Errata Sheet – June 13, 2019

*Replaces text starting on page 22 of June 14 version of “Counting Market Transformation Savings in Illinois: A Proposed Approach”*

**Option 1: Meld the RA and MT Frameworks.** This method is used by the Northwest.

The starting point for this approach is to determine all gross participant units (e.g. numbers of bulbs, or washers, etc.) counted through the RA program during the counting period. The gross RA units are then adjusted to RAadjustment units by multiplying by one minus the ratio of Total Market Units to Natural Market Baseline units for the year in question. This has the effect of removing a portion of the Natural Market Baseline from the RA units – which theoretically is ‘what would have happened anyway’.

***RAAdjustment Units = Gross RA Units \* [1- (Natural Baseline Units/Total Market Units)]***

These adjusted RA units are then subtracted from the MT units to establish MT units adjusted for RA units.

***MT UnitsadjustedRA = MT Units - RAadjustment Units;***

Where:

***MT Units*** *= Total Market Units – Natural Market Baseline Units*

These RA-adjusted MT units are then multiplied by the MT unit energy savings (UES) to determine reportable Market Transformation savings net of RA energy savings. This procedure can be represented by the following equations:

***MT Energy Savings Adjusted for RA =  UESMT \* Estimated MT UnitsadjustedRA***

Where ***UESMT*** = Unit Energy Savings for the MT initiative[[1]](#footnote-1)

In this option, any spillover units from the RA program are assumed to be part of the Adjusted MT units. The philosophical justification for melding the RA and MT frameworks is grounded in encouraging cooperation and joint operation between MT and RA programs to maximize combined savings above the Natural Market Baseline. There is no attribution statement about whether the RA or MT activities caused the spillover.

Note that this melded RA/MT approach does not attempt to fully reconcile traditional methods for adjustments in the RA methodology for free ridership and spillover in the RA program. The process to get to net RA units above Natural Market Baseline is not the same method as a traditional RA net-to-gross ratio, even though it is conceptually similar in intent.

**Option 2: Existing Rules for RA Take Priority.** This approach acknowledges that RA programs in Illinois will likely be the vast majority of investment and savings for the next 5-10 years, and a long history has evolved with rules of how to count RA programs. In this option, RA program units comprising areas (A-B) + C in Figure 3 would be subtracted from the MT units.

***MT Savingsadjusted = MT Savings – (Gross RA Savings – Free Riders + Spillover)***

Where:

*MT Savings = (Total Market Units – Natural Market Baseline Units) \* UESMT*

All savings from RA programs, as calculated in those programs, are then removed from the MT savings. Free riders are removed from MT units to reflect the current regulatory desire to have savings net of free riders. Spillover is attributed to the RA program (and subtracted from MT units) under this approach, even though spillover is a specific intent of MT initiatives and the RA and MT programs are operating simultaneously.

The primary benefit of netting out all RA claimed savings is that it allows for a straightforward assertion that “all savings counted through the RA program have been debited from the MT program savings”. This simple statement may satisfy the needs of regulators and stakeholders without requiring further detail on the differences between the RA and MT frameworks.

On the other hand, this technique creates a bias against MT initiatives in favor of counting the savings in RA. This is because it has the unfortunate consequence of removing legitimate market effects (like spillover) from the MT initiative. This could discourage coordination and collaboration between MT initiatives and RA programs.

If coordinated closely, joint operation of RA programs and MT initiatives should increase the market activity and associated savings for both, accelerating market adoption and energy savings results for all ratepayers. Whichever approach is used to account for the interaction between RA programs and MT initiatives, encouraging a coordinated, collaborative effort should be a strong consideration in the choice of which option will work best for Illinois.

1. Occasionally, UES for MT can vary from RA, especially in later phases of the MT activities. Should this occur, the MT UES is used, since this is a calculation of MT savings. [↑](#footnote-ref-1)