

New England States
Committee on Electricity

To: ISO-NE
From: NESCOE
Date: August 23, 2011
Subject: Comments on Draft Data Request Form Version 1

The New England States Committee on Electricity (NESCOE) and staff of the respective state commissions have reviewed ISO-NE's data template¹ ISO-NE proposes to use in connection with an energy efficiency forecast to enable regional transmission planning to better reflect the region's investment in energy efficiency resources and the resulting reduction to load. ISO-NE requested state feedback on that data form and we offer comments on it below. In the process of considering the data form, we have identified a number of concerns about ISO-NE's overall proposed approach - most significantly that while well-intended, and despite significant data collection, it appears to be a time-consuming exercise in false precision. We set forth these concerns in detail below and offer an alternative approach that will accomplish the goal of considering state energy efficiency resources in the load forecast and will significantly reduce subjectivity and the burden in both time and resources for energy efficiency program administrators, states and ISO-NE.

The states' perspective is informed in part by feedback on ISO-NE's draft data form from the region's energy efficiency program administrators who would be the entities responsible for providing data to ISO-NE under ISO-NE's proposed approach. We appreciate the time they took to review it, discuss it with the states and then with ISO-NE and the states.

The New England states appreciate ISO-NE's continued effort to develop a method for forecasting energy efficiency savings into the load forecast beyond those savings that are reflected in the Forward Capacity Market's (FCM) three-year window. We also appreciate ISO-NE's work to learn more about the New York ISO's approach in this area and to bring that information to New England stakeholders. The states learned a great deal from a closer look at New York ISO's approach and from its presentation to the Planning Advisory Committee (PAC).

¹ Draft Energy Efficiency Data Reporting Form, Version 1 provided to the states and shared with the region's energy efficiency program administrators in late July 2011.

In addition to some specific concerns about the draft data template discussed further below, there are some outstanding fundamental questions about ISO-NE's proposed approach that require discussion. They are as follows:

- 1) The energy efficiency planning cycle for at least half of the New England states (Massachusetts, Maine and Rhode Island) is three (3) years. ISO-NE's proposed approach would be to use the specific production cost values developed for the *current* set of energy efficiency programs and project it forward through the forecast period, or ten (10) years.

The energy efficiency program administrators, ISO-NE and at least three states are unable to predict with certainty precisely what energy efficiency programs will be administered beyond the three (3) year energy efficiency program horizon. There is, therefore, serious uncertainty about how valuable the projections ISO-NE proposes to develop would be.

- 2) Assuming production cost numbers are developed, ISO-NE's approach would apply a ten (10)- year projected budget to each program to develop the forecasted energy efficiency values. It is not evident to the states where these numbers will come from since the energy efficiency planning period is three (3) years.

Our recollection is that ISO-NE plans to develop these numbers with the PAC. While the PAC offers great breadth and depth of knowledge on a range of system planning issues, the question of the level of state energy efficiency investments 7 years from now, for example, is likely not a question about which PAC could shed informed, objective light.

Even if one assumes the states are institutionally better suited to estimate future state-supported energy efficiency spending levels, the states do not have particularly reliable predictive power either and so ISO-NE's proposed approach would remain very subjective.

Taken together, an approach that combines heavy data gathering about current programs plus subjective predictions about future programs and budgets leaves a question as to whether the proposed approach would end up being a fairly time-consuming exercise in false precision.

To reduce uncertainty and subjectivity inherent in ISO-NE's proposed approach, we offer the following alternative. In short, the approach is intended to increase objectivity and decrease debate about future unknowns by allowing past experience to predict future savings.

The alternative approach is to use a rolling average of the amount of new passive Demand Response cleared in the three FCM auctions prior to the forecast year to

determine how much efficiency to predict in future years.² Today, the region’s energy efficiency program administrators *already* predict future savings for three (3) years to bid into the FCA. The energy efficiency program administrators constantly adjust their offers up and down to compensate for past over- or under-bidding on a 3-year cycle. What clears in the most-recent FCA includes the adjustments made in previous years. Over time, program expectations are balanced by achieved MWs in order to meet capacity commitments in the FCA.

An illustration may be helpful. Assume in February 2013, the energy efficiency program administrator is simultaneously confident of what their programs will deliver in the fourth capacity commitment period (CCP-4) (starting June 2013) and bidding into FCA-7. The energy efficiency program administrator will adjust what they clear in FCA-7 based upon what they are actually able to deliver in June 2013 - more or less than what they had cleared in FCA-3, which occurred three years prior. In the summer of 2013, PAC will start to consider the values to be used in the 2014 Regional System Plan (RSP). At that time, the region will have known values for the summers of 2015 – 2018 (FCAs 5-8), and will use the 3-year rolling average of what cleared in the most recent 3 FCAs for the summers of 2016 – 2024. This method is demonstrated in the following table:

FCA	Mo/Yr	CCP	Mo/Yr	RSP	Planning Horizon	FCA Results Used in:	3-yr rolling avg used in:
2	Dec – 08					(first 4 yrs	(last 6 yrs
3	Oct – 09					Of plan)	Of plan)
4	Aug – 10						
5	June – 11	2	Jun – 11	12	2013 – 2022	2013 – 2016	2017 – 2022
6	Apr – 12	3	Jun – 12	13	2014 – 2023	2014 – 2017	2018 – 2023
7	Feb – 13	4	Jun – 13	14	2015 – 2024	2015 – 2018	2019 – 2024
8	Feb – 14	5	Jun – 14	15	2016 – 2025	2016 – 2019	2020 – 2025
9	Feb – 15	6	Jun – 15	16	2017 – 2026	2017 – 2020	2021 – 2026
10	Feb – 16	7	Jun – 16	17	2018 – 2027	2018 – 2021	2022-2027

This alternative approach has several advantages:

- 1) The alternative approach substantially reduces the time and resources - which for some energy efficiency program administrators are material - associated with providing ISO-NE additional energy efficiency data by making use of energy efficiency data already on file with ISO-NE.
- 2) The alternative approach is objective. It does not require ISO-NE, energy efficiency program administrators, the states or PAC to make up additional budget

² While the approach calls for use of a three-year rolling average, we are open to discussing consideration of additional years if there is consensus that this would better reflects trends.

estimates separate from the projections energy efficiency program administrators already stand firmly behind with financial commitments in the FCA.

- 3) The alternative approach reduces the need for annual significant discussions by and between ISO-NE, states and ultimately the PAC about energy efficiency forecast projections, which would be a time-consuming exercise in false precision.

However, with regard to the data form approach, we offer the following observations and request they be addressed in any revised draft data form developed in support of that methodology:

- 1) ISO-NE indicated that its data collection mirrored the data collection that the New York ISO undertakes and that it was asking for data New England's energy efficiency program administrators currently provide to the states.

ISO-NE has to date indicated an interest in collecting quarterly data from energy efficiency program administrators. However, the NYISO collects annual data, not quarterly data. Additionally, the New England states do not uniformly collect quarterly data from energy efficiency program administrators. Doing so would increase - in some cases substantially - energy efficiency program administrative costs and personnel time dedicated to data collection.

- 2) The New York ISO does not make specific production cost curve estimates for programs other than for CFLs because, as we understand it, program-specific budgets and costs were too uncertain and including them would require a ten-fold increase in modeling effort. Instead, the New York ISO developed low, medium and high scenarios based only on overall program costs and budgets.

We appreciate ISO-NE's continued time and attention to this effort in order for energy efficiency resources to be reflected in planning beginning in January 2012. We look forward to discussing the alternative approach and the global and specific questions about ISO-NE's proposed methodology and data interests.