

Illinois EE Stakeholder Advisory Group Market Transformation Savings Working Group Small Group Meeting #4

Tuesday, February 14, 2023 Meeting
1:00 pm – 3:00 pm
Teleconference

Attendees and Meeting Notes

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Meeting Materials

- Posted on the [Market Transformation Small Group page](#):
 - [February 14, 2023 MT Small Group Agenda](#)
 - [ComEd Presentation: Market Transformation Attachment C Revisions](#)
 - [IL-TRM Attachment C – Edits for Review](#)
 - [MT Policy Resolution – Edits for Review](#)
 - [Guidehouse Presentation: ENERGY STAR Retail Products Platform Preponderance of Evidence Approach](#)

Attendees (by webinar)

Celia Johnson, SAG Facilitator
Cathy Lamadrid, Inova Energy Group (SAG Meeting Support)
Adriana Kraig, Opinion Dynamics
Alexandra Dunn, ILLUME Advising
Allen Dusault, Franklin Energy
Anna McCreery, Guidehouse
Bahareh van Boekhold, ILLUME Advising
Chris Neme, Energy Futures Group, representing NRDC
David Brightwell, ICC Staff
David Weaver, Citizens Utility Board
Elizabeth Horne, ICC Staff
Ellen Rubinstein, Resource Innovations
Jane Colby, Apex Analytics
Jason Christensen, Cadmus
Jeannette LeZaks, Slipstream
Jim Fay, ComEd
John Lavalley, Leidos
Kegan Daugherty, Resource Innovations
Michael Frischmann, EcoMetric Consulting
Mike King, Nicor Gas

Molly Graham, MEEA
Nicholas Crowder, Ameren Illinois
Rachel Marty, Guidehouse
Randy Opdyke, Nicor Gas
Rebecca McNish, ComEd
Rick Tonielli, ComEd
Rita Siong, Resource Innovations
Ryan Wall, Guidehouse
Stacey Paradis, MEEA
Ted Weaver, First Tracks Consulting, representing Nicor Gas
Tim Dickison, Ameren Illinois
Vincent Gutierrez, ComEd
Wayne Leonard, Guidehouse

Opening & Introductions

Celia Johnson, SAG Facilitator

Purpose of meeting:

1. To discuss proposed edits to IL-TRM Attachment C and market transformation policy resolution, and request written feedback; and
2. For Guidehouse to present on how to apply the Preponderance of Evidence Approach to evaluation of the ENERGY STAR Retail Products Platform.

SAG Facilitator Intro: This is the fourth meeting of the Market Transformation Small Group. The Small Group was created at the request of ComEd in October 2022 to address MT open questions.

- Since December 2022, a group including ComEd, Guidehouse, and Resource Innovations has been working on edits to the Illinois Technical Reference Manual (TRM) Market Transformation Attachment C and to a Market Transformation Policy document from 2020. The goal is for the Market Transformation Small Group to present proposed edits to the larger MT Savings Working Group at the March meeting.

Proposed IL-TRM Attachment C Edits

Jim Fay, ComEd

Purpose: To introduce proposed edits to IL-TRM Attachment C, discuss initial feedback, and request written feedback.

- **Materials:** [ComEd Presentation: Market Transformation Attachment C Revisions](#)

Proposing four main recommendations affecting Attachment C's language – see [Slide 2](#)

1. MT Program Evaluations should incorporate the projected savings from the MT Energy Savings Framework
2. MT Program Evaluations should apply a “Realization Rate” or “True-Up” annually based on actual market data
3. The MT Program Evaluation and SAG review should address the continuing adequacy of the ESF (or have market fundamentals changed enough to warrant a new ESF)
 - The existing ESF should apply until a new ESF is completed (up to 2 years). Savings will be revised prospectively.
4. Evaluation Plans should propose evidence-gathering to meet the “Preponderance of Evidence” standard

[Chris Neme] Clarification requested on first recommendation.

[Jim Fay] The recommendation is for the evaluator to identify what the projected savings are for the energy savings framework, but it does not request that the evaluator record these savings and add them to Cumulative Persisting Annual Savings (CPAS) for future years. As an example, for a retail products platform, projected savings typically go through the year 2027, but the evaluation for program year 2023 would note and discuss projected savings through 2027, but only 2022 savings would be added to CPAS.

[Chris Neme] What is the benefit of having the evaluator record projected savings for future years?

[Jim Fay] Adopting a consensus view of what the market looks like and minimizing the risk associated with realizing a set of projected savings. The group working on these recommendations feels there is value in creating a consensus view of what future savings would look like and document it, even though we recognize that projected savings do not count for CPAS goals.

- *[Chris Neme] Are you suggesting that the evaluation report take projected savings as they are, or that they be adjusted? (Exact project savings vs. adjusted projected savings).*
- *[Jim Fay] As an example, when the 2022 evaluation takes place, the evaluator will have actual market data that will be taken into consideration. For 2022, the savings would then be adjusted by that market data. Then, in 2024 when 2023 programs are evaluated, the evaluator will have actual market data from 2023 to make a similar adjustment. But as they go into the evaluation for 2023 the starting point would be the projected savings identified during the 2022 evaluation for program year 2023. The expectation is that when the 2023 program is evaluated in 2024, that the starting point would be the projected savings for 2023.*
- *[Chris Neme] Is this a risk mitigation strategy for utilities?*
- *[Jim Fay] No. Utilities expect there will be risks that will favor or hurt them. Utilities do not feel that incorporating projected savings into evaluations mitigates market risks but it might minimize the risk of disagreement post-program year.*

[Chris Neme] I recommend that evaluators don't just provide best estimate of previous year savings but also pass judgement on the reasonableness of the energy savings framework looking forward given the work they have just completed.

- *[Keagan Daugherty] Perhaps we need to define who is developing the "projected" savings. If the evaluator is not be the right entity to develop projected savings, is that a role for a program implementer?*
- *[Jim Fay] We want both the implementer to develop the "projected" savings, and then the evaluator to evaluate these numbers and verify them. It would then be the product of both the implementer and evaluator.*

Recommendation #3 (see [Slide 2](#)) requires that the evaluator reviews and adjusts each year as they perform true-ups. As we go from year-to-year there will be new market data that would allow evaluator to adjust projections. So, before evaluator puts savings into a CPAS scoreboard, they would have done a true-up.

[Rachel Marty] Our current template for reporting projected savings requires us to clearly differentiate them from current year savings and to also include recommendations on changes, or additional investigation into energy savings framework.

At a high level the group is proposing ([Slide 3](#)) a reorganization of sections of the TRM Attachment C to improve flow, and looking what is appropriate for the IL TRM Attachment C vs three other program documents that apply to each MT program: The Energy Savings Framework, the Logic Model, and the Evaluation Plan. These documents are supplemental to Attachment C general framework which provides rules for all MT programs. The proposed edits to TRM Attachment C has this structure and hierarchy in mind ([Slide 4](#)).

Next Steps: Questions or comments on proposed edits due by Monday 2/27. The group working on edits will incorporate feedback to present an updated version to the SAG MT Savings Working Group at the March 8th meeting. There will be a final opportunity for feedback after the March meeting.

ENERGY STAR Retail Products Platform: Preponderance of Evidence Approach

Mike Frischmann, EcoMetric Consulting

- **Purpose:** To discuss applying the Preponderance of Evidence approach; answer questions.
- **Materials:** [Guidehouse Presentation: ENERGY STAR Retail Products Platform Preponderance of Evidence Approach](#)

Background: There has been discussion about Preponderance of Evidence for Market Transformation programs, what it means and what it might look like. We wanted to use the ENERGY STAR® Retail Products Platform (ESRPP) program as a case study to identify how a Preponderance of Evidence approach might work for other Market Transformation programs.

- Preponderance of evidence (PoE) is defined in IL-TRM Attachment C. The language determines how it is different from a traditional resource acquisition program.
 - Definition included in [Slide 5](#): *A preponderance of evidence approach, rather than proof is most often required. It is important to note that “preponderance of evidence” does not require that all indicators show overwhelming evidence of programmatic influence, but rather that multiple indicators show consistent direction. This information can be qualitative (based on in-depth interviews or observational data collection) or quantitative (based on market share or production data).*
- We believe PoE fits into an annual evaluation report. Starting with the ESRPP Case Study, there are several PoE inputs available that we using/considering for the evaluation ([Slide 8](#)):
 - Two main inputs used in the 2022 evaluation include Market Progress Indicators (MPIs) and Sales Data
 - Guidehouse completed MPI Review memo in July 2022, utilizing MPERs and retailer interviews
 - MPI I
 - MPI III-4
 - MPI V
 - Non-Participating Retailer Stocking
 - Sales data analysis to verify 2022 impacts

[Chris Neme] How are non-participating retailers defined?

- *[Mike Frischmann] Participating retailers are Best Buy, Home Depot, Lowes, Nationwide (buying group for retailers), and a larger regional retailer. Non-participating retailers is everyone else.*
- *[Chris Neme] Are there concerns that non-participating retailers may not be representative of participating retailers?*
- *[Mike Frischmann] Yes, this is being looked at. We are investigating if non-participating retailers have the same stocking practices or types of equipment as participating retailers.*

- Slide 10 – details Expert Judgment Panel as a key research activity for 2023.

[Rita Siong] Who is included in the Expert Panel?

- *[Jason Christensen] Most people we are targeting worked in a purchaser role within national retailers (market experts not evaluation experts) so we get outside of the “evaluation” world.*

- Slide 17 – Market Progress Indicators

[Chris Neme] What does short- vs mid-term mean?

- *[Mike Frischmann] Short term represents 1-3 years, medium is 3–6-year timeframe, long is more than 5 years out from when initiative started.*

- Slide 19 – Evaluators Determine PoE

[Rita Siong] How would Guidehouse look at making a binary determination? Is this just for Market Progress Indicators (MPIs)?

- *[Mike Frischmann] It is MPIs plus sales data plus Expert Panels plus all other initiatives. It all feeds into PoE approach (not just MPIs). We are looking at the combined evidence.*

- Slide 20 – PoE Tied to Logic Model and Natural Market Baseline

[Chris Neme] What level of event would trigger a recommendation of reopening the energy savings framework?

- *[Mike Frischmann] Not defined. It will depend on what the evaluator sees and subsequent discussions that are held transparently in concert with other stakeholders.*

Closing and Next Steps

Celia Johnson, SAG Facilitator

- Feedback (comments, questions, or proposed edits) to IL-TRM Attachment C and the MT Policy Resolution document **due by Monday, February 27** – send to Celia@CeliaJohnsonConsulting.com
- Feedback on the Guidehouse Preponderance of Evidence presentation due by Monday, February 27 – send to Mike Frischmann (mike@ecometricconsulting.com) and Ryan Wall (rwall@guidehouse.com).
- There are no additional Market Transformation Small Group meetings scheduled

- The final draft IL-TRM Attachment C document and final draft MT Policy Resolution Document, incorporating feedback from the Market Transformation Small Group, will be presented to the MT Savings Working Group at the Wednesday, March 8 meeting. There will be a final opportunity for written feedback following the March meeting.