MA ENERGY EFFICIENCY ADVISORY COUNCIL

POLICY UPDATES IMPACTING EM&V

February 14, 2024

www.ma-eeac.org

CURRENT EM&V FRAMEWORK

- **Efficiency programs in MA have historically been based on "resource acquisition"**
  - Achieving cost-effective energy savings in the near-term through financial or technical assistance
  - Focusing on benefits and costs from measures installed during the three-year term
- **EM&V verifies energy savings associated with the installation of specific efficiency measures**
  - Impact Evaluation
    - Measures savings from programs regardless of why customers participated (gross) as well as savings directly attributable to the programs (net)
  - Process Evaluation
    - Assesses whether program were implemented as intended and resulted in expected outcomes

CHANGING POLICY LANDSCAPE

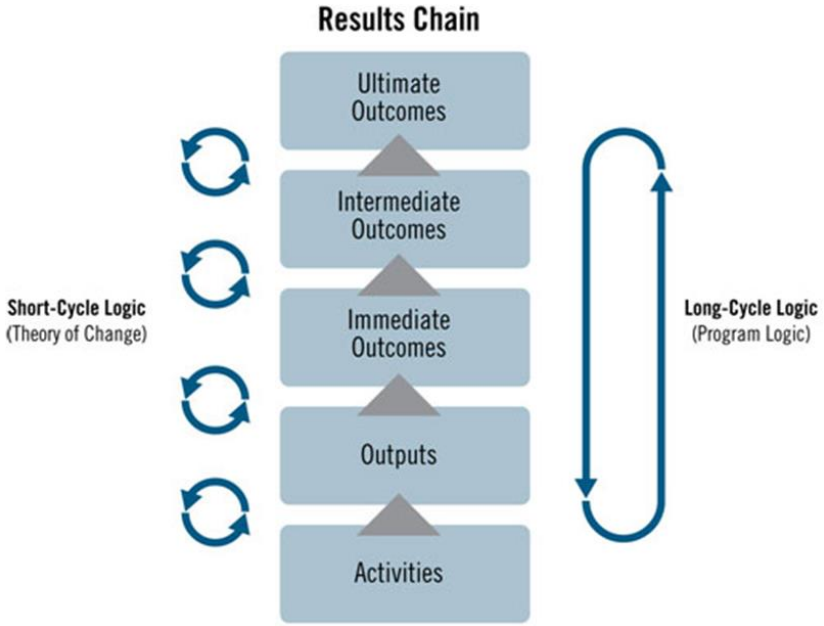
- Sole focus of efficiency programs no longer to acquire energy reduction resources
- Mass Save a primary source for achieving MA Climate Goals with electrification as a key element
- Achieving goals will require both short term efforts and those that will result in benefits in the future
- Some needed actions and measures are not cost-effective using current costs and benefits (i.e. gas to electric heat pumps)
- Current framework for measuring success no longer fits policy goals of the Commonwealth

PROPOSED UPDATE: MARKET TRANSFORMATION

- **Resource Acquisition framework has and will continue to work well for traditional energy efficiency initiatives**
  - Not a complete strategy for reaching GHG goals within specific targeted energy resources and markets
- **Market Transformation Initiatives (MTIs) intentionally focus on causing long-term changes in the structure or functioning of energy efficiency markets**
  - For example, phasing out fossil fuels in new construction will likely require MTIs
- **Clear policy, accounting, and incentive mechanisms to support MTIs will ensure critical near-term work to impact long-term markets**

PLANNING FOR MTIS

- **MTIs are distinct from resource acquisition from start to finish**
- **Rely on detailed logic models to describe the *theory of change* and explain how an intervention will produce results**
  - Starts with a sequence of events and results expected to occur from an intervention
    - Also outlines the mechanisms, assumptions, risks, and context that support or hinder expected outcomes
  - Can be used to test the assumed causal chain of results to verify the expected theory



EVALUATING MTIS

- **EM&V of MTIs uses a mixed method approach including many elements of impact and process evaluation**
- **Intent of the studies is to assess whether the program logic model appears to be correct**
  - These are often referred to as “theory-based evaluations”
  - Evaluators deliver periodic evaluations of key progress indicators which map back to the logic model outcomes
  - Objective of periodic studies is to provide a “preponderance of evidence” that the MTI is influencing the market as theorized
  - MTIs move markets and produce significant savings to help meet climate goals, but outcomes difficult to attribute to one source

OTHER MTI CONSIDERATIONS

- **Cost-effectiveness**
  - MTIs require upfront costs to implement interventions, but benefits are often realized in future time periods
  - Screening programs for cost-effectiveness therefore requires consideration of long-term benefits and long-term costs
    - Requires a forecast of efficient market share with and without the program over 5-to-10-years, which is compared with a long-term forecast of cost.
- **Incentivizing Performance**
  - Performance incentive (PI) mechanisms used for resources acquired in a Three-Year Plan period would not reward PAs for undertaking the actions needed to make MTIs successful
  - PI mechanisms based on specific actions, milestones, or achievement of defined market-indicators are needed to incentivize PAs for MTIs

NEXT STEPS

- **DOER, PAs, and Consultant Team will continue to work together to:**
  - Develop a framework for MTIs
  - Identify which offerings should be designated as MTIs
  - Develop theories of change
  - Assess potential long-term benefits from MTIs
  - Incorporate MTI studies into Strategic Evaluation Plan
- **Details may not be fully fleshed out in March 2025-2027 Draft Plan**

Thank You

Questions?