



Savings Basis 2013 – 2015 PA Proposal

January 26, 2012



- Current savings basis
- Why an alternative approach is recommended
- PA proposal

Current Savings Basis - Plan

- Plan savings assumptions take into account best available information
 - Takes into account all currently available evaluation findings
 - Takes into account best available information about expected participation
 - Reflects anticipated program enhancements and EE objectives
 - EEAC consultants review and provide input on savings assumptions



Current Savings Basis - Report

- Reflects verified installations with savings calculations updated to take into account new evaluation studies completed post-plan development
- Emphasis is on net savings based on a short-term assessment of free-ridership and spillover (net-to-gross ratios)

Why is Alternative Approach Needed?

- Program impacts are likely under-reported
- False sense of precision about net-to-gross factors used to define savings attributed to program efforts
- Current approach to estimating net-to-gross factors and resulting savings basis may not lead to optimal program designs
 - Support for some measures and services may be eliminated prematurely
 - Some cost-effective measures and services may not be pursued due to an overly conservative view of their value
 - MA may not receive the recognition it should for EE accomplishments if the current basis for savings continues unchanged.

PA Proposal - Plan

- Base goals for 2013 – 2015 on best available net savings data where net-to-gross adjustments are projected over time. The focus is on taking into account projections about naturally occurring EE so that the full range of PA Delivered Savings is accounted for.
 - Much evaluation data now exists for both electric and gas efforts – nearly all efforts have been evaluated at least once
 - Focus is on careful review of planning assumptions

PA Proposal - Report

- Focus on “PA Delivered Savings” – an improved assessment of net savings
- Continue and refine the robust verification process (focus on QA/QC processes and post-installation inspections with a strong focus on custom installations)
- Reported post-installation savings take into account verification efforts and all applicable impact factors from the Plan. Impact factors are not updated retrospectively.
- Evaluation findings inform changes to program designs and emphasis within programs. However, impact factors are not updated until the next 3-year plan is developed

Benefits of PA Proposal

- Better use of customer funds through optimal program design
- Potential administrative efficiencies
 - PAs can focus on delivering against a single 3-year plan rather than 3 1-year plans
 - Less need for MTM filings
- Do & Learn approach - Continued emphasis on a robust evaluation agenda
 - Market assessments become a priority
 - Process evaluations continue as a priority
 - Strategic impact evaluations planned over the 3-year period to inform the next 3-year plan.
- PAs held accountable for what they control



Substantial Areas of Agreement

Component of the EE Policy Framework	Recommended Approach – Consultant Proposal	Recommended Approach – PA Proposal
Plan timeframe	Three-year plans within strategic framework to achieve decade-long goals	Three-year plans within strategic framework to achieve decade-long goals
Savings basis	Net savings (but different approach)	Net savings (but different approach)
Not taking credit for or spending customer money on things that would have happened without the program	Determination of savings baselines to account for “naturally-occurring” EE & codes/standards upfront, in multi-year framework	Determination of savings baselines to account for “naturally-occurring” EE & codes/standards upfront, in multi-year framework
Application of evaluation (EM&V) results	Mix of prospective (savings baselines for naturally-occurring EE) and retrospective (adjustments for evaluated gross savings)	Continued strong focus on evaluation to inform implementation efforts. Prospective application of savings baselines and other impact evaluation adjustments.
Basis for PA performance incentives (Discussions have not yet begun.)	TBD: mix of outcomes and near-term indicators	TBD: mix of outcomes and near-term indicators



More Work Is Needed

- Many areas of agreement with the EEAC Consultants
- PAs are committed to continuing to work with the Consultants to resolve remaining areas of disagreement.