



# XCEL ENERGY SCORING PRACTICES

## Scoring Documentation

- Evaluators made good faith effort to conduct meaningful and fair evaluation and there was no evidence of bias present across scoresheets or notes.
- There were several errors and omissions on scoring spreadsheets that, once corrected, still provides the same rank order for vendors as the original.
- All evaluators did not take notes in the same way, but each panelist recorded notes consistently across all vendors.

## Consistency of Scoring

- Broad consistency in scoring in the Technical Assessment.
- All panelists had the same four bidders in their top four. There was moderate scoring variation within positions five through eight.
- Several evaluators provided a 0 score on a scale of 1-5, but changing the 0 to a 1 did not change rank.
- Notes demonstrate that some evaluators consider reputation and some evaluators only consider content from the RFP in scoring.



# PRELIMINARY RECOMMENDATIONS

Consider making solicitations open and promoting them widely.

Consider establishing minimum diversity requirements and apply them consistently across solicitations.

Consider conducting interviews as a scored part of the solicitation process.

Accept Q&As until the solicitation due date.

Conduct QA to ensure all scoresheets are accurately calculated once evaluation is complete.

Ensure that all evaluators understand the scoring criteria and record thorough notes.



# NEXT STEPS





# Thank you!



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