

**MEMORANDUM**

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**TO:** THE ILLINOIS STAKEHOLDER ADVISORY GROUP

**FROM:** SAM DENT, TECHNICAL LEAD – VEIC, TRM ADMINISTRATOR

**SUBJECT:** FUEL CONVERSION COMPROMISE PROPOSAL

**DATE:** 04/30/2021

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In light of the clear and documented lack of consensus on the issues surrounding the appropriate methods for evaluating measures that involve the transfer of energy usage from one fuel to another, VEIC, the TRM Administrator would like to offer the following proposal for consideration as a potential compromise:

- For determining the *eligibility* of a measure, calculations should consider the Total BTU impact at **SOURCE**.
- For determining the *savings* that should be claimed for an eligible measure, calculations should be performed at **SITE**.

**Justification and Detail**

Based upon our understanding of the legal review of the Future Energy Jobs Act (FEJA), Section 8-103B(b-25), there is *no new legal requirement* to use either site or source for measures that result in a transfer of energy consumption from one fuel to another. Furthermore, VEIC have not heard any clear justification as to why a change is appropriate to the 2015 TAC/SAG agreed approach of using source to determine the eligibility of an efficiency measure, other than that the existing Heat Rate value, being a historical based value, does not fairly represent the future generation mix of the grid throughout the measure life.

When considering whether moving from one fuel to another is a good decision for society it is important to consider the total BTUs involved in that change, which requires consideration of the *generation* of those BTUs. By doing so, we ensure that no measure being supported results in an increase in energy consumption overall. Performing this eligibility calculation at site could theoretically result in measures being supported that ultimately result in an increase in source BTUs.

Determining measure eligibility using source BTUs was agreed by all parties in 2015 and we do not consider concerns over the heat rate value alone warrant a change to this approach. We do however commit to reviewing the heat rate calculation with an aim to determine a new value or values that the TAC agree better reflects the true generation mix, and that appropriately accounts for the distribution losses of both electric and fossil fuels.

Further, VEIC believe that when performing the eligibility calculation at source, all energy impacts from the measure should be included (for example both heating *and* cooling impacts of a fuel switch ASHP measure). This would be consistent with the definition of what constitutes an “Energy efficiency” measure as per language from the Illinois Power Agency Act, Section 1-10:

*“Energy efficiency” also includes measures that reduce the total Btus of electricity, natural gas, and other fuels needed to meet the end use or uses.”*

Once a measure is deemed eligible, confirming that it results in source Btu savings, it is then screened for cost effectiveness using the actual kWh and therm impacts at the site. This involves consideration of the avoided costs of each fuel, including distribution losses, in order to value the relative benefits of any fuel or electric impacts over the life of the measure against the cost to implement the measure.

VEIC proposes adjusting the calculation of what savings the utility(s) claim, from comparing the relative BTUs at Source, to the relative BTUs at Site. This change would make these fuel conversion measures consistent with all other efficiency measures in the TRM/portfolio. – i.e. answering the question what is the total BTU impact of the measure at the customers meter? Performing these calculations at Source, results in a kWh savings value that is inherently different to all other measures' kWh savings value, and could result in inaccuracies in aggregating the two types (for example when calculating total program savings).

Further, moving to a site based comparison brings the savings claim in line with both the cost effectiveness calculation (only with the extra step of converting the BTUs at site to align with the supporting utilities' fuel), and with the FEJA (b-25) requirement that if fossil fuel savings are to be claimed as kWh equivalents that it should be on an *"equivalent Btu basis at the premises"*.

VEIC offer this proposal for consideration – continue to ensure that all measures save source energy, but bring the ultimate savings claim in line with all other efficiency measures, and consistent with legislative language.