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Comments of Natalie Hildt, Manager of Public Policy Outreach
Northeast Energy Efficiency Partnerships (NEEP)
On the Draft 2012 Integrated Resource Plan for Connecticut
Section 129 of Public Act 11-80

Tracy Babbidge, Interim Bureau Chief
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Ten Franklin Square
New Britain, CT 06051

Dear Ms. Babbidge,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)[1], thank you for the opportunity to provide comments on the 2012 Connecticut Integrated Resource Plan (IRP). We are delighted to see the emphasis on expanding energy efficiency to attain all cost-effective energy savings and the state's thoughtful yet achievable plan to ramp up Conservation and Load Management (C&LM) budgets in coming years.

BUDGET FLEXIBILTY

We applaud the recognition of the importance of budget flexibility as noted repeatedly in the Plan, and also specified in the recently approved 2012 C&LM Plan in terms of permitting the Electric Distribution Companies (EDCs, or "Program Administrators") to carry forward up to 25 percent of anticipated C&LM revenue from 2013 and 2014 to meet 2012 program demand and the recommendation that the Public Utilities Regulatory Authority (PURA) remove the year-to-year budget cap.

REGULATORY FLEXIBILTY

In addition to budget flexibility, NEEP would like to see regulatory flexibility in terms of the types of programs that are delivered to customers and the way that savings are counted. We believe that the role of DEEP and PURA should be to help set savings goals and allow the program administrators freedom and creativity to maximize ratepayer dollars and deliver effective energy-saving programs. As the DEEP is likely aware, NEEP and a number of our partners have been very actively involved in recent discussions regarding cost effectiveness and net-to-gross savings issues, 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 supports the development and use of common and/or

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

consistent protocols to evaluate, measure, verify, and report the savings, costs, and emission impacts of energy efficiency. Currently, the Forum is facilitating an examination of issues of program cost-effectiveness and attribution by initiating a dialogue among regulators, program administrators and others as to common goals, obstacles and potential solutions when considering cost effectiveness testing.

Many of the issues inherent to allocating program savings or net-to-gross ratios are captured in an EM&V Forum Net Savings Scoping Study.[2] This study concluded that, given aggressive new state savings goals as well as many additional influences promoting energy efficiency that make it more difficult to isolate the impact of the energy efficiency programs alone, it was worth examining potential new options for determining savings attributable to program activity.[3] A follow on EM&V Forum project is now underway to further research policy drivers and develop recommendations on methods/approaches for addressing Net Savings. Connecticut has been an active participant in the Forum's activities, and we encourage DEEP staff to continue to both inform and be informed by this work.

FUNDING OPTIONS

NEEP supports the Conservation Adjustment Mechanism (CAM) proposed by the consultants to the Energy Efficiency Board (EEB) as an appropriate tool to expand the state's energy efficiency programs. With the state viewing efficiency as another resource to help meet customer demand, we believe it is fitting to in effect *procure* efficiency through rates in a similar fashion to supply side resources, and not be limited to an artificial cap of funds collected through the current Systems Benefic Charge. In addition, we agree that the EDCs and EEB should evaluate places where a higher participant contribution will extend program dollars while not undermining program accessibility and savings goals. Ultimately, we are glad to see DEEP's emphasis on the importance of strong and stable funding for customers and market actors alike.

IMPACTS ON RATEPAYERS

The draft IRP clearly shows DEEP's understanding of the phenomenon known as Demand Reduction Induced Price Effect (DRIPE), whereby prices at the wholesale market level clear at a lower price than they would have absent the energy efficiency programs that dampen demand overall. Massachusetts is one state that has closely considered bill impacts of large-scale investments in efficiency, with early modeling for its own ambitions plans showing that while electricity *rates* would be nominally higher during the ramp-up of efficiency investments, the long-term benefit would mean significantly lower energy *bills* for all customers.[4]

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[2] See http://neep.org/emv-forum/forum-products-and-guidelines

[3] NEEP recently submitted to the Massachusetts Department of Public Utilities, recommending a technical session to address challenges to current methods used to estimate net savings, both free-ridership and spillover effects. Comments of Northeast Energy Efficiency Partnerships (NEEP): Under Massachusetts Department of Public Utilities (DPU) Order No. 11-120 *Net Savings and Environmental Compliance Costs of the Energy Efficiency Programs*

[4] See a presentation on bill impacts: http://www.narucmeetings.org/Presentations/Woolf-efficiency-bill-impacts.pdf

For many years, concerns over *rate* impacts, as opposed to *cost* benefits, prevented Connecticut from fulfilling the mandate under Public Act 07-242 of pursuing “all cost-effective” energy efficiency. Now that Governor Malloy, Commissioner Esty and other key leaders are fully embracing the potential of energy efficiency to help control costs, reduce strain on the electric grid and contributing to a host of environmental, health and economic goals, NEEP believes the state should engage in bill impact evaluation and forecasting. This is critical in terms of understanding impacts and benefits for all ratepayers as well as solidifying the case that broader and deeper investments in efficiency benefit all customers, regardless of whether or not they participate in programs. Of course, as more and more efficiency measures are put into place, the percentage of customers who are benefiting directly from the programs will continue to grow as well.

ALIGNING INTERESTS

With such aggressive increases in efficiency, it is essential that the interests of for-profit energy companies are brought in line with public policy goals, addressing the problem of fixed cost recovery. The Plan calls out the importance of rate mechanisms such as decoupling. Clear rules for full cost-recovery are essential, and NEEP encourages decoupling for all program administrators. Removing the *dis*incentive to promote efficiency, together with existing shareholder incentives, will further propel the utilities in their evolving roles of energy solution providers for customers and full partners in helping the state reach its energy goals.[5]

CUSTOMER FINANCING

NEEP supports the Plan’s emphasis on new financing options that will help customers overcome some of the barriers to investing in efficiency. Connecticut has been a pioneer in establishing the Clean Energy Finance and Investment Authority (CEFIA). There are a number of other new models that states like New York, Vermont and Massachusetts have put into place that we expect CEFIA has examined in developing its own programs. We stress that, while financing is an important tool, it is only *one* tool a portfolio that should continue to include technical assistance and incentives, education, behavioral programs, and complementary policies.

COMPLEMENTARY POLICIES

As long-time proponents of policies that complement the ratepayer-funded efficiency programs, we are glad to see building energy codes and appliance standards referenced in the IRP as ways to help the state meet aggressive energy savings goals. We encourage the DEEP to work with the program administrators to find ways to harness their expertise and customer relationships to leverage such complementary policies. In addition, as specified in prior energy plans, the state should work to develop ways to afford credit to the PAs for their roles in advancing codes and standards.

Codes, standards and building energy rating can and should work hand-in-hand with ratepayer programs to “lock in” those savings and continue the upward cycle of development of energy efficient technologies and practices. The state’s utility companies are uniquely qualified and positioned to help deliver services such as

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[5] See NEEP paper on Revenue Decoupling in the Northeast: http://neep.org/uploads/policy/Revenue%20Decoupling%20Brief-Final%20Version%201.30.12.pdf

building energy code training on measurement and compliance to building professionals, and should be allowed attribution for the savings they help deliver. Building energy rating and disclosure can create a market-driven path to lowering consumer energy costs, signaling to potential buyers or renters, real estate brokers, and financing institutions the true value of efficient buildings. As the experts in building energy solutions for residential and commercial customers, it makes sense that program administrators should also be involved in such efforts as they progress.

Imperative for such complementary efforts to succeed, however, is the need for the program administrators to propose, and for the DEEP and PURA to approve, methods for the PAs to be credited for energy savings from codes, standards and building rating activities. Following from the framework of the IRP, future C&LM plans should include specifics to allow the program administrators to claim a portion of the savings from such complementary policies as mentioned above.

While the issue of program savings attribution for codes and standards activities is relatively new ground, there are some experiences in other states (e.g. Arizona and California) and analyses undertaken by a number of other parties, including NEEP, that can help inform this issue. Above all, there needs to be a recognition that simultaneously raising the "ceiling" on new savings opportunities through efficiency programs and raising the "floor" by locking in those savings through codes and standards allows Connecticut the best chance to meet the goals of *all* cost-effective energy efficiency.

REGIONAL COORDINATION ON RESIDENTIAL LIGHTING

Lighting represents a major end-use and still a significant source of energy savings in a rapidly evolving market. And with the arrival of 2012, the nation is seeing the start of new federal lighting efficiency standards that will result in significant savings. However, these new national standards have led to some states determining that emphasis on lighting programs can be reduced, mistakenly assuming that few new program savings are available.

In fact, all markets, including Connecticut, still have significant savings to achieve in residential lighting. But these savings will only be realized through new strategies that combine a continuing role for efficiency programs with consumer outreach and education, regulatory flexibility and development of key market data. Connecticut's EDCs have been for the last year participating in the development of a *Regional Strategy on Residential Lighting*, facilitated by NEEP. With the final report to be released in mid-March, we would urge the Energy Efficiency Board, the DEEP and PURA to consider the strategy as future program plans are developed.[6]

[6] See NEEP comments submitted on the C&LM Plans, 1/19/12: http://neep.org/uploads/policy/NEEP%20Comments%20DEEP%20Technical%20Session%201.19.12.pdf

NEEP encourages Connecticut to continue partnering with neighboring states and leveraging regional efforts to advance energy efficiency through programs and policies, and thanks the state and the program administrators for their ongoing engagement in such market transformation efforts.

LEVERAGE REGIONAL EFFORTS

When resources are pooled, states and program administrators can accomplish much more than any of them could on their own. This is true in terms of joint studies such as market evaluations and the residential lighting strategy, upstream market work with wholesalers and retailers who prefer engaging regionally rather than in a fragmented manner, and the transfer of knowledge and best practices among program administrators, state energy offices and regulators alike. Connecticut has both benefited from and contributed to several projects facilitated by NEEP, including residential lighting, commercial solid state lighting, advanced power strips, consumer electronics, the Regional Evaluation, Measurement and Verification (EM&V) Forum, and of course, complementary public policy efforts such as building energy codes and appliance efficiency standards.

DON'T MIX EFFICIENCY WITH RENEWABLE RESOURCES

While there is much that we support in the draft IRP and the expanded efficiency scenario, we are concerned with the proposal that energy efficiency and renewable energy could be mixed in the Class I Renewable Energy Credits (RECs). NEEP's position is that efficiency and renewable sources, while similar in their ability to reduce pressure on traditional generation and transmission resources, are very different in terms of payback, benefits and the way they impact the grid. We see no reason to classify them under the same heading for the state's Renewable Energy Portfolio Standard (RPS), a move that has generally been ill-advised when other states have tried to merge these resources in terms of funding or portfolio goals.

Such a change could have the effect of watering down the renewables requirements by adding efficiency to the RPS, because the efficiency investments will take place whether they are part of an RPS or not. In other words, since efficiency will already be happening under the Conservation and Load Management Plans, quantifying it as part of the RPS could result in less renewable energy *and* less energy efficiency.

Thank you for considering our input during this important period of planning for Connecticut's energy future. We are very encouraged by all of the commitment to improving the state's energy programs and policies with an eye to maximizing energy efficiency, and look forward to continued collaboration with all parties to that end.

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