RESOLUTION OF THE ENERGY EFFICIENCY ADVISORY COUNCIL

REGARDING

2025-2027 Three-Year Plan
Evaluation, Measurement and Verification Principles and Policy

Adopted: July XX, 2024

Introduction

The 2008 Green Communities Act (GCA)[1] established the framework for the delivery of energy efficiency programs for the benefit of the Commonwealth. Since its enactment, several legislative amendments to the GCA have transformed the vision for energy efficiency programs in the Commonwealth.[2] The three-year plans are now required to achieve greenhouse gas emission reductions in compliance with the emission-reduction targets set by the Secretary of Energy and Environmental Affairs, in addition to equitably delivering all cost-effective energy efficiency.[3] Given this revised focus of the programs to "climate forward efficiency,"[4] there is a need for updated evaluation methodologies and processes that support this critical effort.

It remains important, however, that the energy efficiency programs continue to be evaluated, measured, and verified (EMV) in a way that enables the Program Administrators (PAs) to clearly report those savings to the public at large and to the Department of Public Utilities (DPU). There is a need to ensure the independence and objectivity, both real and perceived, of EMV activities, as well as to ensure consistency, timeliness, and credibility of the results.

Toward that end, the PAs should develop and carry out, in collaboration with the Energy Efficiency Advisory Council (EEAC) consultants and the Department of Energy Resources (DOER), comprehensive multi-year EMV activities that provide the rigor required to assure stakeholders and regulators of the programs' outcomes, while also pursuing innovative new evaluation methods that help the PAs respond to evolving public policy objectives.

This memorandum articulates the EMV principles and polices that should guide the evaluation activities that will be undertaken by the Evaluation Management Committee (EMC) in 2025-2027.

Principles and Priorities for Climate-Forward Evaluation

I. Clarification on Desired Measurement Goals of Evaluation

a. Baseline Establishment Procedures

---

[1] G.L. c. 25, s. 19, 21 and 22.

[2] *An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy,* St. 2021, c. 8; and *An Act Driving Clean Energy and Offshore Wind*, St. 2022, c. 179.

[3] The GCA directs the PAs to develop a Plan that meets the greenhouse gas emission-reduction requirement for the three-year plans set by the Secretary. G.L. c. 25, §21 (d)(4). The Secretary's greenhouse gas emissions reduction requirements for the Plans are set forth in her letter dated March 1, 2024. Available here: https://ma-eeac.org/wp-content/uploads/March-1-GHG-Mass-Save-2024-2.pdf .

[4] Climate-Forward Efficiency Initiative | ACEEE

- The EMC should establish procedures for differentiating between market-driven and program driven-major renovations, recognizing that from a policy perspective the expectation is that the PAs will work with customers to develop long-term investment plans to generate major renovations of facilities to drive deeper investment into building envelopes, HVAC systems, and electrification.

- The EMC should establish protocols for identifying program-driven vs market-driven code triggering events pertaining to a specific building component, such as building envelope. The current building code requires that once the envelope is touched, it must be brought up to code. A literal interpretation of this requirement would indicate that the PAs cannot pursue envelope upgrades with customers as once triggered, code would require them. Clarification is necessary to better align baseline determination with policy objectives.

b. Aggregate Determination of Lifetime of Savings

- The EMC should establish a methodology to determine the aggregate lifetimes of investments more appropriately in major revamp of commercial systems. Where primary energy-using equipment may last for only 10-15 years, investment in revamping distribution systems and other similar capital upgrades may last significantly longer.

c. Attribution Determination in an Evolving Policy Environment

- EM&V study results should not reduce the attribution of savings to the Mass Save® programs when participating customers also leverage federal, state, and local initiatives and/or funding, or were motivated by complementary marketing or other awareness campaigns outside of Mass Save. EM&V reports on attribution-related issues should be as clear as possible about exactly what attribution-related outcome is being measured, and how leveraged initiatives and/or funds have been treated analytically. While there have always been complementary activities and initiatives that share the objectives of Mass Save programs (such as federal tax credits for energy efficiency and state building codes), the scope and scale of those complementary efforts has significantly increased in recent years. With the passage of the federal Inflation Reduction Act (IRA), it is expected that significant federal funding will become available during the Plan term. In addition, the Commonwealth and its municipalities are beginning to implement robust new programs and enacting more stringent codes/ordinances that aim to mitigate climate impacts through the decarbonization of the building stock. The PAs are encouraged to integrate all available initiatives and funding opportunities to minimize ratepayer impacts and maximize the customer outcomes and benefits achieved under the Plans – indeed, the GCA explicitly requires the PAs to seek outside funding to mitigate ratepayer impacts.

II. EM&V Focus beyond Measurement and Verification of Savings

a. Process improvement and market characterization

- The EMC should continue to have a strong focus on process studies and the continuous improvement of existing offerings. To augment this effort, focus should be given to studies that can further characterize critical markets and give additional insight into how to drive deeper savings. The EMC should look to Commonwealth policy documents such as the Clean Energy and Climate Plan (CECP) in addition to current programmatic focuses to enhance the scope of research and help align Mass Save with greater Commonwealth objectives.

b. Continued emphasis on Non-Energy Impacts

- The EMC should maintain a strong emphasis on quantifying the non-energy impacts of the programs and the measures supported by the programs, particularly as the focus of the programs trends towards underserved populations and deep capital upgrades to facilities.

III. Market Transformation Programs and their Evaluation

The PAs have identified specific portions of their programs for which there is an explicit market transformation goal; that is, areas where the PAs believe that their efforts will lead to long-term, permanent changes in the adoption of an efficiency measure. Those identified areas currently include Non-Residential New Construction, Residential Multifamily New Construction, and electrification of residential heating equipment, but the PAs continue to work to find additional areas appropriate for this type of work.

- The EMC, DOER and the PAs will jointly determine the final program/offering to be considered market transformation initiatives. The PAs will include the formal designation of market transformation efforts in the final plan submitted in October.

- Market Transformation initiatives may not be subject to net-to-gross factors, or certain impact results that are caused by participant behaviors, or other market factors that are an explicit component of the market transformation theory because these initiatives should be judged on their effectiveness in accelerating market transformation, rather than through a traditional resource acquisition lens.

- Given that efforts for the identified market transformation areas are in the early stages, the PAs do not anticipate that they will be able to quantify any market effects savings from these efforts during the 2025-2027 term. The PAs and DOER agree that any spillover that has been quantified for these measures may be applied to the calculation of the 2030 GHG emissions reductions as a proxy for market effects. The final application of the adder depends on the PAs adherence to actions identified in their program logic models for the given market transformation program.

IV. Conclusion

EMV remains a critically important aspect of the Plans to enhance their transparency and help support the legitimacy of major investments of ratepayer funds. As the Plans evolve to meet the Commonwealth's GHG emission-reduction requirements so should the framework for EMV. The principles and policies set forth herein establish how EMV activities should transition to reflect the changing priorities of the Commonwealth, and how Massachusetts can continue to be a national leader by establishing the first framework for Climate-Forward Evaluation.