

## New England States Committee on Electricity

**To:** ISO-NE  
**From:** NESCOE  
**Date:** March 3, 2014  
**Subject:** Comment on 2014 Preliminary Energy Efficiency Forecast

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The New England States Committee on Electricity (NESCOE) appreciates the opportunity to provide comment on ISO New England Inc.'s (ISO-NE) 2014 Preliminary Energy Efficiency Forecast. Implementation of an accurate energy efficiency forecast will ensure that New England's transmission planning process reflects ratepayers' significant investment in energy efficiency resources and the resulting reduction to New England's load.

NESCOE appreciates that ISO-NE, through the Energy Efficiency Forecast Working Group (EEFWG), continues to solicit regular input from the region's energy efficiency experts including state agencies and Energy Efficiency Program Administrators (Program Administrators). These discussions inform ISO-NE's and the region's understanding of energy efficiency programs, particularly with respect to future program dollar allocations, production costs, and peak to energy ratio of resources. NESCOE appreciates the Energy Efficiency Forecast Working Group's time and effort in providing ISO-NE data.

At the February 11, 2014 meeting of the EEFWG, ISO-NE requested comment on a number of aspects of the 2014 Preliminary Energy Efficiency Forecast:

- a. The appropriate use of Forward Capacity Auction (FCA) capacity clearing prices in going forward budgets.
- b. The application of budget adjustment factors.
- c. The application of production cost adjustment factors.
- d. The use of the existing qualified capacity in the representation of the Forward Capacity Market (FCM) portion of energy efficiency in the load forecast.

In connection with the comments requested from ISO-NE and review of the 2014 Preliminary Energy Efficiency Forecast, NESCOE provides the following:

NESCOE supports ISO-NE's assumption that it is appropriate to use the FCA capacity clearing price in forward looking efficiency budgets. We note that future capacity prices are expected to be higher than the region has seen in prior years.

NESCOE agrees with ISO-NE that the budget adjustment factors used in the current forecast are appropriate. The data submitted by program administrators demonstrates that some states' energy efficiency budgets were not entirely spent in one year.

In our January 14, 2013 comments on the 2013 Energy Efficiency Forecast, we asked that ISO-NE reassess the assumption that production costs increase by 5% in each year of the energy efficiency forecast. While the 2014 data shows an increase in production cost from 2013 levels in some states, it also shows a continued decrease in production costs in others. Notably, Vermont and Massachusetts, two states with significantly funded energy efficiency programs, both show decreases in average production costs from the data collected for the 2012-2013 and 2013-2014 forecasts.<sup>1</sup> The forecast methodology assumed that production cost would increase over time as "low hanging fruit" MWs became harder to save. However, this assumption has not proven true over time in two states with the most aggressive energy efficiency programs. Accordingly, NESCOE believes it would be prudent to review the assumption that production costs increase 5% each year in addition to assumed annual inflation of 2.5% each year. NESCOE suggests ISO-NE reduce the production cost increase assumption to 2.5% plus inflation for the 2014 Energy Efficiency Forecast.

ISO-NE has also previously explained the need to use in the load forecast relating to energy efficiency existing qualified capacity in place of capacity supply obligations in the FCM to eliminate dramatic changes in the forecast due to market activity and to be more consistent with transmission planning processes. NESCOE supports this change for the

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<sup>1</sup> Initial 2014 Energy Efficiency Forecast 2017-2023, February 11, 2014, Slide 18 and Final 2013 Energy Efficiency Forecast 2016-2022, February 22, 2013, Slide 18.

reasons ISO-NE proposes.

The historical data and the 2014 Preliminary Energy Efficiency Forecast demonstrate that investments in energy efficiency resources are significant and delay the time of need for ratepayer investment in new transmission facilities. NESCOE fully supports ISO-NE's inclusion of the energy efficiency forecast in all studies and analyses where having an accurate load forecast is relevant to the study or plan. NESCOE continues to support the collaborative effort needed to produce the energy efficiency forecast and looks forward to further work with ISO-NE and others in the region on this important initiative.