

Illinois Energy Efficiency Policy Manual

STRAWMAN

DRAFT FOR DISCUSSION

Ver. 1.0

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I. Overview

This document contains principles discussed at the Illinois Energy Efficiency Stakeholder Group (EE SAG). Unless otherwise indicated by a star (*), the principles do not reflect broad-based consensus, but were discussed at an EE SAG and reflect majority opinion. In some cases, minority opinions are indicated if a significant discussion occurred on a minority opinion.

The purpose of this document is to reach consensus on high-level portfolio and program principles to facilitate development of consensus EE plans for future filings that will maximize and optimize energy efficiency and clean energy in Illinois by reflecting the knowledge and input of the broad array of talented, experienced and knowledgeable Portfolio Administrators, implementers, technical consultants and evaluators who regularly participate in the IL EE SAG. It is also intended to reduce litigation costs by resolving important issues prior to portfolio filings. Consistent approaches to policy and key program issues will help further foster integrated and coordinated gas-electric portfolios. Finally, developing consensus on key energy efficiency issues that provide clear policy rules should minimize disallowances and disputes resulting from the energy efficiency portfolios.

Procedurally, as high-level portfolio and program issues are raised and discussed at the EE SAG, they will be memorialized in this document. For some issues, a “placeholder” section is listed where an issue has been raised repeatedly at the SAG, but the discussion about how the issue should be addressed has not yet occurred.

The use and procedural vehicle for seeking ICC approval of this document will be further discussed at the SAG.

II. Planning Objectives: Stability and Rational Portfolio and Program Planning

To maximize energy efficiency, reduce administrative costs, provide market stability for customers and program implementers, and to support portfolio administrators in optimizing the portfolios and programs, all measure parameters should be finalized no later than 12 weeks prior to the start of the new program year, including inputs to the Total Resource Cost Test (TRC) and Utility Cost Test (UCT) (measure-level energy savings assumptions, expected useful lives, measure costs or incremental measure costs, net-to-gross ratios).

III. Portfolio Objectives (note “portfolio” refers to all EE efforts, both EEPS funded and IPA funded)

- a. Portfolio Objective: Maximize long term net benefits under the Total Resource Cost (TRC) test, while achieving a balanced portfolio, consistent with principles below.
- b. Portfolio Balancing: Portfolio resource allocation should consider the following:
 - i. Equity: All key markets should be served.
 - ii. Cost Recovery: Cost recovery should reflect spending by customer class.
- c. Coordinating 8-103 and 16-111.5 (“IPA”) Programs:
 - i. Programs Considered for 16.111.5B-Funding: By statute, funds are collected primarily from residential and small business customer classes, and programs funded from this source should be offered to those classes. In addition, programs funded through the IPA must pass the TRC and Utility Cost Test (UCT). Given statutory requirements, the types of programs that are best suited for implementation under IPA funding are:
 1. “Quick Start” Programs: Programs that can be quickly ramped-up and ramped down, if needed, on an annual basis. Discretionary retrofit programs – programs that are driven by direct interaction with end use customers (rather than requiring development of relationships with trade allies to be successful) and acquire savings that are not time sensitive (rather at the time of new construction or equipment purchase decisions) – are good examples.
 2. “Stand-alone programs”: Programs that don’t require extensive integration with other programs.
 3. Programs which are not highly dependent on gas savings to pass TRC, as gas savings cannot be included in UCT (this may eliminate certain joint programs).
 - ii. Programs Considered for 8-103 Funding. The types of programs that should be funded through EEPS are:
 1. Programs for customer classes that are deemed competitive, which includes programs for medium and large customers.
 2. Programs that are more comprehensive, focus on market transformation, focus on lost opportunities, and/or require greater lead time.
 3. Programs that require or benefit from integration between gas and electric utilities.

d. Program Coordination: All programs (including gas and electric) should be jointly delivered when joint delivery will result in economies of scale and/or produce greater savings. Other criteria may include customer experience (reducing redundant touches and increasing depth of savings).

i. Co-Funding Rule For Joint Gas-Electric Programs: [Need Strawman – George Malek?]

IV. Cost-Effectiveness Calculations and Requirements

a. For 8-103-Funded Programs, the Portfolio, Not Individual Programs or Measures, Must Pass Cost-Effectiveness Requirements

i. Program Administrators should screen all measures and programs for cost-effectiveness and share the results with the SAG.

1. Minority View: Individual measures don't need to be screened for cost-effectiveness.

ii. Program Administrators should provide a business justification for including non-cost-effective measures and programs in their portfolios.

iii. Program cost-effectiveness should be evaluated over a minimum of a three year period.

Some programs have substantial start-up costs and/or take time to build market capacity. Such programs should not be eliminated from consideration in the portfolio if they do not screen as cost-effective in Years 1 or 2.

IPA programs are only approved annually, however, cost-effectiveness analyses should consider a minimum of 3 years of implementation with the presumption that if cost-effective over 3 or more years IPA would renew them annually.

iv. Programs that, *ex poste*, become non-cost-effective due to retrospective application of net-to-gross ratios that are lower than the planning value net-to-gross will not be retroactively deemed imprudent, nor deemed imprudent for the continuation of the program year in which the non-cost-effective NTG value was determined. However, savings from the programs will be determined through the application of the net-to-gross ratio whenever it was established through the NTG framework as applying retroactively.

Comment [CN1]: I'm not sure I agree with this. It creates two potential problems. First, it takes time away from more important things. Second, it creates a presumption that if you don't document a reason (or your reason isn't good enough in some eyes), then you are in trouble. That seems to violate the first principle that it is screening at the portfolio that matters. While I generally think it is a good idea for PAs to have a rationale for pursuing non-cost-effective programs, I'm wary of making it a formal requirement. If they show us program screening results, we can raise the question. That is good enough for me.

Comment [PHM2]: 3-5 is ok, but main point is minimum of 3. We may not be able to do more than that because of 3-yr plan schedule, but should at least do 3 years for IPA as well.

Comment [CN3]: I don't think this is just about changing NTG. It could equally apply to other changing assumptions.

b. Cost-Effectiveness Test

- i. Include all benefits allowed by statute:
 1. Avoided utility costs (gas and electric)
 - a. representing the benefits that accrue to the energy system.
 - b. Must include “reasonable estimates” of likely impacts of future CO2 emission regulations.
 2. Other quantifiable societal benefits
- ii. For GY4-6 plans and EY7-9, perform cost-effectiveness analysis with the 10% electric adder and 7.5% gas adder for non-energy benefits.

V. Net-to-Gross Framework

- a. Proposed Modifications In Discussion
- b. Retrospective Application of NTG Values: Retroactive application of NTG values will be used solely to determine the magnitude of savings contributed by programs to the energy savings goals. Retroactive adjustments will not be used to inform retroactive judgments regarding the prudence of expenditures on such programs, nor prospectively for the remainder of the program year for which new NTG values are obtained.
- c. Attribution of Non-Utility Programs in Utility Energy Efficiency: OPEN.