



# ILLINOIS SB 1652 IMPLEMENTATION: NRDC ISSUES AND CONCERNS

SAG Meeting

December 13, 2011

# Presentation Overview

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1. All Cost-Effective
2. RFP for New EE Resources
3. Definition of “Cost-Effective”
4. Low Income & Municipal Buildings
5. Customers Covered

# All Cost-Effective

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- Legislation is crystal clear
- Implementation must be designed to maximize the amount of cost-effective efficiency resources acquired
  - ▣ Ramping up/enhancing existing programs
  - ▣ Solicitation for new programs
- Cannot forego savings if cost is less than the alternative cost of energy supply
- Any significant shortfalls will be challenged

# RFP for New Programs

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- 1st step is determine what can be acquired from expansion/enhancement of existing programs
  - ▣ Increased rebates
  - ▣ Increased marketing
  - ▣ Stronger focus on deeper measures/approaches
  - ▣ Add other measures logically delivered thru same approach
  - ▣ Other strategies
- RFP must clearly focus only on new areas
  - ▣ Avoid market confusion by avoiding conflicts with (enhanced) existing programs
- RFP must also make clear goal is max cost-effective MWh

# Defining Cost-Effectiveness

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- TRC is key test:

**Section 16-111.5B(b):** *“...the term “cost-effective” shall have the meaning set forth in subsection (a) of Section 8-103 of this Act.”*

**Section 8-103:** *“As used in this Section, “cost-effective” means that the measures satisfy the total resource cost test.”*

- PACT (undiscounted) also applies:

**Section 16-111.5B(b):** *“...In addition, the estimated costs to acquire an additional energy efficiency measure, when divided by the number of kilowatt-hours expected to be saved over the life of the measure, shall be less than or equal to the electricity costs that would be avoided as a result of the energy efficiency measure.”*

# Low Income & Municipal Buildings

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- Low income customers and at least some municipal buildings are eligible
  - ▣ No matter how tightly you define eligible
- Need to include in approach to all cost-effective

# Customers Covered (1)

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- Potential study must assess all customers
- Utilities must assess savings beyond cap for all customers
- Both analyses must be provided to IPA
- Only reference to subset of customers says utility assessment of cost-effective EE shall include identification of things incremental to 8-103 plans “...and that would be offered to eligible retail customers”. [Sec. 16-111.5B(a)(3)(C)]
  - Doesn't say procurement limited to eligible retail customers.
- Issues w/defining “eligible retail customers” as only bundled customers
  - Restricting programs to bundled customers imposes major constraints on ability to achieve savings from those very customers.
- During legislative discussions it was assumed that all

# Customers Covered (2)

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## Scenario to Illustrate Need to Offer Programs Broadly

- 95% residential customers bundled; 5% not
- 10,000 efficiency widget rebates possible with mass marketing
- only 2,000 rebates possible with target marketing to bundled customers
  - Due to marketing constraints, paperwork/qualification hassles, etc.
- Cost of both programs is 3 cents/kWh
  - In actuality, targeted program likely to be more expensive per kWh
- Cost per bundled customer kWh = 3.16 cents/kWh (i.e.  $3.00/0.95$ )
  - Still well below supply alternatives
- If only target marketed to bundled customers, you forego cost-effective savings for them and fail “all cost-effective” requirement.
- Allowing treatment of unbundled customers is akin to accepting that some upstream CFL buy-down payments are being enjoyed by Missouri or Indiana customers - i.e. a price worth paying for cheap savings for target market.

**Conclusion:** Even if “eligible retail” = bundled, programs should be offered to broad customer classes/groupings.



# Customers Covered (3)

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## **Bottom Line:**

More process needed to resolve any disagreements

# Caveats

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- I am not a lawyer!
- Articulating initial NRDC concerns as I understand them.
- NRDC attorneys will ultimately express their final interpretation on these issues.

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# Q&A

Chris Neme

Energy Futures Group

[cneme@energyfuturesgroup.com](mailto:cneme@energyfuturesgroup.com)

Phone: 802-482-5001

Cell: 802-363-6551

