

Cracking the Code on Net Savings

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Outline of Presentation

- Purpose
 - teeing up the discussion
 - a state “case study”
- Massachusetts and net savings
 - Energy efficiency in MA
 - MA DPU investigation into net savings
 - Methods/ approaches
 - Gross savings and net savings
 - Updating factors
- What is region doing on net savings?
- 2012 NEEP Report on net savings
 - 5 Conclusions and Recommendations



Caveats

- This presentation does not reflect the views of the MA DPU or the MA DPU Commission.
- Presentation does include language from DPU orders, to illustrate state “case study.”
- The process is ongoing in Massachusetts.

Energy Efficiency in MA

- Green Communities Act (2008) (“GCA”)– all available cost-effective energy efficiency
- Global Warming Solutions Act (2008) & Mass. Clean Energy and Climate Plan for 2020 (2010)
 - GHG reduction requirements, 2020 - 2050
 - EE is largest single bucket of GHG reductions in 2020 Plan
 - Of 25% reduction requirement in 2020 relative to 1990 levels, 7% from energy efficiency plans
- Most recent Three Year Plans in MA nearly \$9 billion benefits statewide; \$1.5 billion in costs; goal of savings equal to 2.55% of sales by 2015 .

MA DPU: Investigating Net Savings

- Why net savings is important
 - MA uses net savings figure for cost effectiveness evaluation
 - Important for both savings and GHG emissions
- D.P.U. 11-120 (Nov. 2011) – Generic proceeding to investigate issues related to energy efficiency, including net savings
 - “As the Program Administrators pursue the goal of acquiring all available cost-effective energy efficiency resources, it becomes increasingly important to ensure the accuracy and reliability of the benefits included in the analysis of program cost-effectiveness.” (at 6)

D.P.U. 11-120

- DPU sought comments on:
 - “(1) the extent to which the existing approaches to estimating net savings produce accurate and reliable results; and
 - “(2) alternate ways to determine net savings estimates that may improve upon the existing approaches.” (at 18)

D.P.U. 11-120-A (Aug. 2012)

- “... satisfying [the GCA] obligation will require the PAs to adopt innovative approaches to program design and implementation that incorporate multi-year and cross-program strategies.”
- “... the current approach used to determine net savings, which focuses on participants in specific programs in specific years, is unlikely to produce sufficiently reliable results for these new and innovative approaches to program design and implementation.”
- “... it is appropriate to consider adopting alternate approaches to determining net savings that look at effects that occur over multi-year periods and across programs.”
- “In concept, a market-focused approach to determining net savings that examines the level of energy efficiency that would be expected to take place with and without the programs in effect, should improve upon the current approach.” (at 12-13)
- Continuing questions... therefore, a working group.

Application of Updated Impact Factors

- Gross savings and net savings
 - Updating the numbers?
- D.P.U. 11-120-A
 - Also addressed whether to apply updated impact factors prospectively or retrospectively
 - Previously – PAs apply updated factors retrospectively
 - DPU Decision: to apply updated net savings factor prospectively
- Broader issue: which savings “figures” to use/
when

Snapshot of the Region

State or Region	Type of Policy	Metrics	Type of Savings Reported	Net and Gross Applied for Different Purposes?
CT	IRP	Net Energy Savings Other*	Net	No
DE	EE Plans (Title 26)	Energy Savings	TBD	Unclear from document
MA	GCA and DPU orders	Net Energy Savings Other*	Net	No
MA	GWSA & Climate Plan	GHG emissions Other*	Net for original estimates Undecided for reporting	Not determined
MD	EmPower Maryland and PSC Order 84569	Energy Savings Other*	Net and Gross	Yes: Gross for reported; Net for planning and c/e
ME	Triennial Plan	Energy Savings Other*	Net and Gross	Yes: Gross for reported; Net for planning and c/e
NY	EE Portfolio Standard and NYSERDA 3-year plan	Net Energy Savings Other*	Net	No
RI	3-Year Least Cost Procurement Plans	Net Energy Savings	Net	No
VT	State EE Plans	Energy Savings Other*	Net and Gross	Yes: Gross reported to RTO; Net for performance awards but with predetermined FR/SO values
NE-ISO	EE Forecast for Regional Transmission Planning	EE Resources	Net and Gross	No
VT/NH	ISO Transmission Needs Assessment	Projected Peak Electricity Demand	Gross	No
RGGI	RGGI Draft 2012 Reference Case and Analyses	Includes Projected Generating Capacity additions, CO2 emissions	Varies by state, usually Gross	Varies by state



NEEP 2012 Report on Net Savings

5 Conclusions and Recommendations address:

1. Defining Gross and Net Savings
2. Use of Net Savings
3. Energy Savings Goals and Metrics
4. Role and Methods for Market-Level Net Savings
5. Need for technical discussion across broad stakeholder community to bring parties together



Today's Discussion

- Address many of the five conclusions/recommendations
- Embody: “5. Need for technical discussion across broad stakeholder community to bring parties together”
- Learn from and reflect with the experts
- What are key questions? What are the goals? What are the next steps?



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