

The Carrot and the Evaluator

How financial incentives have affected EM&V practices



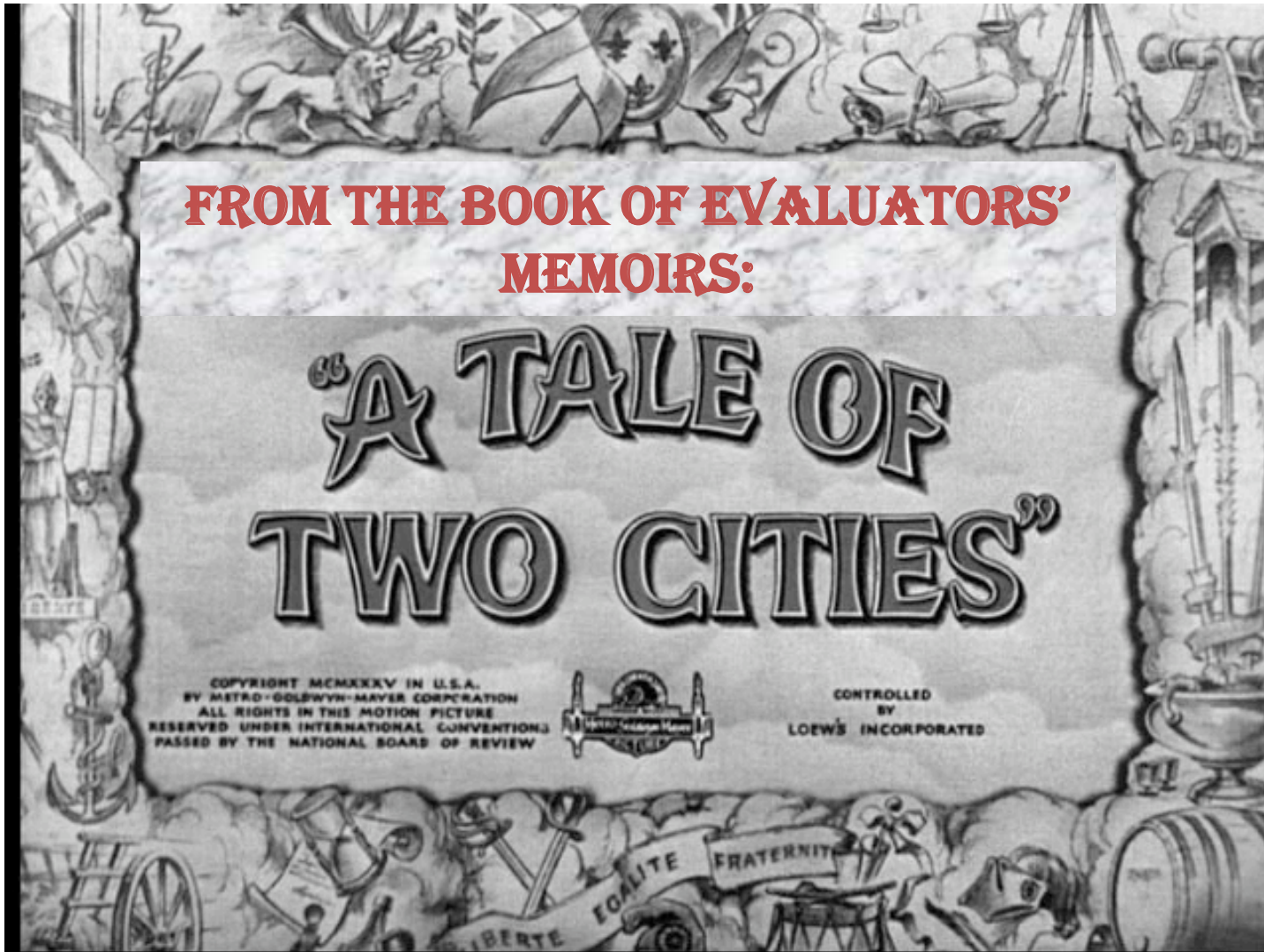
Presented at the ACEEE National Conference on Energy Efficiency as a Resource

September 23, 2013

Recognition and Thanks

- Personal discussions and interviews with utility representatives, commission staff, and consultants
 - MA, NJ, RI, NY, PA, WI, MN, IA , KY, CO, TX, NV
- ACEEE resources
 - Publications
 - State Policy Database
- Association for Energy Service Professionals
 - Commission Database
- Midwest Energy Efficiency Alliance
- The Regulatory Assistance Project
- National Action Plan for Energy Efficiency

How it began



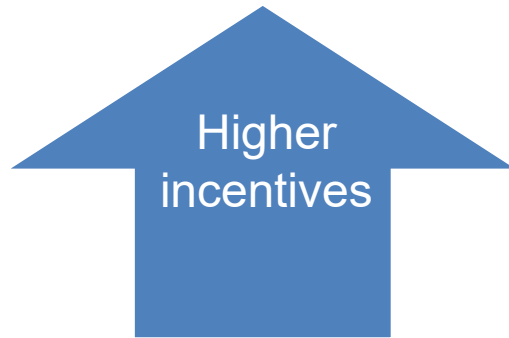
Working Hypothesis

(Shareholder Incentives)^x → (EM&V Emphasis)^y

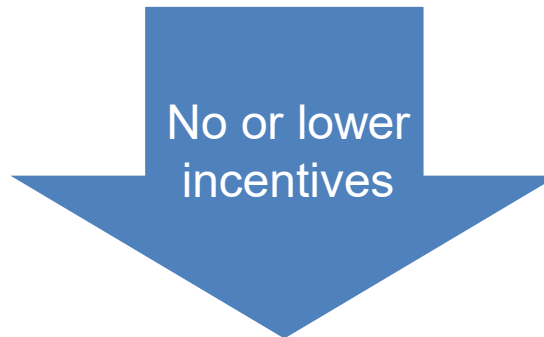
Where.....

x if the value of shareholder incentive and *y* is the level of EM&V
x and *y* are directly correlated and exponential

With the expectation that....



EM&V scrutiny increases,
 thereby rigor needs to
 increase



EM&V scrutiny decreases,
 thereby rigor needs to
 decrease

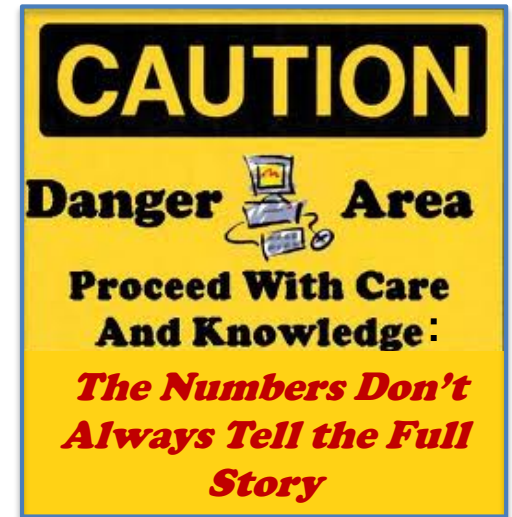
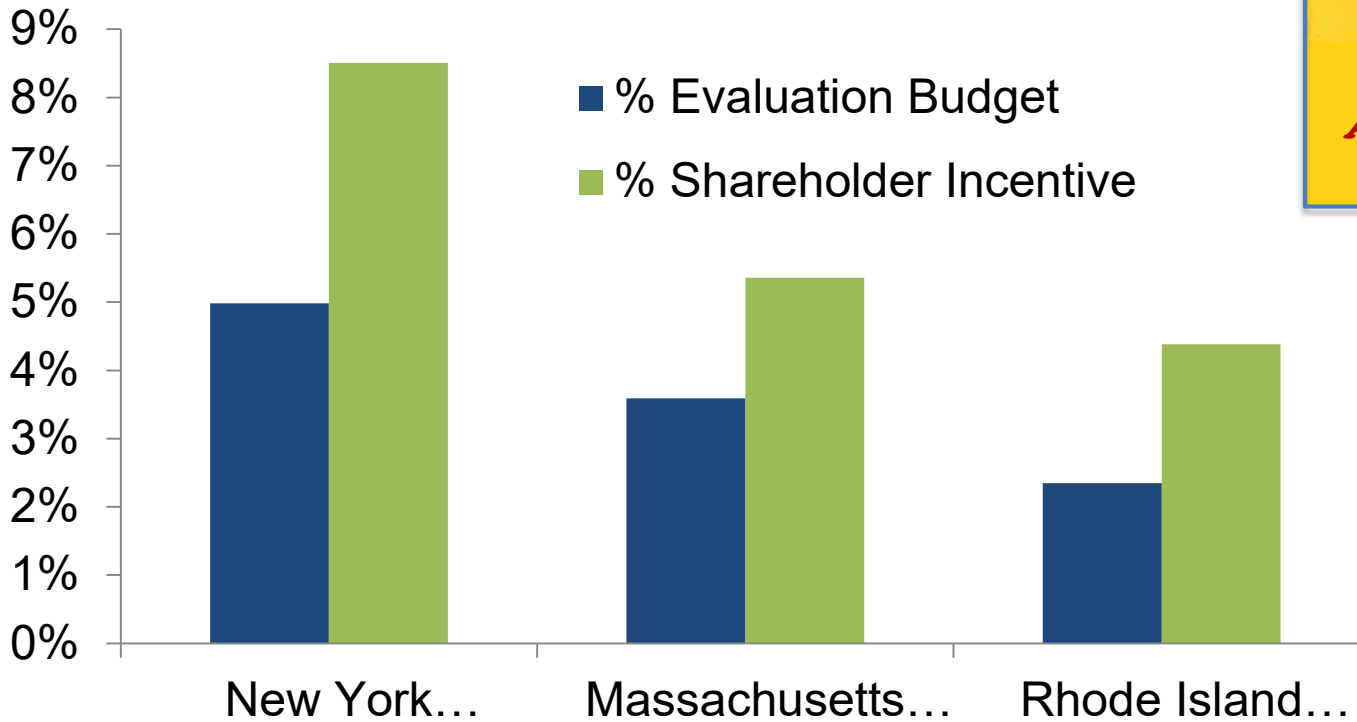
But it is not that clear cut

There are many shades of gray due to variations in as organizations and jurisdictions that effect EM&V needs

- Policies around DSM
 - Regulatory framework toward DSM, revenue recovery, and shareholder incentives
 - Policies directing DSM (e.g., climate mitigation plans)
 - How DSM is considered in capacity-driven markets
 - Level of funding for DSM
- Evaluation constructs
 - Use of evaluation results
 - Availability of TRMs/deemed values for impact evaluation
 - Prospective vs. retrospective application of results
 - Clarity on use of EM&V in calculation of shareholder incentive calculations
- Other considerations
 - Stakeholder engagement
 - Historic or other issues that may drive the level of trust amongst stakeholders

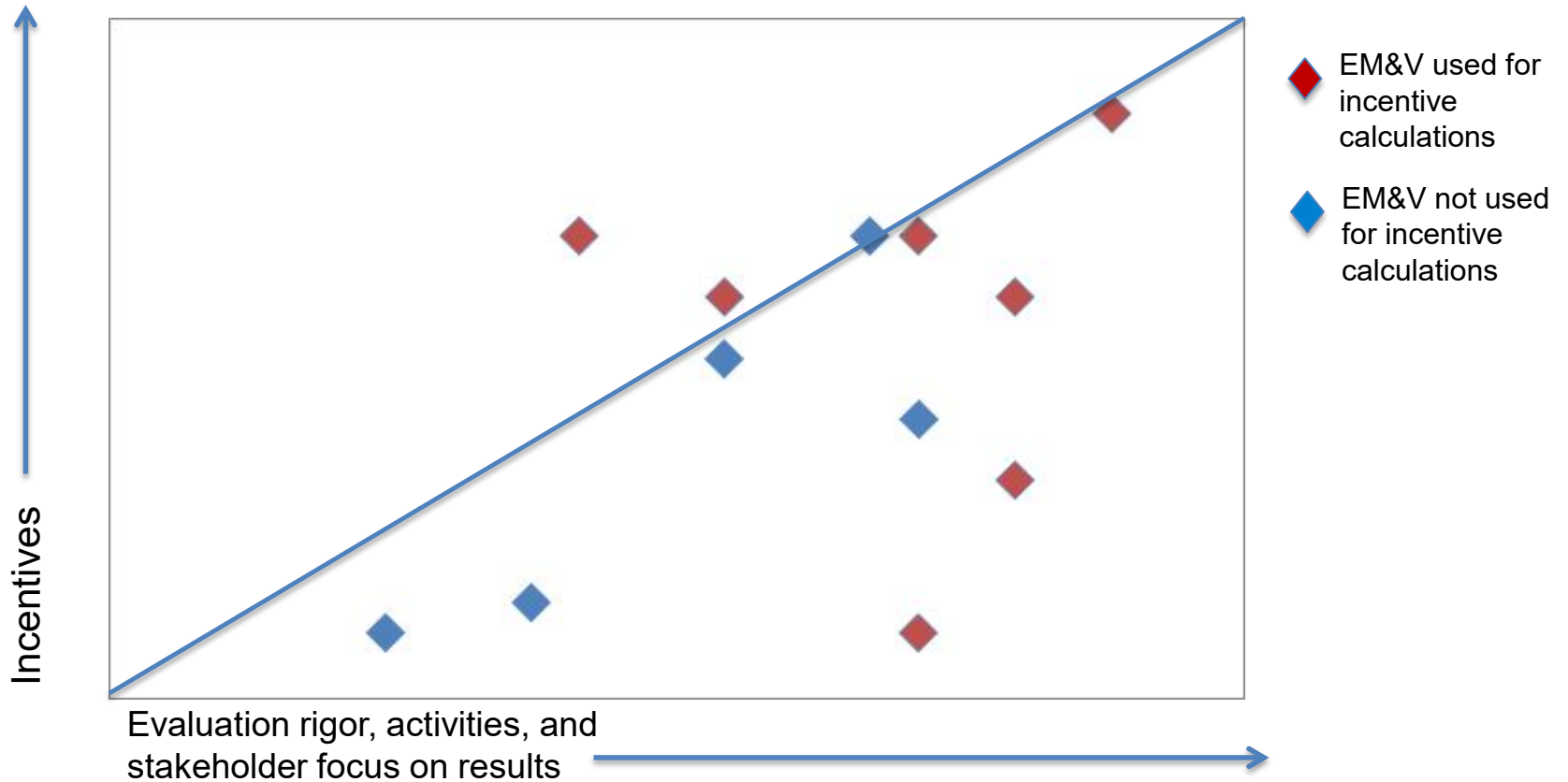
All this in the context of varying political climates with differing personalities amongst utilities, stakeholders, and regions

NY, MA, and RI Comparisons

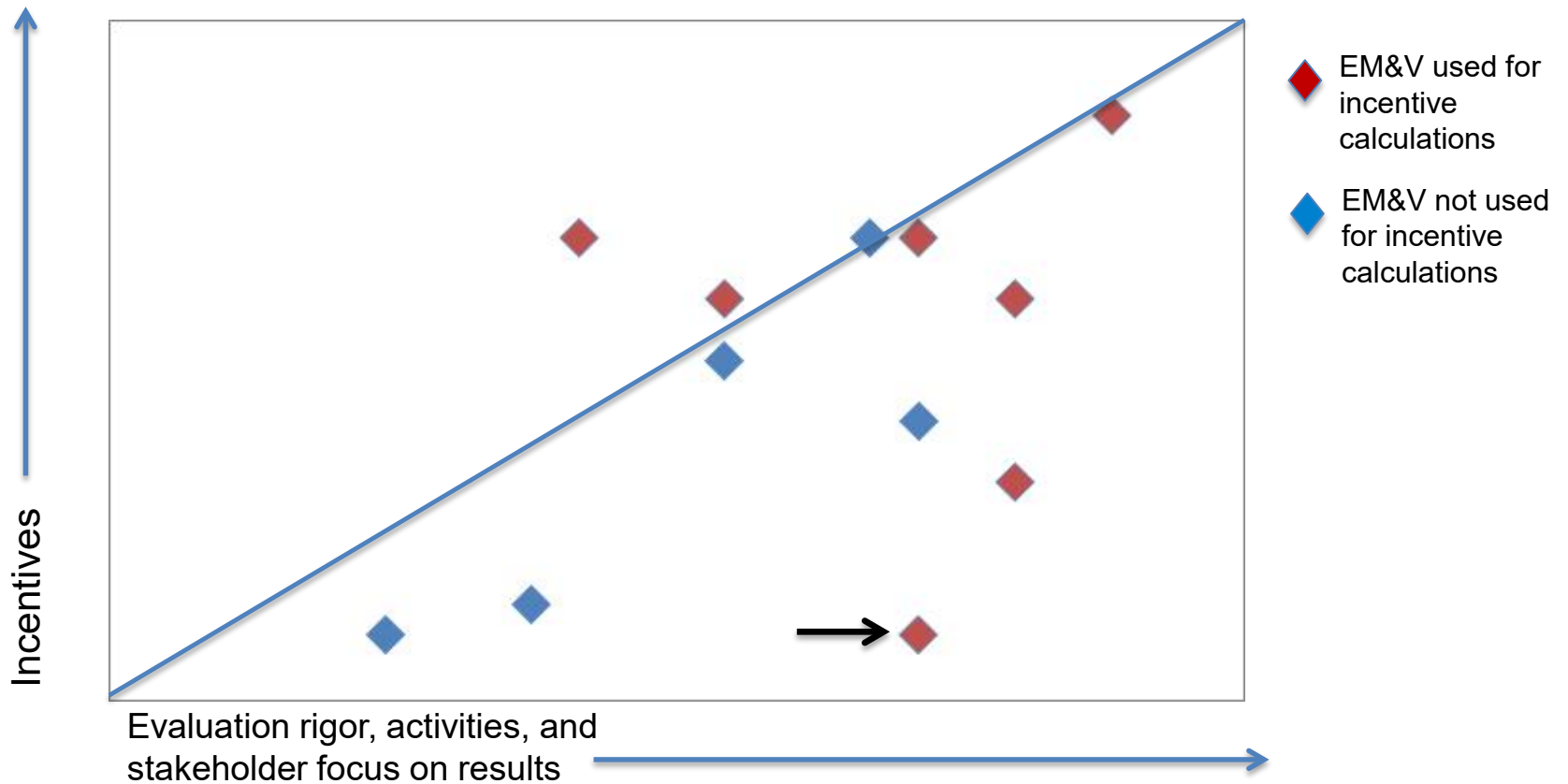


*Analysis is courtesy of National Grid, USA

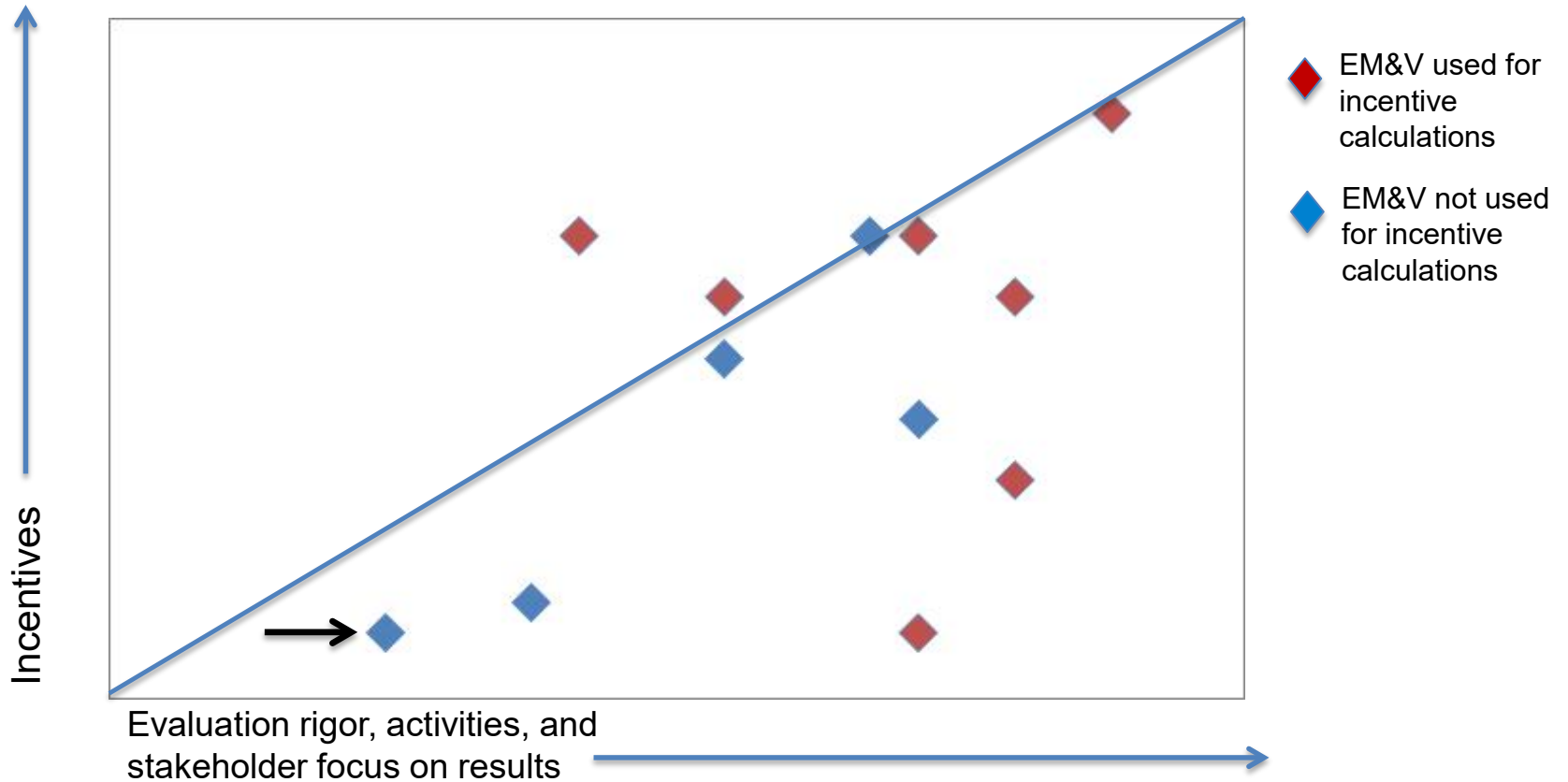
Qualitative Assessment of Other States' and Utilities' Stories



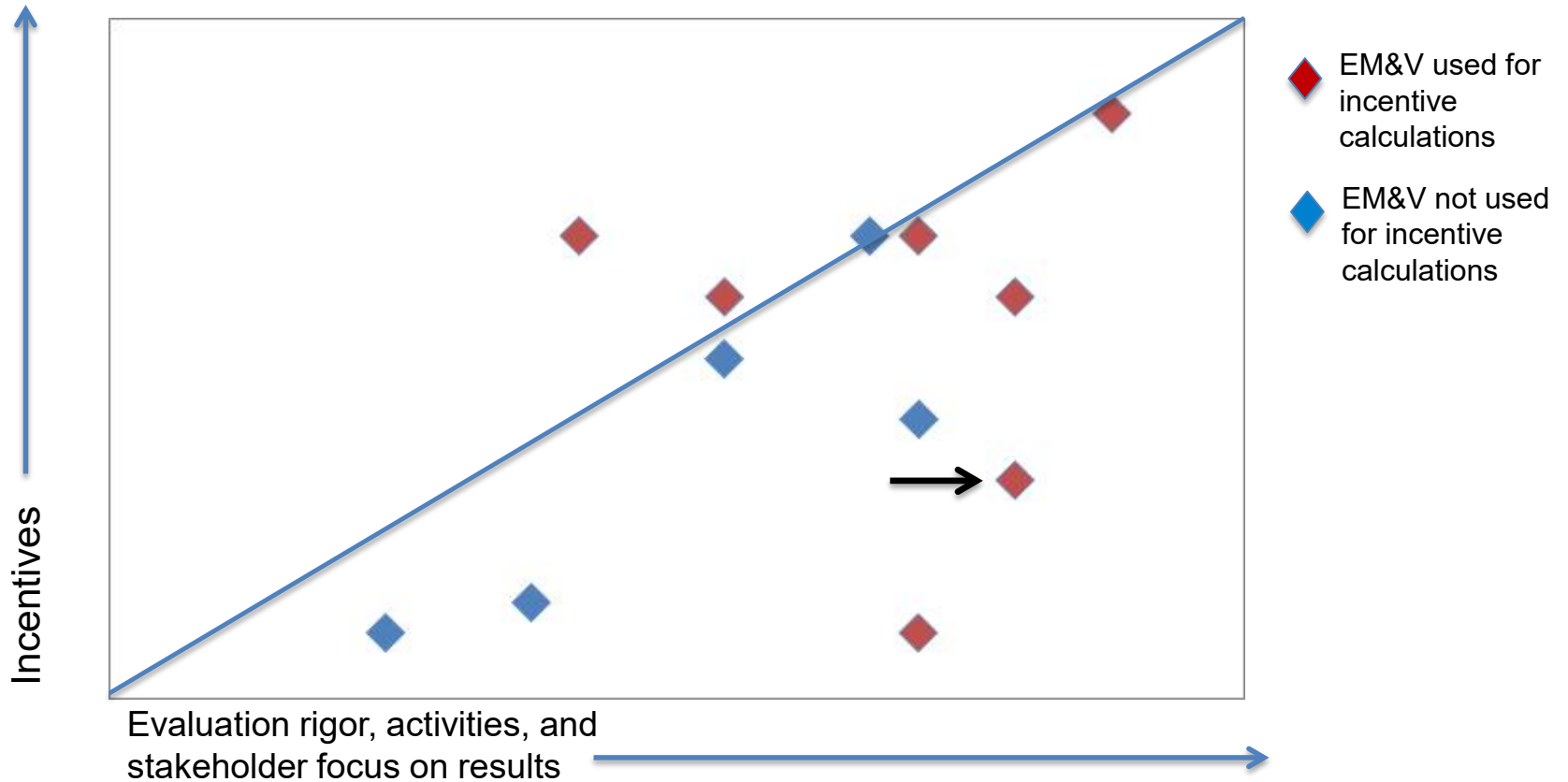
Pennsylvania: No Incentive, Penalties, Higher Evaluation



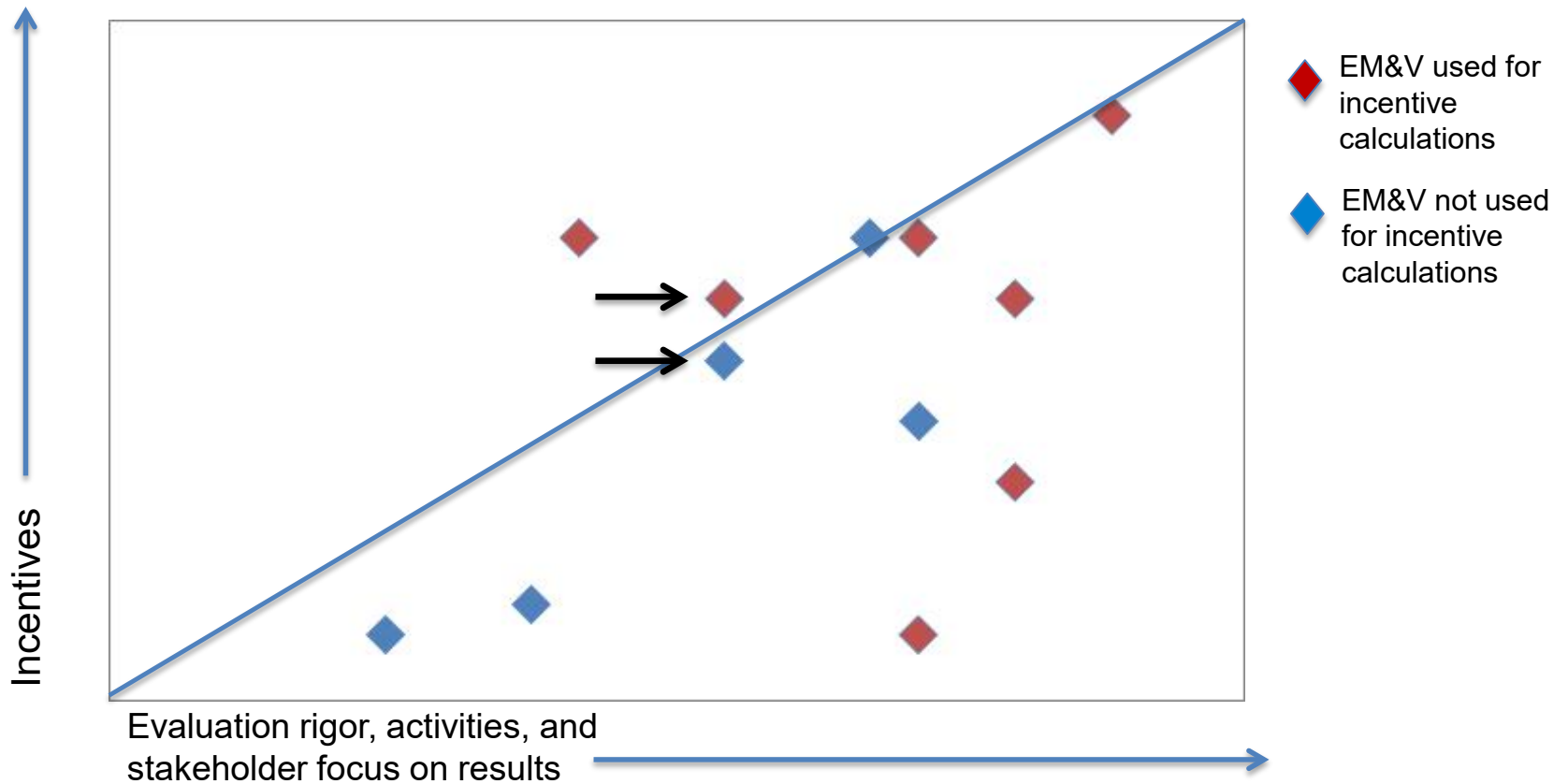
Iowa: No Incentive, No Recovery, Varying Evaluation by Utility



Nevada: No Incentive, LRAM, Higher Evaluation

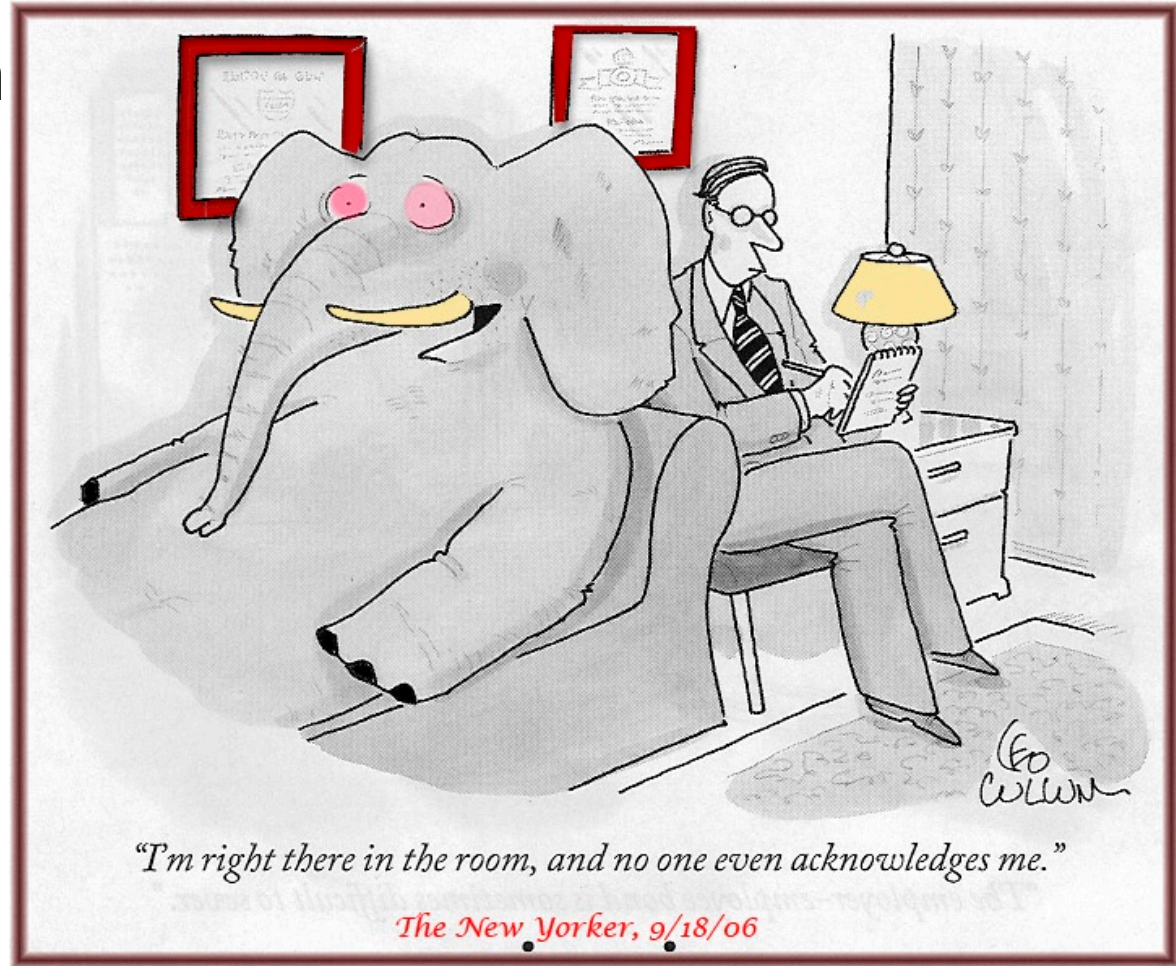


Colorado and Minnesota Utility: Different use of EM&V in Calculations, similar EM&V Level



The big question...

Should evaluation be considered in determining performance-based incentive payments?



Regardless of use, there is
value in information

“If you go through a lot of hammers each month, I don’t think it necessarily means you’re a hard worker. It may just mean that you have a lot to learn about proper hammer maintenance.”

-Jack Handey

If EM&V is incorporated

- Be clear on how EM&V will be integrated into incentive-based calculations to minimize uncertainty
- Develop mechanisms to engage collaborative input to EM&V frameworks and plans, as well as socialize program and EM&V results
- Ensure full transparency of EM&V results and basis for impacts (e.g., TRM)
- Consider thinking outside the box of impacts to integrate other performance benchmarks
- Correlate *required* level of EM&V rigor with type and level of shareholder incentives

Thank you and questions!

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