



December 7, 2011

VIA EMAIL: secretary@dps.state.ny.us

Hon. Secretary Jaclyn A. Brillig
New York State Public Service Commission
3 Empire State Plaza
Albany, NY 12223-1350

Re: Case No. [07-M-0548](#)
Letter in Support of Pace/NRDC Petition Regarding the Total Resource Cost Test

Dear Secretary Brillig,

On behalf of Northeast Energy Efficiency Partnerships (NEEP),¹ I am writing in support of the request for clarification/rehearing made by the Pace University Energy and Climate Center and the Natural Resources Defense Council in their petition of November 23, 2011.

NEEP is an independent regional organization that monitors the best practices of states across the Northeast and the nation in terms of energy efficiency policies and program delivery. While we applaud New York's ambitious "15 by 15" savings goals that the Energy Efficiency Portfolio Standard is charged with meeting, we are concerned that the current regulatory framework will hinder the state's ability to meet these goals.

Specifically, we urge the Public Service Commission (PSC) to host a Technical Conference with key stakeholders to discuss the design and application of the Total Resource Cost (TRC) Test and how it may impact the state's ability to reach its energy efficiency goals. Additionally, we urge the Commission to re-consider current practice and evaluate energy efficiency programs at the portfolio or program level, as opposed to the measure level.

Examining the Total Resource Cost Test

While the TRC is applied by many energy efficiency program administrators across the region, how it is applied can and is evolving to be better aligned with energy policy goals, while also addressing certain related non-energy benefits, such as reduced air emissions or job creation. While the TRC is interpreted slightly differently across the Northeast region, to our

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



knowledge, New York is the *only* state that requires individual measures to pass screening.² This narrow and restrictive application is hindering the state's ability to meet overall efficiency goals, and undermining efforts to help New Yorkers make their homes and businesses more efficient while attracting and retaining good jobs in the clean energy sector. In relation to this latter point, NEEP works throughout the region with a variety of stakeholders, including many energy efficiency program contractors. These businesses have expressed serious concerns about their ability to perform in a state where their ability to succeed has been so severely hindered by the application of the efficiency program cost effectiveness test. In addition to jeopardizing the state's ability to reach its energy savings goals, the TRC application is also undercutting the state's ability to compete economically with its neighboring states, which have significantly ramped up their energy efficiency program efforts, but have done so with a regulatory framework that does not restrict the programs in such a way as New York's does.

Analysis Being Done on Cost-Effectiveness

NEEP and a number of our partners have been very actively involved in recent discussions regarding the TRC, driven by a recognition that as states have made new and more significant commitments to energy efficiency, they need to consider anew whether the regulatory tools and methods that they have relied upon up until now are still the best ones to help them meet their state energy goals. NEEP's Evaluation, Measurement and Verification (EM&V) Forum is facilitating this examination by initiating a dialogue among regulators, program administrators and others as to common goals, obstacles and potential solutions when considering cost effectiveness testing.

In October, the Forum convened its [Annual Public Meeting](#) in Albany. In his welcoming remarks, Commissioner Garry Brown spoke enthusiastically about the Forum and the need to work together to establish a common approach to evaluate energy efficiency to build the credibility of the resource. Later, a panel of experts that included a former utility regulator, a program administrator who works in four Northeast states, including New York, and a nationally renowned energy efficiency research analyst addressed the topic of "**Cost Effectiveness Testing - Is it Time to Modify the TRC and Why?**" Their positions were largely consistent: the TRC is somewhat illogical in its failure to acknowledge certain efficiency benefits; is biased as compared to selecting supply side energy resources; and therefore stands to disqualify programs that should be counted as cost-effective. And, while these shortcomings may not have been as important in past years, when efficiency budgets and related program goals were much more modest, they are much more important today as

² See "[The Need for and Approaches to Developing Common Protocols to Measure, Verify and Report Energy Efficiency Savings in the Northeast](#)," NEEP, January 2006. Page 27 compares different tests used by states. In addition, Maryland, while using the TRC in some form, has experienced difficulty due to the lack of specification as to how the test should be applied.



states require much deeper and broader energy savings, while program strategies also emphasize additional non-energy benefits to attract new participants.

Building off this dialogue, the Forum is about to launch a project - a decision supported by New York PSC staff - to examine cost-effectiveness methodologies. This project will identify and explore relevant issues for interested Forum states, which may include a review of the Total Resource Cost (TRC) test and how it is implemented throughout the region, as well as opportunities to improve implementation of the test (e.g., examining input assumptions), and consideration of other recommendations for overcoming challenges with use of the TRC test. It is our hope and expectation that this project can both inform and be informed by a technical conference ordered in New York to examine cost-effectiveness.

Finally, NEEP addressed the issue of cost-effectiveness methodology and application of the TRC in its *Northeast Regional Residential Lighting Strategy*, which is scheduled for imminent release. Among the elements of this report is an examination of how cost-effectiveness tests are applied to residential lighting programs, including a shift to program and portfolio application vs. measure-level screening, with a focus on gross savings vs. net savings.

Immediate Program Impacts

This issue is most relevant to New York, where residential lighting programs will be severely restricted by the PSC's order regarding the energy efficiency portfolio standard (EEPS) extension, both in terms of the interpretation of the level of market transformation that has occurred for lighting, as well as the requirements for allowed lighting programs.

The Home Performance with ENERGY STAR® program is another program which is harmed by such restrictive screening. If every measure in every home needs to be tested for and pass the TRC on a custom calculated basis, the programs will be rendered untenable.

Widespread Consensus to Support Reconsideration

NEEP does not provide these comments without having learned from many colleagues and fellow stakeholders, both from within New York - NYSERDA, utility staff, program contractors and clean energy advocates - as well as from other experts from across the region and the country. Similarly, we feel the Commission can learn from many of these experiences in neighboring states and beyond to examine the state's application of its cost-effectiveness testing tools and methods.

As such, NEEP adds our voice in support of the Joint Petitioners in urging the PSC to convene a technical conference to explore potential revisions to the TRC and directing staff to begin



applying the TRC at the program or portfolio level. We look forward to participating in such a conference, as well as to Commission staff's participation in the NEEP EM&V Forum project examining the same.

Sincerely,

A handwritten signature in black ink that reads "James J. O'Reilly". The signature is written in a cursive, flowing style.

James O'Reilly, Director of Public Policy
Northeast Energy Efficiency Partnerships