**Illinois Energy Efficiency Stakeholder Advisory Group**

**Policy Manual Subcommittee Version 3.0: Proposed Policy Template**

**Proposed Policy for Version 3.0: Heating Penalties Policy**

**Submitted By: Opinion Dynamics (policies 1-3) and Guidehouse (policies 4-5)**

**Question 1: Proposed Policy and Rationale**

Proposed Policy:

Proposed policies are provided in plain text below. Policy questions, provided in bold below, are included in this proposal only to contextualize the proposed policies.

1. **How should evaluation treat gas heating penalties from efficiency measures designed to save electricity?**

Evaluation should account for gas heating penalties from efficiency measures primarily designed to save electricity where they occur, but the resulting values should only be applied as a TRC test input. The gas heating penalties will not factor into the conversion calculation of gas savings to electric savings, per the FEJA legislation. The gas heating penalties will not factor into an electric utility’s (ComEd) ability to sell gas savings to a gas utility, nor will the gas heating penalties factor into a dual-fuel utility’s (Ameren IL) ability to claim achieved portfolio gas savings against statutory gas savings goals under Section 8-104.

If a project results in both gas savings and a gas heating penalty from efficiency measures designed to save electricity (i.e., customer with gas heat installs a kitchen hood DCV control and upgrades lighting), the gas penalty is ignored when calculating the project’s verified savings.

Note: Evaluation should similarly account for electric heating penalties or negative electric savings from efficiency measures primarily designed to save gas, but the resulting values should similarly only be applied as a TRC test input and should similarly not factor into goal attainment in any manner.

1. **How should evaluation treat electric heating penalties from efficiency measures designed to save electricity?**

Evaluation should account for electric heating penalties from efficiency measures designed to save electricity where they occur, and the resulting values should be included when calculating verified savings (i.e., penalty + savings = verified savings).

Note: Evaluation should similarly account for gas heating penalties or negative gas savings from efficiency measures designed to save gas where they occur, and the resulting values should be included when calculating verified savings (i.e., penalty + savings = verified savings).

1. **How should evaluation treat negative savings of any kind associated with electrification measures?**

In no case should policy language provided above be interpreted to provide guidance on treatment of savings for electrification measures as defined in Section 8-103B (b-27), which should be evaluated pursuant to statutory language.

Rationale:

This policy needs to be included in Policy Manual Version 3.0 to document existing informal policy used by the utilities and independent evaluators in reporting achieved savings toward utility goals. This informal policy has been in place for almost the entire life of the energy efficiency programs in Illinois but is not formally documented in any Illinois guidance document, which occasionally leads to confusion. In addition, the proposed policy also resolves a minor issue related to cross-fuel effects in the opposite direction (electric penalties from gas saving measures) that had previously not been discussed by SAG or formally resolved in any place except evaluation reporting.

1. **How should evaluation treat projects that result in negative savings due to custom analysis?**

If evaluation is not confident in the precision of a custom analysis and the result is negative, it is at the evaluator’s discretion to verify a negative result, or in the event the negative result cannot be verified, to cap the savings at a value of zero. However, if evaluation has sufficient confidence in a custom analysis and the result is a negative savings value, the verified savings should be the negative savings value. An exception to this approach depends on whether the negative savings is a result of code compliance. This exception is described in response to question 5.

If the evaluation is not confident in the precision of a custom analysis, it is in the evaluator’s discretion to delay assigning savings values for projects that are identified as having negative savings based on initial analysis until it accumulates at least 12 months of usage data to increase post-installation data quantity. This will also allow the program to help the customer achieve the expected savings, through follow-up communication and remedial actions. This practice may result in project savings being claimed in years that are different from their installation year.

1. **How should evaluation treat projects that result in negative savings due to actions taken to meet code?**

If evaluation determines that the cause of the negative savings is due to the customer achieving code compliance (i.e., repairing outside air dampers that were stuck closed, increasing minimum outside air requirements), then evaluation should attempt to use code compliant conditions as the baseline. If that approach is prohibitively difficult to apply, evaluation should cap the savings at a value of zero.

**Question 2: Utility Impact**

The proposed policy affects electric, gas, and dual-fuel utilities in Illinois.

**Question 3: Background Research**

Primary background research in preparing this template was a review of the draft 2021 SAG policy resolution on this matter [SAG Edits and Comments updated on 3/24/2021 and attached].

**Optional Question 4: Commission Decision**

We are not aware of the Illinois Commerce Commission ever having directly addressed this issue in a docketed proceeding. However, the ICC has approved evaluation reports for many years that specifically describe and use the general approach described above.

**Optional Question 5: Statutory Consistency**

*Have you reviewed your proposed policy against applicable Illinois law? Are there any possible conflicts? If so, please explain and provide statutory citation(s).*

**Not sure if this conflicts with Illinois law.**

**Optional Question 6: Additional Information**

*Provide additional information, as needed, to assist with understanding the proposed policy issue and your request to include it in the Policy Manual Version 3.0. For example, have any memos been drafted to the SAG related to this policy proposal?*

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**Evaluation Treatment of Heating Penalties and Negative Savings**

**SAG Edits and Comments Received (updated 3/24/2021)**

