

Comments of the Natural Resources Defense Council

Regarding the Illinois Power Agency's Draft Power Procurement Plan Dated August 16, 2010

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Introduction: The Natural Resources Defense Council appreciates the opportunity to respond to the Illinois Power Agency's (IPA) draft procurement plan. This year, for the first time, the IPA has proposed allowing energy efficiency to participate in this process, and compete with supply-side resources to serve the electricity service needs of eligible retail customers in Illinois. This is a very positive decision, and one that will more closely align the resource portfolio with the stated goals of the Illinois Power Agency Act, to "ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest total cost over time, taking into account the benefits of price stability..." Energy efficiency can meet customers' energy service needs at a lower cost than supply, while enhancing reliability, minimizing environmental impacts, and helping to stabilize prices over time. NRDC strongly supports the inclusion of energy efficiency in the resource procurement plan, and makes the following comments regarding the way in which this goal is accomplished.

1. Eligible energy efficiency resources should not be limited to those provided by the utilities.

The draft plan states that, "The IPA believes that the appropriate sources for EEAR bids would be the existing Energy Efficiency Portfolio Standard ("EEPS") programs offered to eligible retail customers..." Certainly we agree that those programs should be eligible. However, there is vast untapped potential for cost-effective energy savings that should be eligible to participate, over and above the amount that may or may not be offered by the utilities. The plan wisely points out that the utility EEPS programs are subject to stringent evaluation and verification subject to ICC oversight. However, there is no reason that equally stringent evaluation protocols could not be extended to energy efficiency resources offered by other entities.

Our view is that the portfolio should seek to maximize the use of cost-effective energy efficiency resources, and to capture all the savings in the state that is less costly than supply options, and that to seek less efficiency than all that is cost-effective will result in failure to achieve the IPA Act's goal of providing energy services "at the lowest total cost over time." In the very likely event that the utilities do not dramatically increase their investment in the efficiency programs in their portfolios such that all cost-effective savings is captured, other entities, subject to equally stringent verification and evaluation protocols, should be eligible to make up the difference with programs that supplement the utilities' energy efficiency portfolios.

2. **Avoid double counting energy savings.** Energy savings delivered pursuant to the energy efficiency portfolio standard targets, which have been factored into the baseline, and for which ratepayer funds have been allocated, should not be eligible for the procurement plan. Rather, the IPA procurement process should provide a second source of funding for savings that are over and above the savings already paid for with ratepayer dollars. The language of the plan is not clear on this point. For example, page 49, states that "The IPA notes that the results of the EEPS programs have been factored into the ComEd load forecasts in a manner similar to that of other pre-existing supply contracts for the past two cycles." That sentence may be included simply as evidence that demand-side resources have already been treated as equivalent to supply in the context of the load forecasts. However, another reading of that sentence, in the broader context of that paragraph, could be that the same savings that ComEd and Ameren have factored into the forecasts could subsequently be procured. A simple clarification is likely all that is needed to address this concern.

3. **When comparing the costs of efficiency and supply-side options, the full, lifetime value of the savings must be counted.** Many of the programs included in utility portfolios, as well as the energy efficiency measures that could be installed by non-utility providers, will provide savings

over a timeframe exceeding the IPA's five-year planning horizon. For example, a commercial lighting project will save energy year after year far beyond the five year plan. The procurement process should allow energy efficiency to compete on the basis of a cost/kwh that counts the full lifetime savings of the efficiency measures, as opposed to just the savings that will take place in the first five years.

Again, NRDC applauds the inclusion of energy efficiency in the IPA's procurement process, appreciates the opportunity to provide this feedback, and looks forward to continued dialogue on this issue.

Respectfully submitted,

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