



Via Electronic Mail

July 13, 2021

Massachusetts Energy Efficiency Advisory Council
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

RE: MA Draft 2022-2024 Energy Efficiency Plan

Dear Council Members:

The Northeast Clean Energy Council, A Better City, Boston Green Ribbon Commission's Commercial Real Estate and Healthcare Working Groups, Healthcare Without Harm, and PowerOptions appreciate the opportunity to provide feedback on the draft *Massachusetts Joint Statewide Electric and Gas Three-Year Energy Efficiency Plan* for 2022-2024 (the "Draft Plan") to the Energy Efficiency Advisory Council ("EEAC" or "Council").

Our organizations are deeply concerned about the Draft Plan's proposals for the Commercial and Industrial ("C&I") sector. Total C&I sector benefits and megawatt-hour savings are down 55% and 69%, respectively, from the 2019-2021 Plan. Similarly, while the overall budget for the Draft Plan has increased relative to the 2019-2021 Plan, the C&I budget has been reduced by more than \$200 million. This contraction of C&I sector efforts is not aligned with the Commonwealth's commitment to capturing all cost-effective efficiency opportunities or our commitment to decarbonization.

Collectively, we urge the EEAC to call for robust C&I sector investments that, at a minimum, match the level of benefits and savings prescribed in the last three-year plan. Not only will this be necessary to contribute to the aggressive greenhouse gas reduction targets of the Next Generation Climate Roadmap bill but will also continue to deliver economic benefits to utility customers while driving clean energy employment across the Commonwealth.

In addition, the three-year plan represents an opportunity for innovation and competition. We encourage the EEAC to demand new C&I approaches to transform new segments of the C&I market. If the program administrators are unable to deliver cost-effective savings to the C&I sector at a level significantly higher than proposed in the Draft Plan, then the Council should consider whether third parties should be given the opportunity to compete to deliver C&I program services. This concept has been successfully tested in other states, and the time may

be right to leverage the power of the competitive market to drive deeper savings in the Commonwealth, especially in targeted areas not effectively addressed in the Draft Plan.

We recommend that third party delivery be piloted in Massachusetts in the next three-year plan through a series of competitively bid demonstration projects. These tests would be most impactful in areas in which the Draft Plan indicates a struggle to deliver robust, cost-effective savings. Two such areas ripe for initial demonstration projects are deep energy retrofits and high efficiency heat pump/variable refrigerant flow technologies for large buildings and campuses.

Deep energy retrofits present significant potential for third party delivery. These facilities, such as commercial real estate, higher education, and healthcare institutions, are particularly challenged with decarbonization and a pilot 3rd party program could bring in much-needed innovation. Giving vendors the opportunity to bid to deliver the most cost-effective and customized retrofits will leverage the competitive market's existing customer relationships and appetite to innovate.

The Draft Plan contemplates the deployment of 10,000 heat pumps in the C&I sector. This level of deployment does not align with the ambition of net-zero by 2050, or with the Interim Clean Energy and Climate Plan for 2030's intent to "establish and implement strategies to increase heat pump adoption."¹ Offering third parties the opportunity to compete to deliver heat pump installations not only allows the Draft Plan to increase deployment, but also represents a potentially innovative strategy to increase adoption and align with the Interim Clean Energy and Climate Plan for 2030. The C&I heat pump offering is an opportunity to stimulate the competitive market to assist in deepening our targets.

Third party delivery is not a novel concept. It has been tested and adopted in numerous jurisdictions throughout the United States. According to the Alliance to Save Energy, at least five states rely on third parties to deliver their efficiency programs.² California is transitioning towards a model that incorporates more third party delivery of savings, with PG&E conducting a series of solicitations for delivery of a wide range of efficiency services.³ Illinois is similarly in the early stages of implementing third party delivery of certain efficiency services, with the state's larger utilities being required to contribute \$25 million annually to third party efficiency.⁴

However, our request is much more targeted: leverage third parties to deliver where the PAs are struggling to deliver cost-effective energy efficiency. This reasonable pilot would allow us to test a model being expanded in other states, while making further progress towards achieving all

¹ *Massachusetts Interim Clean Energy and Climate Plan for 2030* (December 30, 2020) at 32.

<https://www.mass.gov/doc/interim-clean-energy-and-climate-plan-for-2030-december-30-2020/download>

² https://www.ase.org/sites/ase.org/files/EE_Admin_Structures.pdf

³ https://www.pge.com/en_US/for-our-business-partners/energy-efficiency-solicitations/energy-efficiency-solicitations.page

⁴ *Public Utilities Act*, Section 8-103B(g)(4): "beginning with the year commencing January 1, 2019, electric utilities that serve more than 3,000,000 retail customers in the State shall fund third-party energy efficiency programs in an amount that is no less than \$25,000,000 per year...."

cost-effective energy efficiency. Administration and oversight of the third party program would be explored and decided ultimately by the EEAC. We recommend the consultation of a newly formed C&I Working Group to determine the final structure for reporting.

Thank you for your consideration of these comments. We look forward to continuing to engage with the DOER, the EEAC, and the PAs to ensure a robust and successful final Plan. Please do not hesitate to contact Jeremy McDiarmid, jmcdiarmid@necec.org, with any questions.

Thank you and best regards,

Jeremy McDiarmid, NECEC



cc: Maggie McCarey, Director, Energy Efficiency Division, DOER
Members of the EEAC