



**Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
To the Joint Committee on Telecommunications, Utilities and Energy
Green Communities Act Oversight Hearing
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Chairman Keenan, Chairman Downing and members of the Committee: on behalf of Northeast Energy Efficiency Partnerships (NEEP)¹, thank you for the opportunity to provide comments on how the Green Communities Act is working for Massachusetts. NEEP is a regional nonprofit organization that works to accelerate the efficient use of energy in homes, buildings and industry in the Northeast.

First and foremost, we see the Green Communities Act as an enormous success, delivering benefits to residents, businesses, communities, and the Commonwealth as a whole. Because of the actions of the legislature, the leadership of the Patrick Administration, and the hard work of so many from the public and private sectors, energy efficiency is being treated as a clean, cost-effective, first-order resource to help meet the state's energy needs as well as advancing a range of related policy goals. Following are our answers to the questions provided by the Committee:

What role do you play in implementing the GCA?

NEEP is a regional convener and facilitator of strategic alliances to advance energy efficiency programs and policies. As such, we don't have any direct role in implementing the GCA. However, we do, through our facilitation of market initiatives, help inform many of the program strategies that are part of the GCA implementation. For example, in the areas of high efficiency lighting, we have two projects – one to qualify new solid state commercial lighting products and one to devise a regional strategy for evolving the residential lighting market – that the Massachusetts efficiency program administrators (PAs) participate in as a way of informing their own program strategies with regard to lighting.

Our organization also does a great deal of work in areas such as building energy codes, where we aid the development and adoption of new codes – such as the 'stretch' energy code in Massachusetts – as well as in training and technical support to the state, individual communities, code officials and building professionals. NEEP also provides guidance to the state and to communities on high performance building standards for schools and other public buildings, and work to advance energy efficiency standards for appliances and products. In such instances, we work closely with the Department of Energy Resources, Board of Building Regulations and Standards, electric and gas utilities, and building practitioners. Personally, I attend most meetings of the Energy Efficiency Advisory Council and, along with my team,

¹ These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

follow and report on the development of efficiency programs and policies in other states, as well as in Massachusetts.

How has the GCA impacted your business/organization?

The Green Communities Act has helped us as advocates show the validity of states treating energy efficiency as a first-order resource. NEEP was part of a coalition that helped draft language for the GCA, and we, along with all of the PAs and other stakeholders who are involved with implementing and benefiting from the GCA, are learning from it to help inform future policies and continue to improve on those set forth in the act.

What has worked under the GCA?

The EEAC and Treating Efficiency as a First-Order Resource

The greatest successes from our perspective have been realized in the statewide coordination that's taken place— both among the electric utilities and between the gas and electric utilities; in the stakeholder process that is played out through the EEAC; and in the clear and considerable energy savings that have resulted that benefit all residents and businesses of the Commonwealth.

The directive of the Green Communities Act to capture all cost-effective energy efficiency and the subsequent efforts to ensure sufficient long-term funding has been a boon to the state's economy as well as efficiency program participants. The beauty is that multiple funding sources are leveraged – the systems benefit charge (SBC) sets the floor, while other funding sources, such as the proceeds from the Regional Greenhouse Gas Initiative (RGGI) auctions and the ISO-New England Forward Capacity Market (FCM) auctions supplement the SBC. Finally, the Energy Efficiency Reconciliation Factor (EERF) helps make up the last yard by procuring efficiency as a resource through utility rates.

Because of the widespread implementation of efficiency measures taking place across our state as well as in neighboring states, we are beginning to see the effects on suppression of wholesale electric prices. The electric utilities and the Department of Public Utilities have modeled what is called the “DRIPE” effect, or Demand Reduction Induced Price Effects.² The idea is that with a substantial amount of energy efficiency, not only direct participants benefit, but *all* ratepayers do, as demand is reduced across the board, and subsequently, all ratepayers pay less in the form of lower wholesale market clearing prices for electricity.

Best use of RGGI Proceeds is Efficiency

The GCA's requirement for 80 percent of RGGI money to be directed to efficiency programs has been a great success. In other states this has been a major political issue to the detriment of the ratepayers, where the money hasn't always benefited consumers the way it was

² One presentation on the so-called “DRIPE effect” is at: <http://www.ma-eeac.org/docs/090714-BillImpactRes.pdf>

intended and short-sighted raids that divert RGGI proceeds to fill general budgetary shortfalls have been too common. The foresight of the legislature to spell this out in the GCA has allowed the programs to be supplemented and stretch ratepayer dollars most effectively. In fact, it was a study under Romney Administration that modeled putting RGGI proceeds to efficiency would be the most cost-effective use of funds.

Building Code Issues

Another policy implemented under the GCA that we see as a major benefit to the Commonwealth is the provision requiring automatic updates to the building energy code. While in other states where the code adoption process has been delayed, or, in some instances, highly contentious, it becomes a matter of course in Massachusetts to adopt the latest version of the model International Energy Conservation Code (IECC) within a year of its publication. This removes the politics from the code adoption process, resulting in energy savings being realized sooner to the benefit of consumers. It should be noted that prior to the adoption of these code provisions in the GCA, Massachusetts had gone long periods – at one point, more than a decade – without updating its building energy code. That will no longer be the case thanks to the GCA.

A second important code element contained in the GCA is the requirement for building commissioning, which represents an important step in maximizing energy efficiency in commercial buildings, where some of the greatest energy savings are to be realized due to economies of scale.

Also required under the GCA is enhanced training for building code inspectors, and, as we all know, a building code is only as good as its understanding and enforcement. The training provision also can provide for a third-party inspection system if it is found that such a measure would significantly increase compliance rates, and NEEP would applaud that.

The final related element in this area is a provision that would allow the efficiency program administrators – the utilities and the Cape Light Compact – to support the advancement and adoption of building energy codes and appliance standards. Because these programs are funded by ratepayer dollars, they are closely scrutinized for attribution and the savings they are allowed to claim inform their incentives. As such, the first three-year efficiency program plan began laying the groundwork for how the energy efficiency resulting from PAs' involvement in things like advocacy, research and training on codes and standards can allow them to count some of those savings towards their efficiency goals. It is our expectation that a fuller slate of related activities will be developed as part of the next three-year plan.

What hasn't worked under the GCA?

We think the EEAC process could be improved by making the stakeholder process even more inclusive so that all interested parties can have an easier avenue for making their viewpoints heard. For example, in New Hampshire's stakeholder board meetings, as time allows, non-board participants are afforded a chance to offer their input on matters under discussion, or

at least ask questions. While we are encouraged by things like a new website, we think it could be improved by having a place to accept written public comment and more timely and consistent posting of agendas and other documents so that stakeholders can more easily follow the proceedings.

Aside from legislation already being considered by the committee, what changes should be made to the GCA?

We have some comments below that speak to evolution of efficiency efforts in Massachusetts, but in general we see the GCA as working quite well, and we would not advocate changes to the act.

Questions specific to NEEP:

1) How have energy efficiency programs expanded under the GCA?

The energy efficiency programs in Massachusetts now encompass all electric and gas utilities in a coordinated fashion, which had not occurred to this extent prior to the GCA. Coupled with sufficient funding, that means that the PAs have been able to treat homes and buildings comprehensively in ways they hadn't been able to before. The PAs are also now assured that the programs are adequately funded to last throughout a given year, and not become oversubscribed and require some customers to be turned away.

I myself used to be a program administrator for KeySpan/National Grid. I had a budget. And if more people wanted rebates on thermostats or windows than I had in available funds, I knew I might have to shut down programs for the year. This used to happen in Massachusetts, and it still happens in New Hampshire and other states where they have caps on efficiency limited by what is collected through a modest systems benefit charge (SBC).

The fact that Massachusetts has determined its budgets and goals in relation to how much energy efficiency can potentially be gained, and directed the program administrators and the market to pursue as much of that efficiency as is cost-effective, is an absolutely enormous difference in how customer energy needs are now met. The utilities and the Cape Light Compact now must procure energy efficiency as a resource on par with electricity and gas supply – except energy efficiency is consistently and reliably only about one-third of the cost of new supply. Working through the EEAC process, savings goals are set in a consensus fashion, with broad stakeholder involvement and support.

Lastly, regulatory oversight by the Department of Public Utilities has ensured that the utility interests are aligned with the public's by setting incentives and recovery mechanism accordingly – a process that will be further enhanced when full revenue decoupling occurs for all of the state's utilities.

2) ***What kinds of savings can consumers realize through energy efficiency measures?***

While the program administrators are better suited to answer such specifics, we can say that the savings opportunities, customer service and general experience has only improved with statewide consistent program offerings, integrated planning and delivery by electric and gas utilities, and a clear, easy to navigate website in MassSave.com. Depending on the type of project, it is not uncommon for a customer that undertakes projects such as home weatherization to cut energy use by a third.

3) ***How effective is the EEAC at evaluating the progress of PAs implementation of energy efficiency programs? Are there certain perspectives that are not present on the council?***

From my observations of the EEAC and following other states' processes for developing program plans, implementation and review, the EEAC is one of the best models in existence. The relationships among various parties are generally cooperative, collegial, and appreciative for the perspectives and hard work by all in advancing efficiency in the state. What makes the EEAC work is the diversity of stakeholders, the collective wisdom of individuals, and the expert consultants who keep things running smoothly in terms of data, understanding of best practices, and effective communication. NEEP constantly points to the EEAC as a model for other states.

4) ***Are there changes that should be made to the implementation of energy efficiency programs that could make them more effective?***

The programs have come a long way in terms of standardizing offerings across service territories and integrating gas and electric efficiency services. We know that members of this committee and many diverse interests are working to find a way to extend programs to people who heat their homes with fuel oil. When this is accomplished, it will be a major step forward for Massachusetts, with other states once again watching the Commonwealth's leadership. Another area that we hope the state will continue to work on is a simpler and more compelling process for municipal electric companies to join the IOUs in offering efficiency programs to their customers.

5) ***How can the Commonwealth better utilize market forces to achieve energy efficiency goals?***

One of the provisions that was not included in the original GCA act was a provision for building energy rating and disclosure. The idea is that if you can understand how a building is performing and make that information available at the time of transaction, the market will afford greater value to efficient homes and buildings. We do it for cars, and for a host of consumer products – everything from cereal to hot water heaters. But for the greatest financial commitment most of us will ever make – the

purchase of a home — there is no information disclosed relative to that home's building energy performance. Rating systems have become the norm across Europe, in several other international jurisdictions, and are increasingly being adopted in cities and states across the U.S. When buyers, renters, real estate brokers, and financial institutions have a clearer picture of how efficient — or inefficient — a building is, and how much it costs to operate and maintain it, such valuation can be integrated into transactions. The result is that more efficient buildings will become the expectation.

Rating and disclosure would work very well in conjunction with the PA's efficiency programs because their retrofit and new construction programs would fit well with the concept of rating buildings for energy performance. Finally, growing the market for building rates and auditors would also grow the clean energy market and provide substantial economic benefits. This is an area that NEEP has devoted considerable effort³ and is in fact working on pilot programs with the DOER. We look forward to seeing this concept advance in coming years.

6) *Are there aspects of other states' energy efficiency programs that could improve the Massachusetts model?*

From NEEP's vantage point, the Massachusetts model is one of the best-functioning out there. A few areas to consider could be how Connecticut has worked to engage municipal electric companies, albeit with a small SBC; New York's approach to technology and market development, as headed by NYSERDA; and Efficiency Vermont's community engagement efforts. That said, states can and do often learn from each other on what works, and what does not.

Again, we thank the committee for your many good efforts to harness the power of energy efficiency and clean energy in the Commonwealth, and thank you for the opportunity to provide these comments. Please do not hesitate to contact me with any questions regarding this testimony or other matters related to energy efficiency policies in Massachusetts or across the region.



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³ Read NEEP's Building Energy Roadmap for the Northeast paper, and other resources: <http://neep.org/public-policy/building-energy-codes/building-energy-rating>