

Opinion **Dynamics**

IL-SAG POLICY MANUAL SUBCOMMITTEE POLICY PROPOSAL

Electrification Savings in Cost-
Effectiveness Analyses



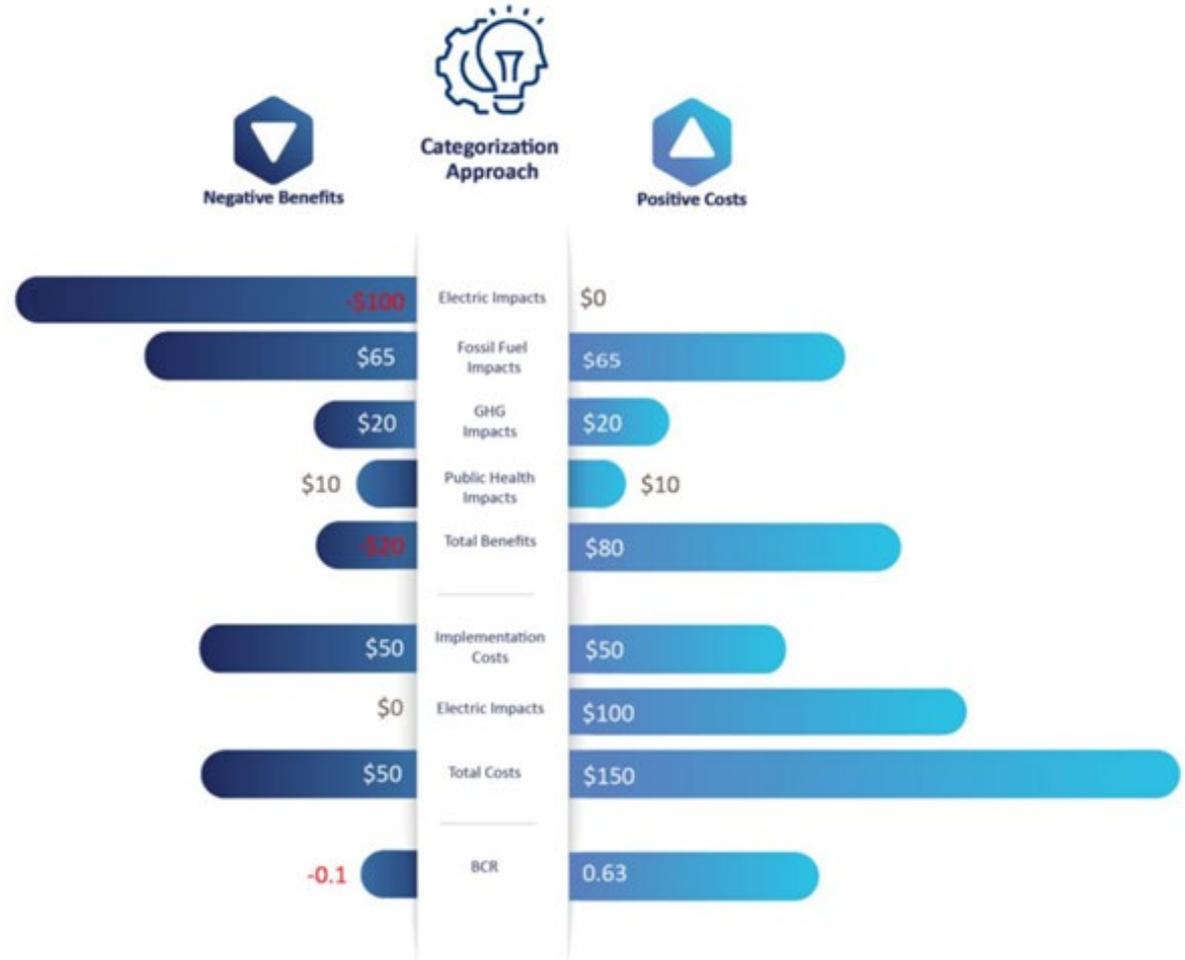
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Background

- Passing of CEJA authorized electric utilities to pursue electrification.
- Electrification measures will produce simultaneous changes in the consumption of multiple fuels – decreased fossil fuel consumption and increased electricity consumption.
- Introduces a *relatively* new paradigm regarding the definition and monetization of costs and benefits in CE analysis.
 - Increased electricity consumption could be thought of as “negative savings”.
 - Negative savings have been encountered in traditional EE programs (e.g., heating penalties).
 - Under existing frameworks, we have taken a “net benefits” approach to these negative savings – i.e., left them on the benefits side of the BC equation as negative benefits.
 - Magnitude of negative savings from electrification warrants re-visiting this approach and considering whether they should be treated as costs rather than negative benefits.

Summary of Issue

- Fictional electrification scenario:
 - Implementation cost: \$50
 - Avoided energy costs: -\$100
 - Avoided fossil fuel costs: \$65
 - Societal NEIs: \$30
- Decision to categorize increased consumption as negative savings vs. costs has considerable impact on BCR.
 - BCR of 0.63 vs. -0.1.



Opinion Dynamics Proposal

- We do not have a specific position on this issue.
- However, we believe explicit guidance should be included in the Policy Manual to ensure program administrators, implementers, and evaluators conduct cost-effectiveness analyses in a consistent manner.



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QUESTIONS/COMMENTS?

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