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ILLINOIS COMMERCE COMMISSION

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**TO:** All Interested Parties

**FROM:** Jennifer Hinman, ICC Staff

**SUBJECT:** Notice of Comment Period and June 11, 2014 Workshop Regarding Potential Study Issues: Informal Comments due by noon on June 5, 2014

**DATE:** May 23, 2014

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The Illinois Commerce Commission's December 18, 2013 [Final Order](#) in ICC Docket No. 13-0546 directed ICC Staff and any interested parties to conduct workshops, as needed, to address certain outstanding Section 16-111.5B energy efficiency ("EE") issues pertaining to: (1) Oversight and Evaluation Responsibility, (2) Potential Studies, and (3) Request for Proposal ("RFP") Process. A public teleconference workshop was held May 14, 2014 to review the potential study questions and informal comments submitted by interested parties that pertained to three distinct issues: (1) timing of potential study completion, (2) precision in the estimation of factors impacting benefits and costs in the total resource cost ("TRC") analysis, and (3) economically efficient potential. It was determined at the workshop to have the third issue addressed further through this workshop process. ICC Staff's summary of the status of the first two issues as determined by the end of the May 14, 2014 workshop is also provided below for informational purposes.

At the May 14, 2014 workshop, Roger Baker (Principal Business Analyst at ComEd) agreed to produce a strawman scope for the economically efficient potential marginal impact analysis for consideration and potential inclusion in the RFP for the next potential study. A comment period was agreed to as an appropriate next step after release of the [strawman scope](#) for the economically efficient potential marginal impact analysis. The parties further agreed that another teleconference workshop should be held to discuss the comments that get submitted by interested parties to see whether any additional refinements to the strawman scope are warranted.

**Potential Studies Workshop #2**

**Wednesday, June 11, 2014, 1:45 p.m. – 3:45 p.m.**

**Conference Line # 1-866-418-3591, Passcode: 7951625#**

<https://www.livemeeting.com/cc/icc3/join?id=ZW5FT2&role=attend>

ICC Staff requests input from interested parties on the attached [strawman scope](#), which addresses the marginal analysis component of a larger potential study scope of work. Interested parties should send **Informal Comments** regarding the strawman scope for the marginal impact analysis to Jennifer Hinman [jhinman@icc.illinois.gov](mailto:jhinman@icc.illinois.gov) by **Noon on Thursday, June 5, 2014**. It is requested that parties familiar with potential study modeling discuss in their comments the ease to which such analysis as outlined

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in the strawman scope could be incorporated into the potential study. Prior to the workshop scheduled for **Wednesday, June 11, 2014, 1:45 p.m. – 3:45 p.m.**, parties should review the Informal Comments of interested parties pertaining to the strawman scope that will be circulated to parties and/or posted on the following webpage:<sup>1</sup> <http://www.icc.illinois.gov/electricity/EnergyEfficiencyWorkshops161115B.aspx>. The next Potential Studies Workshop will review suggested changes to the strawman scope and other comments submitted by parties to see whether any refinements to the strawman scope are warranted.

#### **ICC Staff Summary of Status of Issues that will not be addressed further through the 2014 Section 16-111.5B Energy Efficiency Workshops**

For timing of potential study completion, the participating stakeholders agreed to have the potential studies completed 6-8 months (January-March 2016) prior to the next three-year 8-103 EE plan filings (September 2016). This timeframe may also allow bidders to have access to the updated potential studies when preparing their bids during the 16-111.5B annual solicitation process for that year, which would be beneficial if the potential studies contain information useful for bidders and if the bidders review the potential studies in preparing their bids. It was discussed that potential studies generally take a year to complete if relying on existing data. If primary data is going to be collected for the potential study, the study could be completed within 18 months. Therefore, finalization of the utilities' RFPs for the potential studies should occur late 2014/early 2015 such that a contract can be in place for the potential studies in February/March 2015. Given this agreed timeframe, if parties want the Commission to order that certain information be included within the next potential studies completed pursuant to Section 16-111.5B, then this upcoming procurement plan proceeding would be the appropriate docket for this to occur.

For precision in the estimation of factors impacting benefits and costs in the TRC analysis, the participating stakeholders determined that this issue could have implications for all the Illinois utilities, and not solely those impacted by Section 16-111.5B; therefore, this issue will be addressed at the June 24, 2014 Illinois Energy Efficiency Stakeholder Advisory Group ("[SAG](#)") meeting. Prior to the June 24, 2014 SAG meeting and working with [Celia Johnson](#) (Future Energy Enterprises, SAG Facilitator Senior Policy Analyst), Chris Neme (Principal from Energy Futures Group participating on behalf of NRDC) agreed to circulate a draft of an Illinois study underway concerning price suppression effects (DRIPE) (when it becomes available) to parties for comment and would work to schedule a technical meeting with the study's author from

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<sup>1</sup> If a party does not want their informal comments (which are not intended to reflect parties' final positions in every circumstance) posted on the [16-111.5B EE workshop ICC webpage](#), please indicate this in your comment submission and your comments will not be posted on the website but will be circulated to the [SAG](#) e-mail distribution list.

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Resource Insight to answer detailed technical questions about the analysis and make the data from the study available if requested. ComEd and Ameren are already performing the cost-effectiveness analyses for their July 15, 2014 energy efficiency assessment submittals to the IPA and there is no expectation that they will make any adjustments to this year's analysis based on the SAG discussions in late June.

Strawman Scope - Energy Efficient Potential:

{This text would be incorporated into a larger scope of work for a potential study. It is not intended to replace existing scope language regarding economic, market and program potential analyses}

In addition to the traditional analyses, vendor should also propose a marginal benefit-cost analysis as described below. This analysis would compare the marginal benefit against the marginal cost for incremental improvements in measure efficiency. Such analysis should focus on measures with the highest contribution to the overall savings potential. Proposal should identify target categories of measures that vendor would propose to evaluate under this methodology. There may be categories for which a marginal analysis is not appropriate; for example, some categories of measures may have no correlation between incremental measure cost and marginal savings.

The objective of this marginal analysis is to identify an additional level of energy efficiency potential; this level identifies, using a bottoms-up approach, the level of energy efficiency that maximizes the available net benefits under the prevailing cost-benefit structure. This level of potential is expected to be lower than the traditional economic potential and higher than the program potential.

It is expected that such an analysis may not be appropriate for the entire universe of measures that a typical potential study contains, but would be suited to a defined subset of measures for which such an analysis would yield useful results. The proposal should include a description of the vendor's approach toward a marginal analysis; this approach should:

- 1) Identify likely candidate technologies/end uses for which a marginal analysis would be suitable,
- 2) Identify sources of data that the vendor would rely upon to support such an analysis, and
- 3) Provide a separate estimate of costs to conduct such an analysis.

An illustrative example of marginal analysis of residential air-source heat pump is provided here:

#	Measure Efficiency Scenario	NPV of Lifetime Incremental Benefits over Baseline	marginal benefit	Incremental Cost per Unit over Baseline	marginal cost	Net Benefit versus baseline	Marginal Net Benefit versus Previous Scenario
1	ASHP 14.5- 14.9 SEER	\$669	\$669	\$473	\$473	\$196	\$473
2	ASHP 15.0- 15.9 SEER	\$930	\$261	\$629	\$156	\$301	\$105
3	ASHP 16.0+ SEER	\$1,131	\$200	\$944	\$315	\$187	-\$115

In this example, all three scenarios provide net benefits versus the baseline; however, the third scenario (ASHP 16.0+ SEER) yields negative incremental net benefits relative to the second scenario. Under economic potential, the third scenario would qualify as the most efficient technology; however, under the marginal analysis the second scenario would be considered the most efficient qualifying technology.

Its unit savings and costs would be utilized in a similar manner to scenario 3, except that the result of such an analysis would yield an maximum-benefits potential instead of economic potential.