**Electrification Energy Consumption Reduction – Nicor Gas Policy Proposal**

**Below are Redline Edits from AG/NCLC**

**January 2023 Policy Manual Subcommittee Meeting**

1. Section 8-103B(b-27) requires electric utilities to:
   1. Limit electrification to those installations that reduce total energy consumption at the premises.
   2. Limit electrification savings counted towards each year’s applicable annual total savings goal to no more than:
      1. 5% per year for each year from 2022 through 2025;
      2. 10% per year for each year from 2026 through 2029; and
      3. 15% per year for 2030 and all subsequent years.
2. Electric utilities shall provide transparent and accurate information that allows the independent Evaluator and, ultimately, the Commission to ensure compliance with these requirements. Agree.
3. Electric utilities shall calculate total energy consumption savings specific to the electrified end use and specific to the electrification measure installed. Disagree. See below.
   1. Total energy consumption savings shall be limited to the electrified end use, and not include auxiliary savings from other end uses affected by the measure. For example, for heat pump measures, total energy consumption savings shall be calculated only for the heating end use (i.e., the electrified end use), and shall not include any additional savings for the cooling end use. For another example, for heat pump water heater measures, total energy consumption savings shall be calculated only for the water heating end use, and shall not include any additional savings for space heating, cooling, or dehumidification.

We agree that for purposes of providing customers estimates of bill savings that providing separate estimates for each end use is useful to educate customers (further discussed in the bill impact policy proposal comments), and therefore support utilities calculating that bill impact (which of course also requires calculating energy consumption) and providing that information for information purposes only. However, we disagree that this should apply to the requirement to reduce total energy consumption. CEJA requires that “electrification measures reduce total energy consumption at the premises.” (b-27) It is impossible to adopt “half measures” that allow for impacts from only part of the equipment installed (e.g., by definition a heat pump provides both heating and cooling, and a heat pump water heater or induction stove will have some auxiliary energy impacts). It is illogical and contrary to statute to impose a requirement that one parse the various functions and operations of a single measure and then apply the criteria separately to each.

* 1. For broader projects involving multiple measures, total energy consumption savings shall be limited to savings from the electrification measure. For example, for a project involving a heat pump and additional weatherization measures, savings shall be calculated only for heating (i.e., the electrified end use), and only from the heat pump measure (i.e., the electrification measure), and not be combined with additional savings from other measures installed in the broader project. However, when an electrification measure is installed in a broader project where savings from the measures interact, savings shall be allocated to the electrification measure using calculations and protocols defined in the IL-TRM. Agree, dependent on TRM rules around interaction. CEJA specifies that “electrification measures” meet the savings standard. We therefore agree that non-electrification measure savings should not be included in this standard. However, if this approach is adopted, then the program administrator should be able to prioritize the electrification measure for savings first regardless of any TRM language that might call for assuming adoption of non-electrification interacting measures first. We support the TRM adopting language that provides flexibility, at the program administrator’s discretion, when calculating measure interactions as to the order which measures are selected.

1. Whenever practicable, electric utilities shall estimate total energy consumption savings specific to the individual customers installing the electrification measures. When necessary, as specified further in Section 5.c., utilities may rely on default parameters for equipment specification and operating conditions that are appropriate to the customers installing the measures. Agree.
2. The following procedures shall be implemented to ensure that the IL-TRM allows for calculations of electrification savings that are transparent and accurate:
   1. When appropriate, IL-TRM algorithms shall specify savings by end use for measures affecting multiple end uses. Agree. Note we believe that the TRM already does this for all measures.
   2. The IL-TRM shall specify how savings from projects involving multiple measures shall be allocated to individual measures. This may be specified for individual measure workpapers within the IL-TRM and/or as broader protocols for application across all measures in the TRM. Disagree. As stated above, we believe the ordering of measures for purposes of estimating interactions should be at the program administrators discretion. While total project savings will be consistent regardless of the ordering, ordering can impact other statutory and policy issues in inadvertent, and potentially detrimental, ways. For example, there are both limits on gas to electric savings conversions (b-25) as well as electrification savings (b-27) that can be negatively impacted by a firm policy in ways that would be detrimental to a program administrators effective and efficient achievement of its goals. Note for electrification projects we have already agreed to a policy that all project savings can be counted as “electrification savings.”
   3. When appropriate, the IL-TRM shall provide default assumptions for equipment specification and operating conditions to use in electrification measures. Agree.
3. To ensure that electric utilities meet the requirements of Section 8-103B(b-27) in a transparent and accurate manner, in their annual evaluations, the independent Evaluators shall:
   1. Verify that savings calculated using a TRM algorithm applied calculations consistent with the IL-TRM and input assumptions appropriate for the individual customer installing the electrification measure.
   2. Provide an independent evaluation of total energy consumptions savings for measures calculated using custom savings approaches.
   3. Identify any installed electrification measures installed that failed to reduce total energy consumption at the premises, along with the incentive payments paid to customers installing those measures.
   4. Eliminate any savings towards applicable annual total savings coming from electrification measures not reducing total energy consumption at the premises.
   5. Limit electrification savings counted towards each year’s applicable annual total savings goal to no more than the annual limits required by Section 8-103B(b-27).

Because the net energy consumption savings will be counted by utilities toward their overall savings goals, we agree that they should be subject to evaluation review. We believe that impact evaluation activities should not be different in nature to those applied for efficiency measures. These are simply one type of energy efficiency impacts from an overall portfolio that are subject to the usual impact evaluation procedures, including appropriate sampling methodology, verification of compliance with the TRM, etc. However, we further note that, notwithstanding any of the comments above, we believe this entire document is simply of “academic” interest and ultimately unnecessary. This is because we are unable to imagine a possible electrification measure that would not, by definition, “reduce total energy consumption at the premises.” As a result, care should be taken to refrain from imposing any aspects of this policy that will pose undue burdens or impede the program administrators ability to efficiently and effectively deliver its programs. This should include consideration of the value of any evaluation efforts.

Further, we propose that the requirement that a measure reduce total energy consumption at the premises be expanded to apply to all fuel switching measures, not just electrification.