



*Via electronic submission*

September 22, 2014

Hon. Kathleen Burgess  
Secretary to the Commission  
New York State Public Service Commission  
Agency Building 3  
Albany, New York 12223-1350

Re: Cases 14-M-0101 and 14-M-0094 - Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision & Proceeding on the Motion of the Commission to Consider a Clean Energy Fund

Dear Secretary Burgess,

On behalf of Northeast Energy Efficiency Partnerships (NEEP)<sup>1</sup>, please accept our comments regarding the Department of Public Service (DPS)'s Track 1 Straw Proposal in the Public Service Commission's Reforming the Energy Vision proceeding (Case 14-M-0101). NEEP is a regional non-profit that works to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic states. Our Policy Outreach and Analysis group serves as an information resource for policymakers, advocates and program administrators to support the adoption and implementation of public policies and programs that advance energy efficiency.

We express our appreciation for New York's visionary work to create an energy policy that can meet the needs of a 21<sup>st</sup> century economy by helping customers manage their energy costs, promoting sound energy infrastructure investments, valuing distributed energy resources, and reducing the impacts of climate change and air pollution. This includes a new energy distribution platform that can improve system-wide efficiency and create ways for greater involvement of customers in the energy system. We also thank DPS staff for the significant effort to listen to stakeholders and provide more detail in the Track One Straw Proposal about how to increase the use of distributed energy resources (DER) and the roles of the distribution utilities in promoting energy efficiency resources.

We wholeheartedly agree with the straw proposal's statement that "an expansion of energy efficiency efforts will be needed" to meet New York's policy goals.<sup>2</sup> New York's support of innovation in the marketplace towards more energy efficient buildings and products, moreover, is vital to the leadership of the Northeast and Mid-Atlantic region, as well as to the nation as a whole. We focus our comments on the cost-benefit analysis section (Section IV.B), and energy efficiency section (Sections V.A) of the Track One Straw Proposal in light of our depth of experience in those vital areas of the REV proceeding.

### **General Comments on the REV Vision & Energy Efficiency Resources**

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<sup>1</sup> These comments are offered by NEEP staff and do not necessarily represent the view of the NEEP Board of Directors, sponsors or partners.

<sup>2</sup> New York Department of Public Service, "Developing the REV Market in New York: DPS Staff Proposal on Track One Issues," August 22, 2014, Case 14-M-0101, <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={CA26764A-09C8-46BF-9CF6-F5215F63EF62}>



The Track One straw proposal wisely seeks to link two important public policy goals: reducing overall costs to New York customers by promoting system efficiency and meeting New York's long-term 80 percent reduction in carbon dioxide (CO<sub>2</sub>) emissions by 2050. We agree that the current energy efficiency programs should be seen as a floor, rather than a ceiling, in pursuing these pressing goals.

As a matter of practice, NEEP works in concert with other clean energy advocacy organizations throughout the region to help leverage common efforts and broaden expertise on key policy matters. In the case of New York and the REV proceeding, we are in agreement with comments of the New York Clean Energy Advocates and the Advanced Energy Economy Institute (AEEI) that New York should continue to pursue all cost-effective energy efficiency resources and that clear and strong peak demand and CO<sub>2</sub> reduction targets are necessary to guide the levels of investment by the utilities/DSPs in the DER. Our experience with other programs in the Northeast and Mid-Atlantic regions is that guidance by the Commission on the performance targets and the portfolio of offerings by each utility remains crucial to achieving cost-effective savings through energy efficiency programs for all customer classes.<sup>3</sup>

The move towards a market-model must be weighed carefully against the cost-effective savings recently identified by the Energy Efficiency and Renewable Energy Potential Study undertaken by NYSERDA for the 2014 New York State Energy Plan.<sup>4</sup> New York has achieved significant gains through its energy efficiency programs; however, other states in the Northeast and Mid-Atlantic region have achieved greater energy and demand savings through their customer-funded energy efficiency programs. These programs are responsible for the significant reduction in transmission and distribution (T&D) investment in New England that the straw proposal cites favorably on page 10.<sup>5</sup> The reforms envisioned in the straw proposal to the existing energy efficiency programs, including revising New York's cost-effectiveness screening protocols for energy efficiency programs, clarifying the roles of the utilities and NYSERDA in administering the programs and providing for more regular reporting of results can improve the effectiveness of the energy efficiency programs while reducing administrative costs.

Above all, NEEP strongly urges the Commission to consider that private markets alone will not be enough to address some of the inherent market barriers to broad customer deployment of energy efficient products, materials and practices. Addressing energy rates as a strategy for addressing the overall cost of energy for New York residents and business is most obviously an appropriate goal for the Commission in this proceeding. However, it has been proven that if energy savings are left to the purview of private markets alone, then those markets are not fully equipped to overcome the significant barriers that remain and which will hinder progress toward the higher level energy and climate goals of the state.

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<sup>3</sup> A number of states, including Massachusetts, Rhode Island, and Vermont have achieved annual electric savings of 2 percent or greater as a portion of their total energy use in recent years, a level above those achieved in New York in recent years.

<sup>4</sup> Optimal Energy, "Energy Efficiency and Renewable Energy Potential Study for New York State," April 25, 2014: <https://www.nyserdera.ny.gov/Energy-Data-and-Prices-Planning-and-Policy/Energy-Prices-Data-and-Reports/EA-Reports-and-Studies/EERE-Potential-Studies.aspx>. This potential study identifies achievable, cost-effective savings of 18 percent of forecasted electric demand, 11 percent of natural gas demand, and 20 percent of petroleum fuel demand by 2030.

<sup>5</sup> NY DPS, Track One Straw Proposal, p. 10.



## Section IV.B Benefit-Cost Analysis Framework

We agree with the staff proposal that a “sound benefit-cost analysis (BCA) framework is required to support policy, investment, and pricing choices as the implementation of the REV moves forward.”<sup>6</sup> We strongly support the majority of the framework that the DPS staff has laid out in Section IV.B. The new framework principles will align its benefit-cost analysis with New York’s public policy goals, ensure symmetry between benefits and costs, account for hard-to-quantify benefits, and provide for transparency regarding the assumptions and methodology to develop benefit and cost values. This framework addresses the changes endorsed by the Commission in its December 2013 EEPS order, including updating the values for the cost of CO<sub>2</sub> and screening programs at the portfolio level rather than at the measure level.<sup>7</sup>

We agree with the use of the Utility and Societal Cost tests to screening DER investments. Both tests will provide useful information to the Commission about the impact of DER portfolios on the utility revenue requirement and on New York State as a whole, particularly its environmental goals. We caution the Commission to carefully review the recommendation to screen investments using the Ratepayer Impact Measure (RIM) test in the proposed stakeholder process. The RIM test does not provide meaningful information to the Commission about the bill impacts to customers of energy efficiency programs. It would be preferable to develop a bill and rate impact analysis method to provide a more accurate accounting of how an initiative will impact what a customer pays as part of the REV process.<sup>8</sup>

We note that NEEP’s Regional Evaluation, Measurement and Verification (EM&V) Forum maintains a Cost-Effectiveness Testing Guidance and Research project that has had active participation from a variety of New York stakeholders.<sup>9</sup> Phase 2 of this project, which is set to be finalized later this fall, will develop guidance for Northeast and Mid-Atlantic states regarding the cost-effectiveness screening for energy efficiency programs. It will include a set of general principles for screening energy efficiency programs as well as specific guidelines for developing values for non-energy impacts (NEIs), costs of complying with environmental regulations, and discount rates. While this document is not yet complete, the work being done on the REV has informed this work and, in turn, the guidance developed will be of use to the DPS staff and other stakeholders within the benefit-cost analysis stakeholder process that staff has laid out here. We also recommend that staff make use of the benefit-cost framework put together on behalf of the Advanced Energy Economy Institute for the REV proceeding in the stakeholder process, particularly its recommendation regarding the development of a standard template to weigh DER resources and the use of discount rates in benefit-cost analysis.<sup>10</sup>

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<sup>6</sup> NY DPS, Track One Straw Proposal, p. 42.

<sup>7</sup> New York Public Service Commission, Case 07-M-0548, Order Approving EEPS Program Changes, December 19, 2013, p. 30-1, <http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={7705D91D-ACB8-4560-9984-D1545DDD2D0E}>.

<sup>8</sup> See Synapse Energy Economics, “Energy Efficiency Cost-Effectiveness Screening in the Northeast and Mid-Atlantic States: A Survey of Issues and Practices with Recommendations for Developing Guidance to the Regional Evaluation, Measurement, and Verification Forum,” October 2, 2013, online at <http://www.neep.org/cost-effectiveness-testing-project-2013-0>. According to the Survey, no state currently uses the RIM test in the region as a primary screening test for its EE programs.

<sup>9</sup> See <http://www.neep.org/cost-effectiveness-testing-project-2013-0>

<sup>10</sup> Tim Woolf et al., Synapse Energy Economics, Prepared for the Advanced Energy Economy Institute, “Benefit-Cost Analysis for Distributed Energy Resources: A Framework for Accounting for All Relevant Costs and Benefits,” September 22, 2014. Available online at <http://www.synapse-energy.com/>.



## Section V. Building the DPS Market

### A. Clean Energy

#### 1. Support for the Efficiency Transition Implementation Plans with Savings Goals

The straw proposal recommends that the utilities create energy efficiency transition implementation plans (“ETIPs”) in order to ensure that investment for customers in energy efficiency resources are maintained as the Commission explores new tariff and regulatory structures for Track Two of the REV. We are supportive of this proposal, which recognizes that there are significant and cost-effective reductions in peak demand and energy use that can be obtained through effective energy efficiency programs. The ETIP plans are consistent with the directions of the December EEPS Order to improve New York’s energy efficiency plans by creating a structure that would allow the utilities to divide its responsibilities with NYSERDA in a manner that would “exploit the strengths of different organizations” in place of competition for savings from different customers.<sup>11</sup> As the proposal states, the utilities are in good position to identify which energy efficiency programs in their individual service territories will offer the most value to their customers.

NEEP also supports the straw proposal’s direction that the ETIPs include annual energy savings goals that are “no less than currently assigned through the Energy Efficiency Portfolio Standard (EEPS)” from the original EEPS order as well as additional peak demand and CO<sub>2</sub> reduction targets.<sup>12</sup> Such targets can ensure that the ETIP investments in efficiency are sufficient to meet New York’s broader policy goals and inform future performance goals used to judge and reward utility/DSP performance. We also agree with our clean energy partner organizations who are also commenting in this proceeding that the utilities should assume the EEPS savings goals currently assigned to NYSERDA as part of their portfolios. Many of those savings are assigned to programs that we assume will no longer be part of NYSERDA’s Clean Energy Fund programs but will be appropriate to assist customers in each utilities’ territory. We recommend that DPS staff solicit further guidance from stakeholders to inform both state-wide and individual service territory energy, demand, and carbon reduction performance goals for the ETIPs prior to their submission of the filings next March.

#### 2) Coordination between the ETIPs and the Clean Energy Fund

The proposal notes that the utilities should work with NYSERDA “to ensure all their customers have access to energy efficiency services,” implicitly encouraging coordination between NYSERDA’s new Clean Energy Fund programs and the utility ETIPs. Such coordination is essential to addressing the customer confusion and competition among program administrators that has undermined the success of the EEPS programs.<sup>13</sup>

The Track One Order should go a step further and clarify the role of NYSERA in promoting energy efficiency resources in the future vis-à-vis the utilities once the Clean Energy Fund proposal is released. NYSERDA’s EEPS and Technology and Market Development (T&MD) programs have played and will continue to play an important

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<sup>11</sup> NY PSC, Order Approving EEPS Program Changes, p. 7-8.

<sup>12</sup> See NY PSC, Case 07-M-0548, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs, June 23, 2008, <http://www3.dps.ny.gov/W/PSCWeb.nsf/All/06F2FEE55575BD8A852576E4006F9AF7?OpenDocument>

<sup>13</sup> NY PSC, Order Approving EEPS Program Changes, p. 7-8.



role in assisting customers to participate in DER markets and to overcome the informational, upfront cost, and split incentive barriers to obtaining energy efficiency resources. In our view, the technical expertise and experience with customers that NYSERDA possesses is consistent with large-scale, active engagement of customers in DER markets and managing their energy costs. This coordinated utility-NYSERDA approach will ensure that the utilities can focus on assisting their customers directly while allowing NYSERDA to focus on upstream market actors and market transformation through technical assistance and market intervention approaches, including building energy codes, building energy reporting and disclosure, and state and federal appliance efficiency standards. We believe that this coordination could be achieved through the recently created E<sup>2</sup> Advisory Council or other venues as determined by the Commission and DPS staff.<sup>14</sup>

NYSERDA will also have an important role in developing public policy for New York State and as the statewide energy program evaluator. This role will include providing guidance to the Commission and its staff on progress towards meeting the state energy policy goals, assessing the state of DER penetration among various customer sectors, and in assisting DPS staff in monitoring energy efficiency deployment in the state, including the development of the data management system that staff proposes here.<sup>15</sup>

### 3) ETIP “Quantification and Verification of Achievements”

With regard to the recommendations for evaluating utility ETIPs, we caution the Commission to review its recommendations about developing utility-specific Technical Resource Manuals (TRMs).<sup>16</sup> Most jurisdictions have gone with statewide TRMs or regional TRMs in order to make cost-effective use of evaluation resources and to avoid marketplace confusion about savings from measures in different service territories.

A recent U.S. Department of Energy State and Local Energy Efficiency Action (SEE Action) Network report on EM&V practices notes that the majority of TRMs across the nation are either statewide or regional. The report goes on to note that, “Although different values may be perfectly appropriate for the same measures because of different baselines, delivery mechanisms, weather, or other factors, it is important for each jurisdiction to at least have established and consistent procedures for building and maintaining TRMs, with deemed calculations and savings values that can be accepted for projected, claimed, and evaluated savings estimates.”<sup>17</sup> We understand that, given New York’s size, potential energy and demand savings for certain measures may differ between different regions of the states, but expect that a statewide TRM addresses regional differences.

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<sup>14</sup> Ibid, p.8.

<sup>15</sup> NY DPS. Straw Proposal, p. 55.

<sup>16</sup> Our understanding is that a “Technical Resource Manual” is equivalent to the Technical Reference Manual used by New York for its EEPS programs in the past and other states to establish values of savings for a range of energy efficiency measures. See [https://www3.dps.ny.gov/W/PSCWeb.nsf/96f0fec0b45a3c6485257688006a701a/766a83dce56eca35852576da006d79a7/\\$FILE/TechManualN\\_YRevised10-15-10.pdf](https://www3.dps.ny.gov/W/PSCWeb.nsf/96f0fec0b45a3c6485257688006a701a/766a83dce56eca35852576da006d79a7/$FILE/TechManualN_YRevised10-15-10.pdf).

<sup>17</sup> U.S. Department of Energy (DOE), “EM&V EE Program Impact Guide,” December 2012, p. 8-4, [https://www4.eere.energy.gov/seeaction/sites/default/files/pdfs/emv\\_ee\\_program\\_impact\\_guide\\_1.pdf](https://www4.eere.energy.gov/seeaction/sites/default/files/pdfs/emv_ee_program_impact_guide_1.pdf). See also, Bret Hamilton, et al., “Mid-Atlantic Technical Reference Manual (TRM) Updating Process Guidelines,” September 5, 2012, p. 7, <http://www.neep.org/sites/default/files/resources/Recommendations%20and%20draft%20update%20process%20for%20the%20Mid%20Atlantic%20TRM-FINAL.pdf> for a discussion of the interest among Northeast and Mid-Atlantic stakeholders in working together to create TRM data.



Thank you for the opportunity to provide comment as the Commission and DPS staff seek to finalize Track One of the Reforming the Energy Vision (REV) proceeding. We look forward to further dialogue with DPS staff and other stakeholders about the future of energy efficiency and demand-side resources in the near future.

Sincerely,

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Northeast Energy Efficiency Partnerships (NEEP)