

Illinois Energy Efficiency Stakeholder Advisory Group Policy Manual Subcommittee Version 3.0: Proposed Policy Template

Background: Creating an Illinois energy efficiency “policy manual” was a directive from the Illinois Commerce Commission (ICC) to SAG in 2014. The Policy Manual “provides guiding principles for procurement, oversight, evaluation and operation of the electric and gas Energy Efficiency Programs authorized under Sections 8-103B and 8-104 of the Illinois Public Utilities Act. The principles and policies articulated in the Policy Manual were derived from Commission orders, policies and procedures developed by the SAG, as well as best practices from state Energy Efficiency Programs delivered throughout the nation.”¹ Policy Manual Version 1.0 was approved by the ICC in December 2015. The Policy Manual is available for download on the [SAG website’s Policy Manual page](#).

- Policy Manual Version 1.1 was developed in spring 2017 and approved by the ICC in October 2017, to incorporate corrections needed due to the Future Energy Jobs Act (FEJA).
- Policy Manual Version 2.0 was developed in 2018-2019, to incorporate various proposed policies. Version 2.0 was approved by the ICC in December 2019.
- Policy Manual Version 2.1 was updated in fall 2021, to incorporate corrections needed due to the Climate and Equitable Jobs Act (CEJA). Version 2.1 was approved by the ICC in January 2022.
- Individual utility stipulated agreements for 2022-2025 Energy Efficiency Plans include commitments to discuss specific policies through the Policy Manual update process. Additional policies may also be included in the Version 3.0 update.

Policy Manual Update Process:

- **Participation:** The SAG Policy Manual Subcommittee is open to all interested SAG and Income Qualified EE Advisory Committee participants. Final consensus will be between utilities and non-financially interested stakeholders.
- **Proposed Policies:** All proposed policies are **due by Friday, June 10, 2022**
 - Submit completed template(s) to the SAG Facilitator, Celia Johnson: Celia@CeliaJohnsonConsulting.com
 - Policies submitted after the deadline will not be considered, unless there is consensus with the Subcommittee on adding a new policy proposal to the discussion list
 - All proposed policies will be posted on the SAG website, and circulated to the Policy Manual Subcommittee for review prior to the first meeting
 - The SAG Facilitator will present a schedule and Subcommittee Plan at the kick-off meeting.
- **Timeline:** The kick-off meeting is June 23, 2022. The goal is to reach conceptual agreement on Version 3.0 in mid-October 2022, in order to submit the final Version 3.0 to the Commission for approval by December 1, 2022.
- **Reminders:**
 - Participants are encouraged not to propose significant changes to policies that have already been addressed by Policy Manual Version 2.1 and approved by the ICC, unless there is a compelling need/rationale to change a current policy, which should be explained to the Subcommittee.
 - Participants are expected to make a good faith effort to provide supporting information about proposed policy issue(s), which may include background research, and a proposal to address the policy issue. Additional information may be requested by the SAG Facilitator or Policy Manual Subcommittee participants.

¹ IL EE Policy Manual Version 2.1, Section 2.1, Background.

Electrification Program Proposed Policy for Version 3.0

Question 1: Proposed Policy and Rationale

Briefly describe the policy proposed to be included in Policy Manual Version 3.0, including rationale for why this policy is necessary in Illinois.

Questions to consider:

- 1. Why does this policy require inclusion in Policy Manual Version 3.0?*
- 2. What unresolved policy issue(s) will be resolved by inclusion in the Policy Manual Version 3.0?*

Background and Context

In 2016, Public Act 99-0906 established Section 8-103B, which, among other things, provided new opportunities to save energy and invest in Illinois through energy efficiency measures. Section 8-103B(a) sets forth a policy framework designed to reduce load and direct and indirect cost to consumers² using cost-effective energy efficiency measures.

In 2022, Public Act 102-0662 added subsection (b-27)³ to Section 8-103B. In summary, that subsection allows, subject to certain parameters, electric utilities to offer and promote measures that electrify space heating, water heating, cooling, drying, cooking, industrial processes, and other building and industrial end uses that would otherwise be served by combustion of fossil fuel at the premises, provided that the electrification measures reduce total energy consumption at the premises.

² Section 8-103B: *The low-income measures described in subsection (c) of this Section shall not be required to meet the total resource cost test.*

³Section 8-103B: *Beginning in 2022, an electric utility may offer and promote measures that electrify space heating, water heating, cooling, drying, cooking, industrial processes and other building and industrial end uses that would otherwise be served by combustion of fossil fuel at the premises, provided that the electrification measures reduce total energy consumption at the premises. Prior to installing an electrification measure, the utility shall provide a customers with an estimate of the impact of the new measure on the Customer's average monthly electric bill and total annual energy expense*

Proposed Policy

Given the above background and context, Ameren Illinois proposes the following policy:

There appears to be a tension between offering cost-effective energy efficiency measures to reduce load and offering cost-ineffective or close to cost-ineffective electrification measures that will increase load. Accordingly, Illinois electric utilities choosing to pursue electrification under Section 8-103B(b-27) should design and deliver energy efficiency electrification programs that have been shown to provide significant benefit to customers choosing to switch fuels, considering cost-effectiveness.

When calculating TRC for electrification projects, the TRC test should reflect resource cost and benefits of the fuel being displaced (Propane or Natural Gas), as well as the resource cost and benefits of fuel being used (electric). Investments to address capacity constraints should be factored into the resource costs.

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Further details surrounding this policy may be subject to further analysis and discussion.

Question 2: Utility Impact

Describe whether the proposed policy impacts Illinois gas utilities, electric utilities, or both.

The policy proposal impacts Illinois electric and gas utilities

Question 3: Background Research

Provide any background research completed in preparing this template, including source references and links, as applicable.

Questions to consider:

1. Are you aware of other jurisdictions or utilities that address this policy issue?
2. Have any national or regional energy efficiency organizations addressed this policy topic? If so, please provide reports and any other relevant sources.

See, e.g., 220 ILCS 5/8-103B

Optional Question 4: Commission Decision

Has the Illinois Commerce Commission previously addressed this policy or issue? If so, please provide language and specific citations, including the ICC docket number.

Commission staff provided input on electric measure baselines during the development of TRM Version 9.0, Docket # 20-0741. See Policy Division Staff Report dated September 25, 2020.

Optional Question 5: Statutory Consistency

Have you reviewed your proposed policy against applicable Illinois law? Are there any possible conflicts? If so, please explain and provide statutory citation(s).

No, this policy proposal aligns with providing clarity in the Act.

Optional Question 6: Additional Information

Provide additional information, as needed, to assist with understanding the proposed policy issue and your request to include it in the Policy Manual Version 3.0. For example, have any memos been drafted to the SAG related to this policy proposal?

Partially. See IL TRM v9.0 Comparison Exhibit of Non-consensus update issues memo dated September 25, 2020.