**Illinois Energy Efficiency Stakeholder Advisory Group**

**Policy Resolution – 2020 Program Year**

**(Final Draft, June 2020)**

**Circulated April 10, 2023 for Review**

**Policy Issues:**

1. How will energy savings derived from/attributed to market transformation (MT) initiatives be incorporated into utility energy efficiency portfolio cost-effectiveness calculations?
2. Assuming an adjustment of an MT initiative’s natural market baseline (NMB) is necessitated by new information, will such adjustments be applied retrospectively to past savings estimates or prospectively to future estimates?
3. How will MT initiative derived energy savings and costs be dealt with across 4-year EE planning cycle periods?
4. How will MT savings be incorporated into utility goals (gas and electric) and utility performance incentives (electric)?
5. For what duration will continued market savings be credited to the utility after active utility engagement has ended or been reduced significantly?

**Background:**

During the November 20, 2019 and February 13, 2020 SAG MT Savings Working Group meetings, MEEA and Resource Innovations presented information in response to mid-2019 requests to resolve cost-effectiveness considerations for trans-plan MT initiatives, adjustments to natural market baseline and how to treat MT initiative-based energy savings across multiple 4-year EE plan cycles, in addition to other policy issues.

* Background Materials from November 2019 SAG MT Savings WG meeting:
  + July 17 [Cover Memo](https://s3.amazonaws.com/ilsag/Cover_Memo_Final_7-17-19_Meeting.pdf) to the MT Savings Framework
* Background materials from February 2020 SAG MT Savings WG Meeting:
  + [Presentation: Recommendations on Market Transformation Savings Policy Issues (Margie Gardner, Resource Innovations and Nick Dreher, MEEA)](https://s3.amazonaws.com/ilsag/MT-SAG-MT-Policy-Recommendations-Feb-2020-Final-2.12.20.pdf)
  + [Memo: Market Transformation Policy Issue Recommendations (updated 2/11/2020)](https://s3.amazonaws.com/ilsag/SAG_MT_Policy_Issue_Recs_Memo_Final_for_MT_WG_with-stakeholder-comments-2.12.20.docx)

**Process:**

* In August 2019, SAG adopted “MT Savings Framework” as Attachment C[[1]](#footnote-1) to the IL TRM
* During the process of adoption, several policy-related issues were raised by SAG participants
* On November 20, 2019, MEEA and Resource Innovations presented an overview of the policy issues to the MT Savings WG and refined concerns among the group, in order to prepare a more detailed policy analysis for the February 13, 2020 WG meeting
  + During this meeting, while the majority of stakeholders expressed agreement with a prospective approach, two stakeholders suggested a retrospective approach might be more appropriate in that it ensures the natural market baseline reflects better quality data
  + During this meeting, there was a request to draft and circulate proposed resolution on whether savings from market transformation initiatives in one EE Plan cycle may be counted in a future EE Plan cycle.
* On February 13, 2020, following joint MEEA-Resource Innovations analysis of policy solutions, MEEA presented several policy options on the policy issues listed above
  + Presentation of the two natural market baseline options (prospective or retrospective treatment) elicited a discussion and feedback regarding a possible resolution to adopt the recommended prospective approach
    - Retrospective adjustment applies new information to past and future years, resulting in adjustment of reported initiative-specific achievement of energy savings as well as future year initiative performance assumptions
    - Prospective adjustment applies new information to future years only
* On February 19, 2020 the MEEA and Resource Innovations discussed the status of comments on the policy document and changes that had been made to further clarify them. The Working Group decided it was premature to finalize the market transformation policies at that time.
* From October 2022 to February 2023, a Market Transformation Small Group, including interested participants from the larger Market Transformation Savings Working Group, met several times to discuss edits to IL-TRM Attachment C, the Framework for Market Transformation Savings in Illinois. The Small Group also discussed minor edits to this market transformation policy document, incorporated below in redline.

**Proposed Policy Resolution:**

1. **How will energy savings derived from/attributed to market transformation (MT) initiatives be incorporated into utility energy efficiency portfolio cost-effectiveness calculations?**

**Resolution*:*** *In its development of a cost-effective portfolio of energy efficiency measures, a utility will apply Illinois’s Total Resource Cost (TRC) Test to market transformation initiative costs and energy savings the same way it is applied to traditional resource acquisition or other current forms of energy efficiency programming. Traditionally, the utilities only count measures installed within the 4-year energy efficiency cycle during which the installations occurred. An MT initiative could continue across multiple four-year cycles, but a single four-year portfolio cycle’s cost-effectiveness will reflect the MT activities that occur just within the corresponding four-year cycle. Utilities will report the following TRC analyses to the ICC for portfolio-level cost-effectiveness for the full four-year period: 1) the total EE portfolio with MT initiatives included and 2) the total EE portfolio without MT initiatives.*

1. **Assuming an adjustment of an MT initiative’s natural market baseline (NMB) is necessitated by new information, will such adjustments be applied retrospectively to past savings estimates or prospectively to future estimates?**

**Resolution:** *A market transformation initiative’s natural market baseline (NMB) assumptions remain constant unless or until information arises that necessitates adjustments be made to the NMB. When new information requires adjustments to be made, any and all adjustments will be applied prospectively.*

*This resolution is contingent on reaching consensus on the process for updating the NMB.*

1. **How will MT initiative derived energy savings and costs be dealt with across 4-year EE planning cycle periods?**

**Resolution:** *Market transformation initiative-derived energy savings are not bound to the four-year cycle in which the initiative originated. Accordingly, any energy savings that result from an initiative with a documented savings protocols will be attributed to the current and future four-year Energy Efficiency Plan cycle in which they occur.*

*On an annual basis, each utility will track and report estimates of each MT initiative’s performance to-date.*

1. **How will MT savings be incorporated into utility goals (gas and electric) and utility performance incentives (electric) and for what duration will continued market savings be credited to the utility after active utility engagement has ended or been reduced significantly?**

**Resolution:** *The following policy issues will be resolved for each initiative as the initiative is developed:*

* + 1. *How MT-derived savings will be estimated for utility’s energy savings goals (gas and electric) and incentives (electric-only).*
    2. *How long a period of time utilities can take credit for new savings that continue to accrue after active utility engagement has been reduced or ended. This is independent from the lifetime of the measure(s).*

1. [Attachment C to IL-TRM Version 8.0: Framework for Counting Market Transformation Savings in Illinois (August 23, 2019)](https://s3.amazonaws.com/ilsag/MT_Savings_Paper_Final_08-23-2019.pdf) [↑](#footnote-ref-1)