

EM&V Framework Discussion

Presentation to the Council

June 10, 2015

Issues for Discussion

- ▶ Investing EM&V Collaborative with Responsibility
- ▶ Basing Achievement on Ex-post Verified Net Savings
- ▶ Assessing Cost-Effectiveness using TRC
- ▶ Using the Mid-Atlantic TRM

Investing EM&V Collaborative with Responsibility

- ▶ EM&V Collaborative – Issues RFP for IEC(s); establishes multi-year evaluation plan and budget; discusses and approves individual study plans, work products, and reports
- ▶ DNREC – Promulgates regulations; hires and manages EEAC Consultant
- ▶ EEAC Consultants – Reviews and approves selection of IECs; oversees planning of EM&V activities
- ▶ AEPs/PAs – Contracts with IECs; tracks and provides data; identifies EM&V needs
- ▶ Independent Evaluation Contractor(s) – completes all primary EM&V activities

Basing Achievement on Ex-post Verified Net Savings

- ▶ Gross savings determined by best available method
- ▶ Net savings calculated using pre-determined NTG ratios, prospectively
- ▶ Changes to TRM are prospective, covered in annual update

Assessing Cost-Effectiveness using TRC

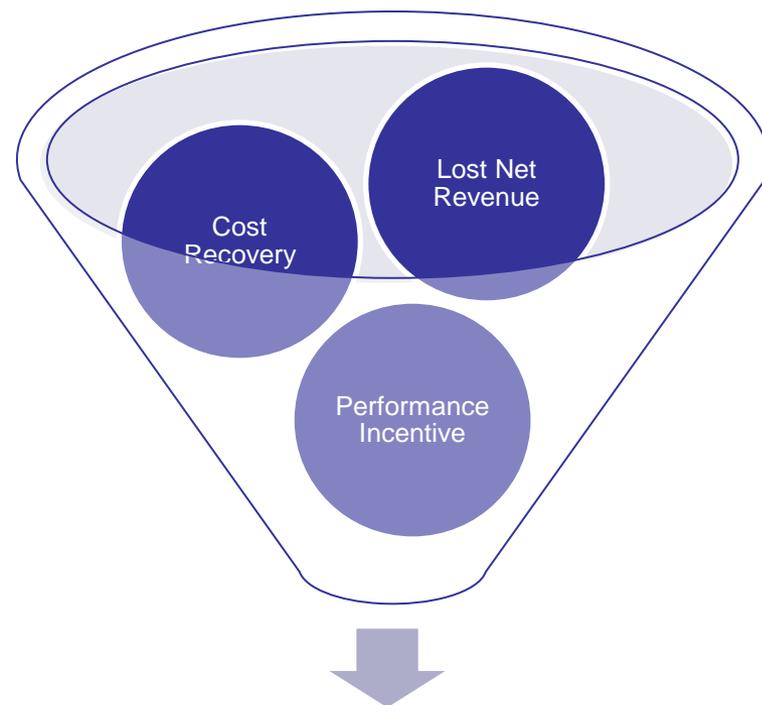
- ▶ Captures full effective useful life of measures, discounting at societal rate
- ▶ Benefits
 - All avoided energy and capacity benefits
 - DRIPE
 - Non-energy benefits (quantifiable and/or adder)
- ▶ Costs
 - Program administration costs
 - Incremental measure costs (up to and including labor as appropriate)
 - Non-energy costs (quantifiable and/or adder)

Using the Mid-Atlantic TRM Whenever Possible

- ▶ Use enhancements, expansions, or local factors when necessary
- ▶ Suggest expansions, etc. to NEEP for inclusion in next version

Cost Recovery and Performance Incentives

- ▶ Caveat: for those AEPs that are regulated by the PSC, cost recovery and performance incentives are the purview of the Commission
- ▶ Three key components
 - Recover program costs
 - Address lost net revenues
 - Provide incentives (evaluators need to recommend measurable metrics)



Utility “made whole”

Collect 100% of Actual Program Costs

- ▶ Strive for proportional allocation of costs by customer class, except for low income
- ▶ Amortizing program costs to better align with program benefits has merit, but interest rate likely $<$ WACC
- ▶ Annual true-up of under/over-collection
- ▶ Program costs NOT included in rate-base

Remove Dis-incentives for Efficiency

- ▶ Decoupling is a possibility
- ▶ Lost revenue adjustments should NOT be made in isolation; AEPs should not earn above actual net lost revenue
 - Example: Verified efficiency savings of 1,00 MWh, but AEP only 350 MWh short (e.g., hot summer, economic expansion)
- ▶ Annual true-up

Provide Positive Incentives

- ▶ Give EE/DR similar earnings potential as supply-side investments
- ▶ Protect ratepayers against excessive awards
- ▶ Based on measureable performance under the AEP's control
- ▶ Tied to outcomes (e.g., verified savings, market transformation, cost of savings) rather than actions (e.g., expenditures, meetings, events)
- ▶ Scalable, multi-variate, and multi-year



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