

# National Action Plan for Energy Efficiency Mid-Atlantic Implementation Meeting

## Breakout Group Notes

### Group C

#### *Overview*

- Approximately 20 participants formed Group C discussion.
- Group C discussions focused on advancing the dialogue in the Mid-Atlantic region to help “make a strong, long-term commitment to implement cost-effective energy efficiency as a resource.”
- Group discussed and identified:
  - Barriers and options for making a strong, long-term commitment to implement cost-effective energy efficiency as a resource
  - Assistance needed to implement the Action Plan recommendation
  - Actions and next steps

#### *Discussion Questions*

1. Do Mid-Atlantic states have goals for cost-effective EE (i.e., meet X% of load growth through EE)? If not, why?
2. How can EE be used for default service/POLR requirements?
3. In Mid-Atlantic, do statutes provide sufficient guidance to commissions on EE?
4. Do utilities incorporate EE as a resource in their resource planning?
5. Is the potential for cost-effective EE known?
6. What role can the ISO play in encouraging implementation of cost-effective EE as a resource?

#### *Discussion*

1. Do Mid-Atlantic states have goals for cost-effective EE (i.e., meet X% of load growth through EE)? If not, why?
  - VA and NY both have goals.
  - KY does not have goals. Utilities concerned over PUC allowing program cost recover. Also concerned of risk if the utility sets a goal for EE and does not meet it and must purchase power to meet demand. What consequences will there be for this.
  - Timeframe of goal? 15-yrs versus short term. Set the goal and have annual measurements to see progress. If circumstances show that meeting goal is unlikely, you show progress and this can increase certainty with the PUC over reasonable actions taken by the utility.
  - Important to note if this is a statutory requirement or a voluntary goal. Statute can provide a safety valve, like a RPS, where you know what you have to achieve

then figure out the cost and there is a safety valve if the cost is more than a specified threshold.

- Important to identify who is in charge. A plan is needed to measure all stakeholders against. Utility is only one stakeholder in the process. The state should take the lead and develop a plan, which sends a signal to all stakeholders.
  - How can the utility do more EE if the state doesn't develop a plan?
  - An investment portfolio approach to risk is applicable. A mix is needed to reduce risk. A utility can redispatch resource acquisition to give a robust risk management profile with demand side measures.
  - Going beyond utility programs is important. Building codes and appliance standards are needed.
  - Having policies and programs that are in synch with each other is important. The key to accomplishing this is to have all stakeholders in the various jurisdictions and markets involved in the discussion and action.
2. How can EE be used for default service/POLR requirements?
- PA is thinking about this and no one has figured out how to do it. Easy way is to bid for 100% of load at wholesale level, but how to do a RFP to eliminate 10% of the load following requirements?
  - ME is looking at this now. Have not put out a RFP yet, but comments are due in Aug/Sept.
  - DC will soon be looking at this due to a filing by the Office of Peoples Council. Competitive bid for all full requirements contracts. Not easy to find a way for DSM to fit.
  - Demand response could work with short term (1-3 year) needs. EE needs a minimum of 30 months to fully deploy.
  - Competitive procurement is in its infancy. PJM capacity market may increase opportunities for long-term procurement. PJM is holding a symposium on long-term procurement and demand response next month. Important to note that DR can participate in the PJM auction but EE cannot. EE reduces baseline so that it is built into obligations, but someone needs to obligate that the EE gets built. PJM expects the ESCO's to see value and will invest.
3. In Mid-Atlantic, do statutes provide sufficient guidance to commissions on EE?
- NY uses administrative, not legislative. Administrative is easier.
  - NJ needs statutory direction as to the direction to go in.
  - IL's sustainable development plan include RE and EE targets. The PUC can't issue an order based on the plan; it needs a statutory direction from the legislature.
  - Absent statutory authority, all parties are at risk.
  - PUC rules can be more specific than statutes in absence of a statute.
4. Do utilities incorporate EE as a resource in their resource planning?
- There is more action now on this subject than a few years ago.
  - Duke incorporates EE in planning. In KY, E.ON-U.S incorporates conservation in planning.

- Portfolio Management is the “modern IRP” to many.
- DE legislature passed a bill to allow the utilities to procure power using Portfolio Management either through long-term contracts or owning the resource.
- VA utilities file a 10-yr plan ever 2-yrs. This could form the basis for a plan.

5. Is the potential for cost-effective EE known?

- How far does cost-effective EE go? What does it really mean?
- In MD, different groups do potential studies for utilities, and they result in a different list of EE programs. Is there a test that should be used to equalize for factors that go into a potential study test?
- Important to define basis for utility avoided costs. PUC needs to answer this in restructured states.

6. What role can the ISO play in encouraging implementation of cost-effective EE as a resource?

- How is EE accounted for in PJM? ISO help with developing a portfolio that mitigates risk so the utilities can count on the lights being on.
- Hourly metering capability: what’s adequate to develop credible load shape for EE programs?
- Start with the idea that evaluation of EE won’t give you full certainty
- ISO can encourage a market for EE within their role (like ISO-NE Forward Capacity Market).
- Advanced Metering Infrastructure (AMI): Does this assist with M&V for EE? Yes, so does market research, but you don’t know what the user would’ve done in the absence of an EE program or smart meter. Precision of data is needed. AMI can be introduced after EE has “warmed up the market.” There isn’t precision on the supply side (plant maintenance, line losses, etc), so unclear why it’s needed for EE.
- Some customers will buy their own meter; maybe free to low-income customers and sell to other customer classes.

***Barriers & Options***

- Get all stakeholders on the same page: plan and governance
- Restructured environment with lingering rate caps
- Regional goal for EE is a challenge because of diverse regulation
- Similarities are there (programs or requirements); a regional approach would be helpful
- Specific, simple achievable targets are needed:
  - EERS
  - Tie to certainty with regulators and legislators
  - Complete a study to see what’s available and design a goal to achieve it
  - Start slow, ramp up and measure along the way
  - Ratemaking and the utility throughput incentive

***Assistance Needed***

- Money

- Leadership
- Technical support – resources – helping stakeholders talk to each other
- Credible, reliable data (good M&V)
- Developing statewide options – pool resources?
- Enabling policies (like CO2 legislation)
- Model approaches (common regional approach) to policies and programs
- Developing a thoughtful plan
- Being accountable

*Actions/Next Steps*

- Catalog of studies/reports and experts
- Technical and market potential data
- Menu of options/cookbook for higher level policymakers
- Credible potential study authors
- Standards for M&V (like ISO-NE Forward Capacity Market and EERS)
- Implementation of the standards (a market monitor type entity)