



# **2016 IPA Procurement Plan**

## **Incremental Energy Efficiency Overview**

**IL EE Stakeholder Advisory Group Presentation  
September 1, 2015**

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# Illinois Power Agency (IPA) Overview

## Origin

- Est. 2007 via P.A. 95-0481
- IPA Act (20 ILCS 3855) & PUA (220 ILCS 5/16-111.5)
- Incremental EE responsibilities (220 ILCS 5/16-111.5B) added in 2011

## Structure

- “Operate in a structurally insulated, independent, and transparent fashion”
- Director appointed by EEC
- 2 bureaus
- Consultants (PA & PPC)

## Focus

- Develop procurement plans & conduct procurement processes
- “Eligible retail customers”
- Other duties: renewables, clean coal, reports & analyses, etc.



# Annual IPA Procurement Plans

## Hourly Load Analysis

(historical analysis, projected switching trends, other projected changes)

## Impact of Demand-side and Renewable Energy Initiatives

(impact of initiatives on block procurement needs)

# Annual Plan

## Plan for Meeting Expected Load Requirements

(hedging strategy, risk management to avoid excessive price volatility)

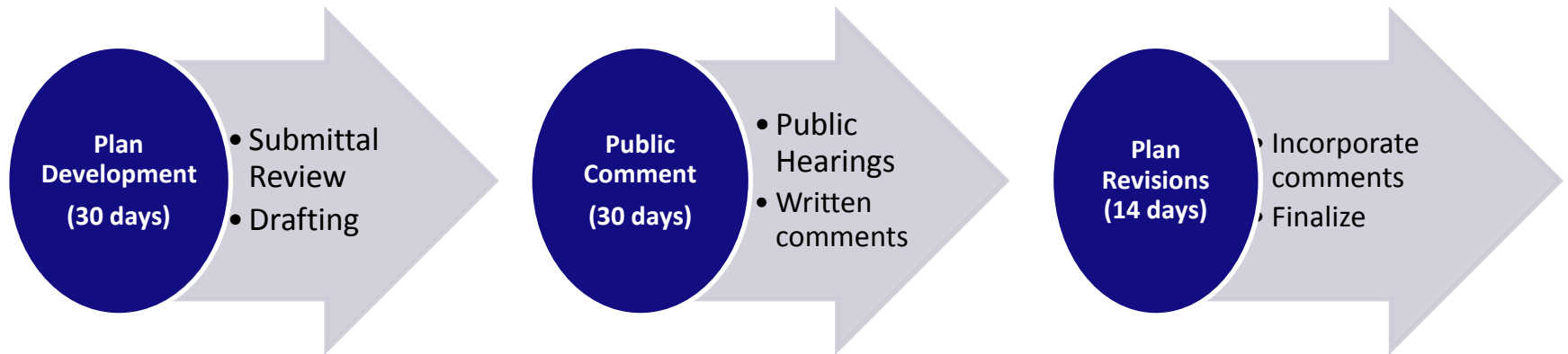
## Proposed Procedures for Balancing Loads

(hourly supply/demand balancing, rebalancing if major shifts)



# 2016 IPA Procurement Plan Development Overview

**Load Forecasts Received: July 15, 2015**



**Plan Filed w/ ICC: September 28, 2015**

# 2016 IPA Procurement Plan

## Public Comment Process

### PLAN RELEASED AUGUST 14, 2015

[http://www.illinois.gov/ipa/Pages/Plans Under Development.aspx](http://www.illinois.gov/ipa/Pages/Plans%20Under%20Development.aspx)



- **Public Hearings**
  - MOLINE: Friday September 4<sup>th</sup> at 1:00 p.m.
  - SPRINGFIELD: Wednesday September 9<sup>th</sup> at 1:00 p.m.
  - CHICAGO: Thursday September 10<sup>th</sup> at 11:30 a.m.
- **Written comments**
  - Send to Mario Bohorquez at [mario.bohorquez@illinois.gov](mailto:mario.bohorquez@illinois.gov)
  - Comments will be published at [www.illinois.gov/ipa](http://www.illinois.gov/ipa)



# 2016 IPA Procurement Plan Approval Overview

**Plan Filed w/ ICC: September 28, 2015**



**Final Order Entered: December 2015**



# Incremental Energy Efficiency

(220 ILCS 5/16-111.5B)

## Origin of Section 16-111.5B

- Added in 2011 as part of the Energy Infrastructure Modernization Act
- Implementation began in 2012 with the 2013 IPA Procurement Plan

## What's Required: Utilities

- Utilities provide the IPA with “an assessment of cost-effective energy efficiency programs or measures that could be included in the procurement plan”

## What's Required: IPA

- IPA must include “an assessment of opportunities to expand the programs promoting energy efficiency measures that have been offered under plans approved pursuant to Section 8-103 of this Act or to implement additional cost-effective energy efficiency programs or measures” in annual Plans.



# Incremental EE – Annual Process

## Utility RFP Process for Program Solicitation (February/March)

“annual solicitation process for purposes of requesting proposals from third-party vendors” with RFPs developed consistent with the approach used under Section 8-103, “which considers input from the Agency and interested stakeholders”



## Utility Submittal as part of Load Forecasts (mid-July)

“Identification of new or expanded cost-effective energy efficiency programs or measures that are incremental to those included in energy efficiency and demand-response plans” under 8-103



## IPA Program & Measure Inclusion in Procurement Plan (August/September)

IPA shall include in its plan “energy efficiency programs and measures it determines are cost-effective”



## Commission Approval (December)

Commission shall approve programs and measures if “they fully capture the potential for all achievable cost-effective savings, to the extent practicable, and otherwise satisfy” Section 8-103’s requirements



## Program Delivery Year (subsequent June to May)





# Incremental Energy Efficiency – Past Years

Cumulative Projected 16-111.5B Program Megawatt Hour Savings

**Table 7-1: Projected Savings (MWH) from Section 16-111.5B Programs From Prior IPA Procurement Plans and Proposed in this Plan**

Delivery Year	Ameren Illinois	ComEd
<b>2013 - 2014 (Approved in 2013 Plan)</b>	<b>70,834</b>	<b>118,515</b>
<b>2014 - 2015 (Approved in 2014 Plan)</b>	<b>65,680</b>	<b>430,609</b>
<b>2015 - 2016</b>	<b>169,442</b>	<b>830,008</b>
Approved in 2014 Plan	-	547,904
Approved in 2015 Plan	169,442	282,104
<i>Moved from 8-103</i>	<i>88,203</i>	<i>247,648</i>
<i>Third-Party RFP</i>	<i>81,239</i>	<i>34,456</i>
<b>2016 - 2017</b>	<b>239,813</b>	<b>984,052</b>
Approved in 2014 Plan	-	611,958
Approved in 2015 Plan	169,690	284,641
<i>Moved from 8-103</i>	<i>93,569</i>	<i>241,541</i>
<i>Third-Party RFP</i>	<i>76,121</i>	<i>43,100</i>
<b><u>Proposed in 2016 Plan</u></b>	<b><u>70,123</u></b>	<b><u>87,453</u></b>

# 2015 IPA Procurement Plan

## Key Contested Issues Overview

### **EEAASR**

(energy efficiency as a supply resource)

Primary Proposal for “standard wholesale product” (rejected)

Alternative Proposal for incremental EE (adopted by Commission)

Workshops ordered for alternative EEAASR proposal

### **TRC**

(total resource cost test)

Use of marginal line losses

Demand Reduction-Induced Price Effects (“DRIPE”)

Non-Energy Benefits (“NEBs”)

Administrative Costs

IPA developing its own TRC



# EAAASR Alternative Proposal

## Workshop Determinations

### Requests for Proposal

- No need for separate EEAASR RFP
- Feedback sought on language to be used in standard RFP

### Contract Length

- Programs 1 year in length for 2016 Plan
- Longer for 2017 Plan

### Proposal Review

- Bidders can supply hourly values for programs if available
- Programs still governed by TRM when applicable



# EEAASR in 2016 Plan

## Section 16-111.5(b)(3)(iv) approach

- No proposal in 2016 Plan for EE “standard wholesale product”

## “Alternative Proposal” approach

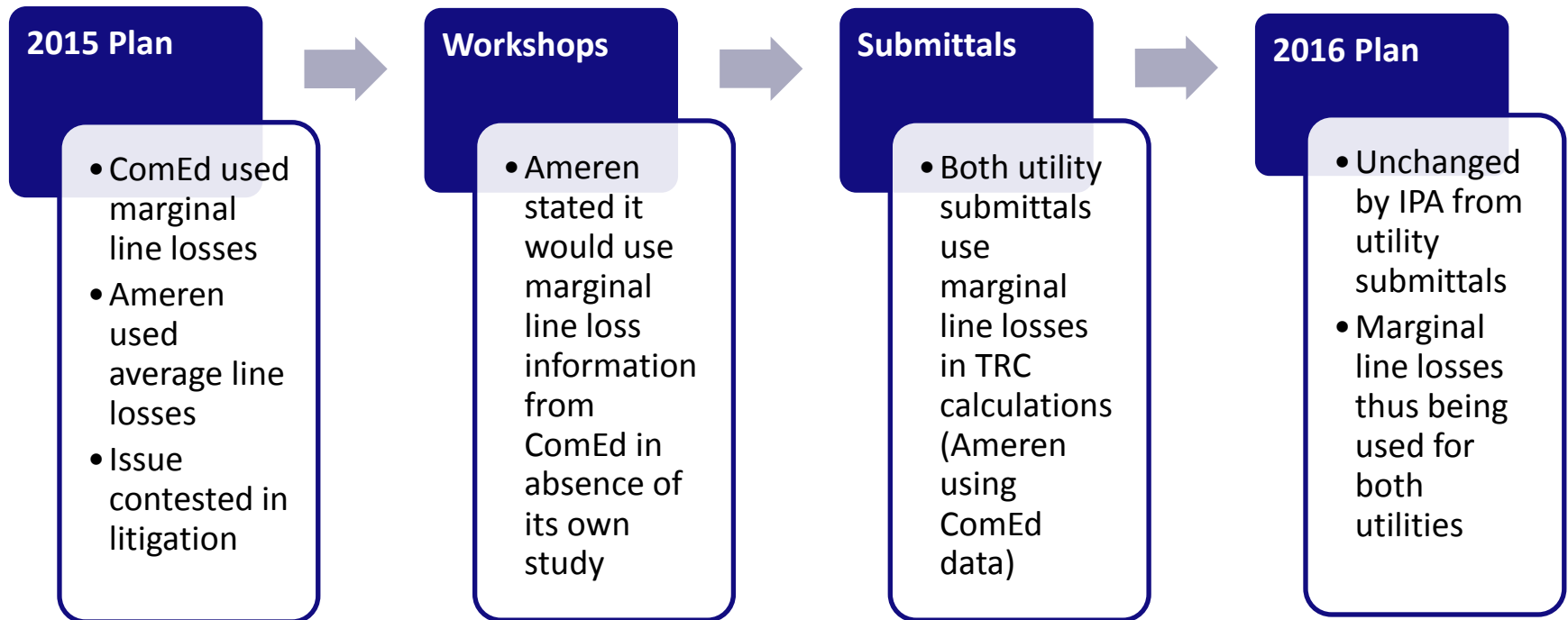
- No changes recommended to 2015 solicitation approach
- No need identified for separate RFPs
- Still learning re: application of 2015 Plan approach

## Contract Length

- Feedback sought in comments on appropriate contract length



# TRC Issues: Line Losses





# TRC Issues: IPA TRC Test

## Section 16-111.5B Guidance

“IPA shall include . . . EE programs and measures it determines are cost-effective”

“‘cost-effective’ shall have the meaning set forth in . . . Section 8-103”

## TRC Subcommittee Workshops

No TRC subcommittee participant advocated for independent methodology

Some desire for more work testing inputs, assumptions, etc.

## 2016 Plan Approach

No independent TRC methodology

Does include independent review of inputs and assumptions and express discussion of sensitivity analyses



# TRC Issues: NEBs

## Statutory basis (TRC definition)

- “the benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits”

## For 2015 Plan submittal

- Ameren used a blanket NEB adder (10%)
- ComEd used a measure-specific adder

## For 2016 Plan submittal

- Ameren dropped blanket NEB adder
- ComEd used maintenance savings for lighting and water savings (same as 2015)



# TRC Issues: NEBs (cont.)

**2016 Draft Plan: no NEB adder in TRCs**

**Sensitivity analysis**

- Conducted at 10% blanket adder
- TRCs analyzed for with/without NEBs

**Stakeholder comments requested**

- Should a NEB adder be included?
- If so, at what level?

**NEBs being addressed through TRM 5.0 Process**





# TRC Issues: Administrative Costs

“sum of avoided electric utility costs, representing the benefits that accrue to the system and the participant...to the sum of all incremental costs.....plus costs to administer, deliver, and evaluate each demand-side program”

– 20 ILCS 3855/1-10

(TRC Definition)

“The Commission finds the quality of evidence relating to this issue lacking....the Commission hereby directs Ameren and ComEd to track administrative costs by program in order to aid in future determinations of appropriate administrative cost assumptions to use in the TRC analysis of the Section 16-111.5B programs.”

– Docket No. 14-0588 Order



# TRC Issues: Admin Costs (cont.)

For 2015  
Plan  
submittals:

Ameren used a blanket admin cost adder (15%)

ComEd did not include admin costs

For 2016  
Plan  
submittals:

Ameren used adder at 13.58%

- 3.5% for "EM&V"
- 5% for implementation oversight
- \$1.5 million potential study costs
- 3% for education, awareness, planning, assessment, tracking

ComEd used adder at 11.5%

- 8.5 percent to reflect ComEd's administrative costs
- 3 percent to reflect evaluator costs



# TRC Issues: Admin Costs (cont.)

## For 2016 Plan -- Ameren

- IPA eliminated costs associated with potential study required under 16-111.5B(a)(3)(A)
- Resulting admin cost adder for included programs: 11.5%
- IPA conducted sensitivity analyses at 0%, 7.5%, and 11.5%

## For 2016 Plan -- ComEd

- IPA could not conduct sensitivity analyses w/ DSMMore
- ComEd conducted sensitivity analyses at 11.5% and 0% and included resulting TRCs in submittal
- IPA did not change admin cost adder for including programs

Result: 11.5% Admin Cost Adder used for both utilities



# TRC Issues: DRIPE

Contested throughout 2015 Plan litigation

- No consensus reached

Discussed throughout TRC subcommittee process

- No consensus reached

Not included by utilities in submittals

Not included by IPA in TRC analyses

- Unclear how to apply, at what level, how to handle persistence
- Likewise unclear how to conduct DRIPE sensitivity analyses

**For consideration in SAG: how does IPA hedging strategy impact DRIPE benefits?**



# Additional 2016 Plan Issues: Policy Items for Discussion

## Topic: TRC Analyses for Duplicative Bids

- ComEd conducted TRCs for duplicative bids in submittal, Ameren did not
- Should TRC analyses for programs determined to be duplicative be included in utility submittals going forward?

## Topic: “Expanding” a not-yet-approved portfolio

- Next year’s plan will be developed in the summer of 2016, RFPs will be issued for incremental programs in early 2016
- Utility 8-103 portfolios will be filed in the Fall of 2016 and approved by the Commission at the end of 2016
- What are the options and what is the best approach to take to expanding a non-finalized portfolio?



# Additional 2016 Plan Issues: Cost of Supply

## Ameren Submittal Approach

- Commission should not approve 2 programs that pass TRC, but are not cost-effective relative to the “cost of supply”
- Commission should fashion “practical” limits on the amount of energy efficiency included in approved IPA procurement plans

## IPA Plan Approach

- Cost-effective programs are those programs that pass the TRC, and the IPA shall include cost-effective EE programs in its annual plan
- Commission should approve programs based on cost-effectiveness and the introduction of limiting factors would be inconsistent with requirement to “fully capture the potential for all achievable cost-effective savings”
- “to the extent practicable” language is distinct from “practical” limits
- Thoughts of SAG group on approach?



# Additional 2016 Plan Issues: Natural Gas Savings

## Ameren Submittal Approach

- Programs screened with and without natural gas savings included
- “no bids with a positive TRC required gas benefits to achieve the positive TRC,” and thus no choice to be made
- 2 TRC screenings going forward and limits to RFPs

## IPA Plan Approach

- Not expressly addressed in Plan (as it does not impact any program screening results)
- TRCs use reported values (with sensitivity analyses, IPA adjustments)
- From Section 1-10 of IPA Act “benefits that accrue to the system and the participant in the delivery of those efficiency measures, as well as other quantifiable societal benefits, including avoided natural gas utility costs”



# Additional 2016 Plan Issues: Performance Risk

## ComEd Submittal Approach

- Identify 6 programs which may pose “performance risk” after ComEd, stakeholder, and DCEO review
- Don’t recommend that such programs be withheld from approval

## IPA Plan Approach

- Include “performance risk” programs with a TRC > 1 in Plan for approval
- Seek stakeholder comment on possible use of qualitative criteria
- Also seek stakeholder comment on whether pay-for-performance structure provides sufficient insulation from non-performance risks





# Additional 2016 Plan Issues: Applicability to MidAmerican

## MidAmerican Submittal Approach

- As MidAmerican does not administer EE programs under Section 8-103, many provisions of Section 16-111.5B are inapplicable to it
- This includes identification of “new or expanded” “programs or measures”
- Included responses in submittal where applicable (use of building energy codes in load forecasts, EE potential study)

## IPA Plan Approach

- Agree that much of Section 16-111.5B does not apply to MidAmerican, including incremental programs or measures
- Other responses in submittal deemed sufficient
- Invites stakeholder comment on applicability of 16-111.5B to MidAmerican



# 2016 Plan: Bids Received (Ameren)

9 Programs Included in IPA Plan for Commission Approval

32 bids initially received

28 compliant with  
RFP

17 non-  
duplicative

9



# 2016 Plan – Included Programs

## Ameren Illinois

**Table 7-4: Ameren Illinois Energy Efficiency Offerings**

Program	Net Savings (MWh)	Total Utility Cost	TRC (As submitted)	TRC <sup>205</sup> (IPA Adjusted)
Agricultural Energy Efficiency	945	\$380,615	1.09	1.11
Community-Based CFL Distribution	9,330	\$1,178,428	2.27	2.31
Demand Based Ventilation Fan Control	5,717	\$1,227,357	3.38	3.44
Electric Only Behavior Modification	8,640	\$373,920	1.06	1.06
HVAC Check-Up	5,940	\$1,160,182	1.35	1.38
LED Linear Lighting for Small Facilities	14,750	\$3,168,882	1.16	1.19
Private HVAC Optimization	7,692	\$1,135,800	1.29	1.31
Public HVAC Optimization	7,692	\$1,135,800	1.29	1.31
Small Commercial Lit Signage	9,417	\$2,271,599	1.31	1.34



# 2016 Plan: Bids Received (ComEd)

11 Programs Included in IPA Plan for Commission Approval

17 bids initially received

16 compliant with  
RFP

12 non-  
duplicative

11



# 2016 Plan – Included Programs Commonwealth Edison

**Table 7-6: ComEd Energy Efficiency Offerings**

Program	Net Savings (MWh)	Total Utility Cost	TRC
Agricultural EE	1,354	\$366,613	1.64
Assisted and Senior Housing	1,319	\$625,928	1.60
Community-based CFL Distribution (DCEO)	17,566	\$1,240,000	3.01
Efficient Products (DCEO)	3,711	\$778,179	6.24
Enhanced Building Optimization (DCEO)	12,274	\$2,500,000	2.68
Lit Signage	16,236	\$3,700,000	3.06
Low-income Kits (DCEO)	4,555	1,439,246	1.85
Low-income Multi-family (DCEO)	7,239	\$2,167,622	4.44
Luminaire-Level Lighting Control	19,113	\$5,101,484	4.39
Monitoring-based Commissioning	3,008	\$1553,800	1.67
Rural Small Biz EE Kits	1,078	\$582,970	4.54



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**Written comments**

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