



NEEP Comments Regarding Draft Regulations Governing Energy Efficiency Program Evaluation, Measurement and Verification Standards in Delaware

May 5, 2016

Robert Underwood, Program Administrator
Energy Policy and Programs
DNREC Division of Energy & Climate
100 West Water Street, Suite 5A
Dover DE 19904

Dear Mr. Underwood:

On behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, please accept our comments regarding the draft Delaware Evaluation, Measurement, and Verification Procedures and Standards issued by the Delaware Division of Natural Resources and Environmental Control (DNREC) on April 1, 2016.²

NEEP is a regional non-profit organization that works to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic states. We are one of six Regional Energy Efficiency Organizations (REEOs), as designated by the U.S. Department of Energy, which works in cooperation with the DOE to provide guidance to states. Our Policy Outreach and Analysis group serves as an information resource for policymakers and program administrators to support the adoption and implementation of public policies and programs that advance the efficient use of energy. NEEP is also home to the Regional Evaluation, Measurement and Verification Forum (EM&V Forum).

We begin by congratulating DNREC's Division of Energy and Climate for moving forward with these foundational regulations that will enable the state to quantify and verify the energy efficiency savings and other benefits associated with the statewide energy efficiency programs, pursuant to Delaware Code Title 26, Section 1504.³

The draft regulations clearly enunciate the roles and responsibilities of DNREC, the program administrators (PAs), the Energy Efficiency Advisory Council (EEAC), and the Evaluation, Measurement & Verification (EM&V) Collaborative attached to that body. Given the complexity, impact and dollars

¹ These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners. NEEP is a 501 (c)(3) non-profit organization that does not lobby or litigate.

² Delaware Division of Natural Resources and Environmental Control. Regulations Governing Evaluation, Measurement, and Verification Procedures and Standards. (April 2016) Available at:

http://www.dnrec.delaware.gov/energy/information/otherinfo/Documents/EEAC/DE_EMV_regulations%202016.03.16.pdf

³ 26 Del. C. §1504. Available at: <http://delcode.delaware.gov/title26/c015/index.shtml>



associated with joint program planning, delivery and EM&V, NEEP strongly supports DNREC's plan to contract with expert independent evaluation contractors.

Regulations Represent Expertise & Best-Practices

We are also glad to see Delaware participating in the regional collaborative that develops and maintains the Mid-Atlantic Technical Reference Manual (TRM) used by Maryland, the District of Columbia and Delaware. The Mid-Atlantic TRM is a project administered by NEEP. With similar climates and market conditions for efficient products, sharing the work to create this resource reduces administrative burden on states, saves money, and makes it easier for program administrators operating across states to have one TRM. Of course, Delaware maintains the ability to provide addenda when deemed necessary. The draft regulations include geographically specific guidance when calculating savings from specific residential weatherization applications.

We encourage the Public Service Commission to adopt the EM&V regulations as swiftly as is practicable. And, since public review of regulations will be necessary whenever they are significantly amended, we urge the Commission to create a process where this can be done without delaying or hindering the delivery of efficiency programs to Delaware's residents, businesses, and municipalities.

NEEP is pleased to see guidelines for a balanced and inclusive application of the total resource cost test (TRC)⁴, the most widely-used cost-effectiveness screen in the nation. The TRC includes the cost to customers and program administrators. Its application is generally evolving to include a host of benefits that are in the public interest and can be calculated or reasonably quantified. We are pleased that Delaware is applying the key cost-effectiveness principles set forth in the Forum's Cost-Effectiveness Screening guidelines.⁵

We support the regulations' inclusion of measurements such as avoided supply and transmission cost, the Demand Reduction Induced Price Effect (DRIPE), savings of non-primary fuels, and reasonably quantifiable non-energy benefits (et al.). In addition, NEEP supports the screening for cost-effectiveness at the portfolio level as is specified, while also calculating — but not limiting programs based on — the impact on a program level.

Public utility commissions and efficiency program administrators throughout the region have found the above-mentioned benefits to be reasonably quantifiable, even within the context of non-energy benefits. For example, Figure 1 provides the approximate values used by Massachusetts and Rhode

⁴ *Supra.* at note 2. Page 6.

⁵ Northeast Energy Efficiency Partnerships Evaluation, Measurement, and Verification Forum. Cost Effectiveness Screening Guidelines. (November 2014) Available at: <http://www.neep.org/file/2873/download?token=f4VbVVAH>



Island public utility commissions to quantify utility and participant non-energy benefits resulting from investments in energy efficiency.

Figure 1. Quantification of Non-Energy Benefits in Massachusetts and Rhode Island

Perspective/NEB Category	Massachusetts Dollar Range	Rhode Island Dollar Range
Utility Perspective		
• Financial and Accounting	\$2.61 - \$39.90	\$2.61 - \$3.74
• Customer Service	\$0.34 - \$8.43	\$0.34 - \$8.34
Participant Perspective		
• Improved Operations	\$0.96 - \$124	\$0.96 - \$102.40
• Comfort	\$31 - \$125	\$1.42 - \$125
• Health & Safety	\$4 - \$45	\$0.13 - \$45
• Home Improvements	\$17* - \$1,998*	\$0.32* - \$678.52*

Source: NEEP Evaluation, Measurement, and Verification Forum’s Cost-Effectiveness Screening Principles and Guidelines. **Indicates a one-time benefit, not an annual benefit that accrues for the duration of a measure’s life. Dollars are per household per year. Disparity in home improvement values between Rhode Island and Massachusetts is likely a result of property value and building stock characteristics.*

With the draft regulations clearly laying forth how cost-effectiveness should be calculated by the program administrators, we trust that this guidance will give the PAs a level of comfort and certainty, and that they will ultimately take a broader look at programs and measures that can and will pass screening. We note Title 26, Chapter 15 of the State Code declaring that:

- “(1) Cost effective energy efficiency shall be considered as an energy supply source before any increase or expansion of traditional energy supplies; and
- (2) Energy efficiency is among the least expensive ways to meet the growing energy demands of the State;”⁶

Therefore, it is incumbent upon the program administrators to develop plans that maximize the efficiency resource and offer program portfolios comprised of measures that, when examined in aggregate, have a benefit-cost ratio greater than one.

Delaware’s Participation in the Regional EM&V Forum

As Delaware creates its first statewide EM&V regulations and prepares to launch the first coordinated statewide energy efficiency programs, we are pleased to see ongoing Regional EM&V Forum participation specified in the draft regulations. We thank DNREC for its active participation in the EM&V

⁶ *Supra.* at note 3.



Forum, and hope that the agency continues to gain insights and value from working with its counterparts from across the region.

As of 2016, the Forum consists of six jurisdictions across the Northeast and mid-Atlantic; it works to develop and support the use of consistent savings assumptions and standardized, transparent guidelines and tools to evaluate, measure, verify, and report the energy and demand savings, costs, and avoided emission impacts of energy efficiency.

With the growing investment in energy efficiency across the region, and focus on the resource as a priority strategy to meet a range of policy goals and market objectives, the need for transparency and consistency in EM&V and reporting practices is more important than ever. All of the Forum efforts⁷ are geared toward the long-term goal of affordable, transparent, consistent, comparable, accessible, energy efficiency data. Good data derived from consistent EM&V practice and transparent reporting are of paramount importance for the success of energy efficiency to meet key policy goals.

The EM&V Forum is the only regional efficiency effort of its kind in the nation that is steered by a committee⁸ of state public utility commissioners, energy office and air agency representatives. The Forum participants who inform and guide projects include state energy and environmental agency staff, program administrators, regional system operators, and evaluation practitioners/experts, as well as national interests from federal agencies (U.S DOE and U.S. EPA) and energy service company representation.

Among the various Forum products available to assist Delaware and other stakeholders with EM&V, reporting, and related energy efficiency activities we note the following in particular, available on the NEEP website: the Repository of evaluation studies; draft standardized reporting formats for evaluation study results and for program impacts; and the Regional Energy Efficiency Database (REED) which is useful for benchmarking/comparing program impacts across states.

All Program Administrators Should Follow the Regulations

Lastly, while only the state's regulated utilities (Delmarva Power and Light and Chesapeake Gas) are required under law to use these evaluation regulations once adopted, we strongly urge all other program administrators — namely the Delaware Sustainable Energy Utility, the Municipal Electric Corporation and the Delaware Electric Cooperative — to abide by and help inform the future iterations of the evaluation, measurement and verification regulations. These regulations and the TRM included are based on nationally-accepted best-practices and protocols to ensure that the programs are designed and delivered to maximize impact and minimize overall energy costs to ratepayers.

⁷ Description of 2016 Forum projects: <http://www.neep.org/sites/default/files/EMV%20Forum%20-%20Summary%202016%20Project%20Agenda%2012-22-15.pdf>

⁸ <http://www.neep.org/emv-forum-leadership>



While the non-regulated program administrators cannot be compelled to use and participate in shared EM&V procedures, a failure to do so could call into question the validity of their savings assumptions, which would have a cascading affect in state and regional energy planning. It could also reduce confidence by customers and policymakers alike as to the value of the programs in delivering least-cost energy efficiency as part of the overall energy portfolio. And, failure to adopt consistent protocols across program territories will make it that much more difficult for DNREC or other state agencies to conduct future energy planning with the accuracy such exercises will require.

The Value of Collaboration

The Northeast and Mid-Atlantic states are the midst of an historic ramp-up of efficiency programs and policies to acquire cost-effective energy efficiency. To meet these commitments, electric and natural gas energy efficiency program administrators need new strategies, programs, and technologies. States are also pursuing new policy goals in the areas of building energy codes, building energy rating, greenhouse gas reductions, integration of distributed resources and modernization of the electric grid.

Strategic alignment of these efforts with ratepayer-funded efficiency programs will enable the programs to realize their maximum potential at minimum cost to ratepayers. Whether teamwork among program administrators within a state — or regional cooperation of program administrators and state governments themselves — the value of collaboration is compelling. It includes:

- Reduced costs to design, market, administer and evaluate programs when budgets are shared;
- Greater market impact by aggregating demand for energy efficient products and services;
- Lessons from what works best in other service territories and states; and,
- Increased awareness, participation and satisfaction from market actors and customers receiving consistent messages and incentive levels.

In closing, NEEP applauds the state of Delaware, the Energy Efficiency Advisory Council and the efficiency program administrators for the progress towards launching what will soon be the first state-wide efficiency programs. We urge continued cooperation, transparency, and well-timed opportunities for public input that can help make the programs strong, effective and sustainable. Thank you for the chance to provide comment on the draft regulations. Please do not hesitate to contact us with any questions related to these comments or other energy efficiency policy matters.

Sincerely,

A handwritten signature in blue ink that reads "Natalie Hildt Treat".

Natalie Hildt Treat
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