Non-Energy Impacts Approaches: The American Way(s)

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Northeast Energy Efficiency Partnerships

“Assisting the Northeast & Mid-Atlantic Region in Reducing Total Carbon Emissions 80% by 2050”

Mission
Accelerate energy efficiency as an essential part of demand-side solutions that enable a sustainable regional energy system

Vision
That the region embraces next generation energy efficiency as a core strategy to meet energy needs in a carbon-constrained world

Approach
Overcome barriers and transform markets through Collaboration, Education, and Enterprise

More information at: www.neep.org
Utility NEI categories:
• Peak load reductions
• Transmission and distribution savings
• Reduced payments arrearages
• Reduced carrying costs,
• Lower debt written off/ lower collection costs
• Fewer customer calls

Participant NEI categories:
• Operations and Maintenance (O&M) cost savings
• Participant health impacts
• Comfort
• Employee productivity
• Property values
• Benefits to low-income customers

Societal NEI categories:
• Public health and welfare effects
• Air quality impacts
• Water quantity and quality impacts
• Coal ash ponds and coal combustion residuals
• Economic development and employment effects
• Employment impacts
• Economic development constraints
• Other economic considerations
  — Societal risk and energy security
  — Benefits unique to low-income energy efficiency programs
Inconsistent Approaches to Include NEIs in Cost-Effectiveness Testing
• **Credibility** and **convenience** influence states’ decisions about what to include in NEIs, particularly for states with monetized NEIs.

• 5 of 50 states are explicit that NEIs must be “**easily measured.**”
  – One requires NEIs be “**reliable with real economic value.**”
  – Water savings versus comfort

• States borrow values from others and may **apply discounts** to make the values more conservative
  – NEIs easily become undervalued
Too Much Variation in Cost-Effectiveness Testing

Primary Test By State

- SCT
- TRC
- TRC with societal components
- TRC, switching to SCT
- UCT
- RIM
- No Primary Test
- None

1 - No formally approved ratepayer-funded energy efficiency programs
2 - The Commission permits rate recovery for energy efficiency programs that are cost-effective for all retail customers.
3 - Appalachian Power is required to have a 3rd party program evaluator.
Policymakers and Utilities Need a New Approach

- Traditional tests (UCT, TRC, SCT) do not meet states’ needs
  - No foundational principles
  - Do not consider policy goals
  - Lack of clarity on their construct, states modify tests in attempt to meet needs, particularly if they are locked into a specific one

- Lack of transparency on how tests are developed and why – Undermines credibility

- Lack of symmetry in the inclusion of costs without benefits - Biases cost-effectiveness
The NSPM Purpose:

1. Define policy-neutral principles for cost-effectiveness tests
2. Provides a framework to develop a primary test
3. Insight on key inputs based on state goals
NSPM Relationship to Traditional Tests

Core Principles

- Efficiency as a Resource
- Energy Policy Goals
- Hard-to-Quantify Impacts
- Symmetry
- Forward looking
- Transparency
Rhode Island Goes First in Developing its Own Test

From the TRC to the RI Test

• RI Test includes greenhouse gas (GHG) reduction and economic development

• B/C ratio went from 1.7 to 2.8
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The NEEP report is available at:

The National Standard Practice Manual is Available at:

Thank you!