

IL EE Stakeholder Advisory Group: Market Transformation Savings Working Group

Friday, June 14, 2019

11:00 am – 1:00 pm

Attendee List and Meeting Notes

Attendees (by webinar)

Celia Johnson, SAG Facilitator
Nick Hromalik, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Jane Colby, Cadmus Group
Kegan Daugherty, Resource Innovations
Erin Daughton, ComEd
Eric DeBellis, IL Attorney General's Office
Leanne DeMar, Nicor Gas
Allen Dusault, Franklin Energy
Margie Gardner, Resource Innovations
Molly Graham, MEEA
Saranya Gunasingh, Slipstream
Jeff Harris, Northwest Energy Efficiency Alliance (NEEA)
Jan Harris, Navigant
Hannah Howard, Opinion Dynamics
Jim Jerozal, Nicor Gas
Amy Jewel, City of Chicago Mayor's Office / Institute for Market Transformation
Kara Jonas, MEEA
Alison Lindburg, MEEA
Samarth Medakkar, MEEA
Dulane Moran, NEEA
Jennifer Morris, ICC Staff
Phil Mosenthal, Optimal Energy, on behalf of IL Attorney General's Office
Agnes Mrozowski, Ameren Illinois
Chris Neme, Energy Futures Group, on behalf of NRDC
Rob Neumann, Navigant
Stacey Paradis, MEEA
Patricia Plympton, Navigant
Ralph Prael, Prael & Associates
Marci Sanders, Resource Innovations
Ellen Steiner, Opinion Dynamics
Mark Szczygiel, Nicor Gas
Brian Tomkins, Metropolitan Mayor's Caucus
Chris Vaughn, Nicor Gas
Thomas Manjarres, Franklin Energy

Meeting Notes

Opening and Introductions

Celia Johnson, SAG Facilitator

- Purpose of this meeting: To discuss the written draft Framework for Market Transformation Savings White Paper.
- Interested participants will have 10 Business Days to review and submit additional comments and/or edits in track changes.
- The updated draft White Paper, incorporating feedback, will be discussed during the July 17 meeting.

Framework for Market Transformation Savings White Paper

Margie Gardner, Resource Innovations and Jeff Harris, Northeast Energy Efficiency Alliance (NEEA)

- Purpose of the White Paper: serves as a framework for evaluating MT initiatives and estimating MT savings.
 - Section 1: Background and context
 - Section 2: Estimating MT savings
- There may be a need for future development of unique protocols for individual initiatives as needed.
- The framework anticipates there will be Business Plans developed for each MT initiative.
- Total market units = a measure of the total adoption of market units. This is different than resource acquisition programs. This is a measurement of the impact that has value beyond EE savings.
- It's important to think about where the data is going to come from before you launch a MT initiative. It is possible to integrate the data collection from market actors you are working with.

Section 1: Background and Context

- FEJA moved MT to the utilities.
- IL utilities are interested in legacy programs but also developing MT initiatives using best practices.
- Nicor Gas and ComEd catalyzed the Midwest MT Collaborative so that other utilities could join and benefit.
- BOC and IHP and Codes are the first initiatives for review in IL (legacy programs).
 - Other initiatives in the queue.
- MT Business plan format has been developed for the Collaborative.
 - Goal: before an IL MT is evaluated it will have a business plan.
 - Contains: specific target market and description of product/service; logic model (theory of change) which includes barriers, opportunities and ultimate desired impact; suggested market progress indicators.
- MT definition: is the strategic process of intervening in a market to create lasting change that results in the accelerated adoption of energy efficient products, services and practices.
 - Goal is to make lasting changes in the market
- Trying to get the natural baseline in the market to shift upward
- MT evaluation: Theory-based evaluation
 - What are the market indicators and are the market changes consistent with those indicators?

- A “preponderance of evidence” is the standard which is different than proof (NTG): are there multiple indicators that are consistently showing that the activity is having an impact on the market.

Section 2: Estimating Savings for MT Initiatives

- Develop the baseline unit of what the market would have done without utility intervention.
- Develop the market change unit projected change in market.
- Market energy savings = unit energy savings (UES) x number of MT units.
- Allocation of where the unit landed is crucial for determining which utility claims the savings.
- Total market units: data from public sources (housing starts) and market actors (manufacturers or distributors)
- Unit energy savings: measured in kWh or therms.

Unit Energy Savings

- Unit Energy Savings may be taken from a TRM value if it is available, or it may need to be established as part of the early MT initiative work (such as if the initiative includes a new technology that is not yet established in the marketplace).
 - Chris Neme: There are reasons why unit savings may change over time, such as better information on the hours of use. This leads to regular updates to a TRM. What is your take on those adjustments?
 - Jeff Harris: The other components apart from baseline unit energy consumption, which should be help constant, those adjustments should be made over time as we get better information. The Unit Energy Savings should be part of market progress evaluation reports, to review on a frequent basis to ensure the initial assumptions are still valid.
 - Phil Mosenthal: This approach makes sense for a MT program. For cost-effectiveness purposes, it makes sense to look at where the market is today. For example, do we want to keep running a program if it is no longer cost-effective to do so?
 - Jeff Harris: For MT programs there are defined market barriers and a logic model. As you address market barriers and measure them, the work in the market will shift to some points where the MT initiative’s work is done. For example, at that point no initial market barrier work needs to continue, and you move into a monitoring & tracking phase where you are no longer actively engaging the market, but observing and tracking it.

Attribution and Estimating Natural Market Barriers

- What would have happened without the utility intervention? This involves creating an estimate of the natural market baseline. The starting point is to think about this as an exercise in adoption of an EE innovation into the marketplace.
- This is a big difference between MT and resource acquisition measurement.
 - Phil Mosenthal: There may be circumstances where there are known future changes, such as a standard being passed but it doesn’t kick in for 5 years.
 - A: Great point. We mention codes and appliance standards which are on regular adjustment cycles and so those should be built into the market baseline.

- Chris Neme: You mentioned this has to be made up front, and that you should refine your assumption about what that trend line would look like over time, is that correct?
 - A: Yes. Just like unit energy savings, as you progress into the market you will learn things (exogenous variables). For example, the recent tariffs.
- Chris Neme: It might not even be exogenous variables. It could also be from a neighboring state, without spillover, and use that other state for the baseline to determine the trends.
 - A: Yes, finding those comparison group (not control group) would be good to find and use.
- It is important for this to be part of the 3rd party evaluation, which has an independent view of what is going on outside of the program.

Accounting for Resource Acquisition and Market Transformation in the Same Market

- Goal is to prevent double-counting of savings.
- There may be an MT initiative and RA program operating simultaneously, at least at some point during the lifecycle of an MT initiative.
- Need to account for the savings that might have been counted towards the RA program, so that we are not counting those savings for the MT initiative.
 - Phil Mosenthal: May want to collectively do a single evaluation on the entire market.
 - Ralph Prah: This depends on the regulatory requirements. We assumed there was a policy framework in place requiring evaluation of RA programs. If that isn't required, it may be possible to do a single review of savings.
 - Chris Neme: This may depend on the type of RA program/MT initiative.
- Chris Neme: Can you share an example of where overlap may occur?
 - Jeff Harris: A current example in our region is midstream lighting sold through electrical distributors. We have an active MT initiative that was trying to change the stocking and ordering practices for 'maintenance' lighting products. Some of those lighting products also had midstream rebates from local utilities. This was a long-term (5 year) MT initiative.
 - Phil Mosenthal: Every RA program has some MT impact, or should have some impact.
 - Margie Gardner: MT initiatives are also trying to achieve a lasting change/impact, which RA programs don't necessarily consider.
 - Ralph Prah: In most states outside of the pacific NW, there are policies in place that require a high level of specificity for savings.
- Chris Neme: The big challenge is for how long do you continue to estimate and assume the baseline market penetration is less than what you are currently realizing? We need to think about reasonable boundaries around what we are measuring, in particular about where the market would have gone absent our intervention.
 - Phil Mosenthal: This is a policy decision; it may be appropriate to deem a period of time up front to avoid debates about this down the road.
 - Jeff Harris: The natural market baseline forecast is one answer to this. You are already building in a declining savings balance. There is a judgment call involved, especially when it comes to codes and standards.
 - Chris Neme: Need to continue to be diligent about re-visiting the market baseline assumption.

- Dulane Moran: While writing the draft, we talked about organizing the issues to 1) things that can be measured/resolved analytically and 2) things that need to be decided.
- Examples of issues that arise – questions to consider:
 - Remove units?
 - Remove savings?
 - Free-ridership vs. natural market baseline?
 - Where does spillover belong when both RA & MT are operating in the same market?
 - If UES (or other key inputs) differ b/t RA/MT (or even among utilities participating in the program), which is used?
 - White paper authors recommend selecting one of the options or creating a new one for the TRM. There are two options included in the paper; we would like to see one selected for the final paper.
- Two options to prevent double-counting:
 - Option 1: Meld the RA and MT Frameworks
 - Use the natural market baseline to answer the “what would have happened anyway?” question.
 - Option 2: Existing rules for RA to take priority
 - Whatever the savings claims might be, regardless of whether unit energy savings are concerned, we are saying that RA is what needs to be adjusted for.
 - This is a challenging area, in particular to make sure attribution of savings is going to the right place.
 - Phil Mosenthal: Option 2 may be the more accurate approach. In Option 1, you are using the average baseline for the entire market. In reality, participants are not necessarily the average.
 - Ralph Prahl: With either Option 1 or Option 2, given the total savings across MT and RA are defined as the difference between the actual market units and the natural market baseline, the bottom line is the MT entity will be
 - Jan Harris: Option 1 is a viable way to verify savings, but it sounds like Option 2 makes more sense because it accounts for evaluation.

Allocating Savings to Individual Utilities

- There will potentially be multiple utilities in IL sponsoring a MT initiative. How do we allocate the savings to the utilities are involved?
- There are three methods included in the paper that have been used historically:
 1. Allocation by sponsor funding shares (% of contribution per utility)
 2. Allocation by service territory delivery (to the extent you have the data)
 3. Allocation by customer proportions (population estimates or customer counts)
- There may be other options.

Tracking Savings Following Active MT Activities

- At some point we will have addressed all of the market barriers we can address. At this point we would need to continue to track:
 - Total market adoption of efficient units
 - Unit energy savings
 - Natural market baseline

- It's not as easy as it sounds to track total market adoption of efficient units, in particular once active engagement with the market ends. We need to figure out ahead of time where that data comes from, that gets us to total market adoption.

The Effect of Energy Code Adoption

- What happens when the adoption of codes is coming relatively quickly? What needs to be considered post-adoption?
- Because a code has been adopted doesn't mean it is immediately followed.
- Phil Mosenthal: There is also a lag for new construction, in terms of when buildings were designed vs. when they are actually built. Also, to a certain extent, it may be built into the logic model that one market effect we are trying to achieve is to get the penetration high enough so that a code will be adopted. Should all of that savings be counted just because there is a code?

Considerations for Estimating Savings from Codes and Standards

- The voluntary impact of efforts leading up to the adoption of codes and standards. How long can the utility claim savings? This is likely a judgment call made early in the process.
- There are other codes and standards models where there is not a precursor of a dedicated MT effort to get to the code or standard adoption (included in the paper).
- Interested in comments on how to make this as clear as possible, as well as any perspectives participants may have.

Energy Savings from Enhanced Compliance

- There is a section in the paper on enhanced compliance. A compliance program could fall under the MT umbrella, but it could also be a stand-alone program.
- There is a judgment call needed on the lifetime that is credited to the codes or standards adoption.

Additional Comments

- Phil Mosenthal: Jeff suggested attribution would be ex-post. We have a policy framework in IL that NTG is adjusted prospectively, not retroactively. Attribution is a form of NTG. We should consider attribution factors up front based on the program design.
 - Chris Neme: There are exceptions, such as to a home energy reports program. Perhaps this could fall into the same bucket.
 - Ralph Prahl: Even if you est. the savings credit via deeming, you may want to do the same research you would have done otherwise to get a cumulative understanding.

Next Steps

- Comments are due by COB on Thursday, June 27.
 - Submit comments, questions and/or edits in track changes and post to the [SAG MT Savings Working Group folder on the IL-TRM SharePoint website](#).
 - If you need access to SharePoint, email iltrmadministrator@veic.org.
- A "version 2" draft white paper will be circulated for review on July 12.
- Next meeting to discuss updated white paper: Wednesday, July 17 (1:00 – 3:00 pm).