



POLICY WORKSHOP: RECOGNIZING THE VALUE OF ENERGY EFFICIENCY IN YOUR STATE

2019 MES Pre-Conference | Wed., February 20, 2019



Cost Effectiveness Testing in the Midwest

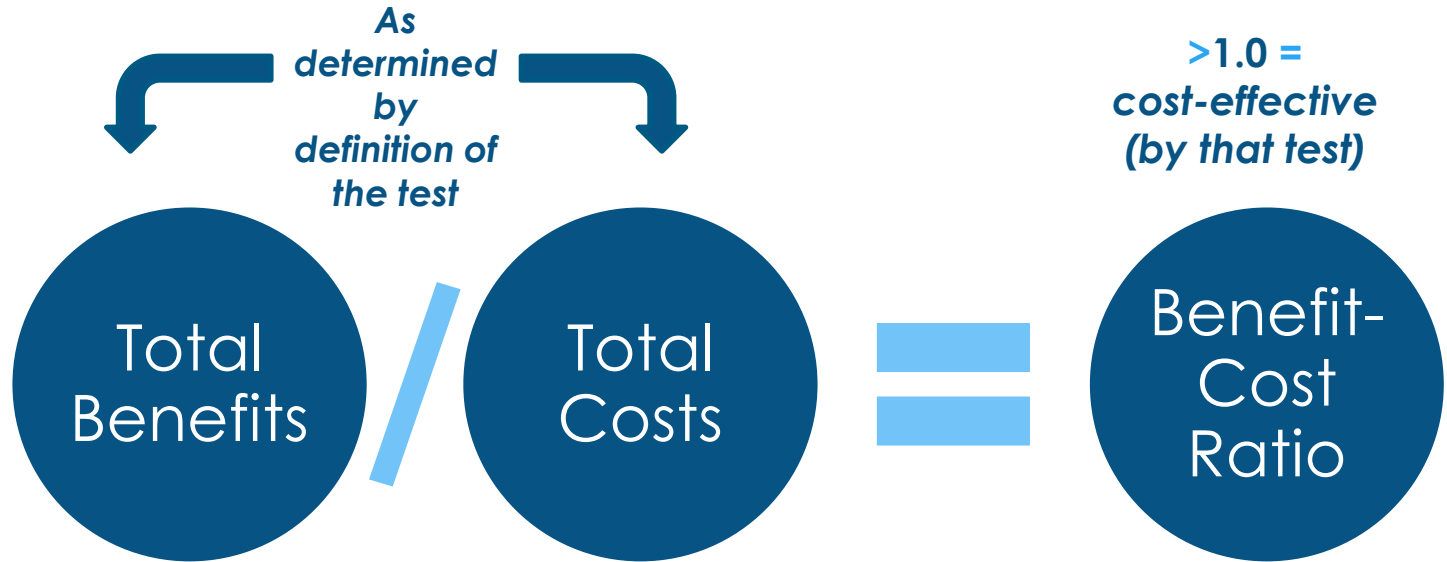
Greg Ehrendreich - MEEA

**POLICY WORKSHOP: RECOGNIZING THE VALUE
OF ENERGY EFFICIENCY IN YOUR STATE**

FEB 20, 2019



What is cost-effectiveness testing?



Why do we do cost-effectiveness testing?

- **To identify whether EE investments are a less expensive energy resource than supply-side alternatives**
- To provide a metric for comparing program performance over time
- To level the playing field by requiring all programs* to meet the same standard regardless of utility or implementer

* *EE programs for low-income customers are often exempted from meeting the same cost-effectiveness stringency as other programs*

The California Tests

The status quo for cost-effectiveness testing

PAC	PCT	TRC	SCT	RIM
Program Administrator Cost Test <i>(f.k.a Utility Cost Test)</i>	Participant Cost Test	Total Resource Cost Test	Societal Cost Test	Rate Impact Measure
<i>Will utility system costs be reduced?</i>	<i>Will the participant's costs be reduced?</i>	<i>Will utility system costs plus program participants' costs be reduced?</i>	<i>Will total costs to society be reduced?</i>	<i>What will happen to customer rates due to the efficiency program?</i>

What tests are used can be...

- **Specified by legislation**

“As used in this Section, “cost-effective” means that the measures satisfy the total resource cost test.”

220 ILCS 5/8-103B(a)

- **Implied**

“...in determining cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers, the utility, participants, and society.”

Minn. Stat. 216B.241 Subd. 1c.(f)

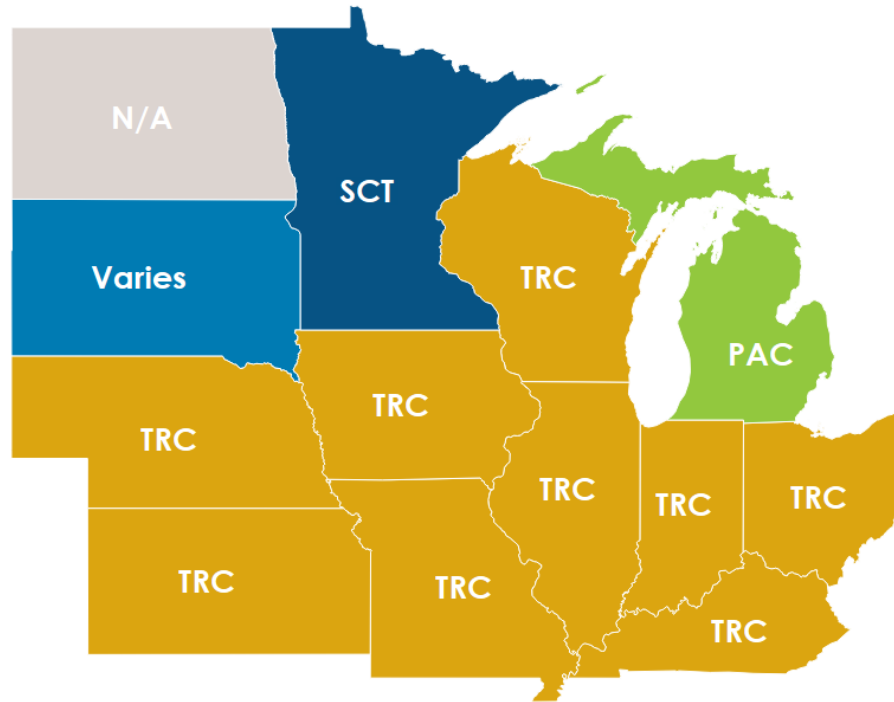
- **Left up to the Commission**

“In making its decision whether or not to approve the proposed program, the commission shall determine the appropriate test for evaluating the cost-effectiveness of the demand-side program.”

Kansas Energy Efficiency Investment Act §(5)(c)(1)(D)

Cost-Effectiveness Tests

Primary Screening Test for EE in Midwest States



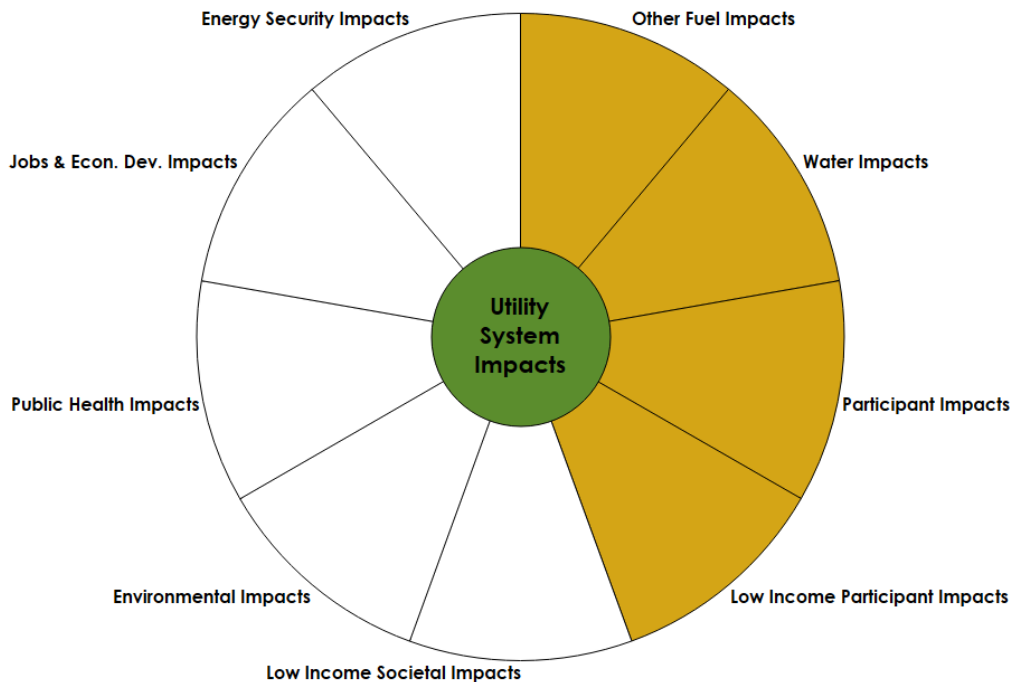
Program Administrator
Cost Test

Total Resource Cost
Test

Societal Cost Test

Total Resource Cost Test

Conceptual TRC model showing all possibly included impacts



In a "perfect" test, there should be symmetry - both the costs and benefits would be included for all of the impacts being considered

Source: NSPM

Database of State Efficiency Screening Practices (DSESP)

- Information about cost-effectiveness screening practices in individual states
- Reviews what utility and non-utility impacts are used in the state's primary test
- Currently 20 states
 - Midwest: Illinois, Michigan, Minnesota, Wisconsin



[About NESP](#)

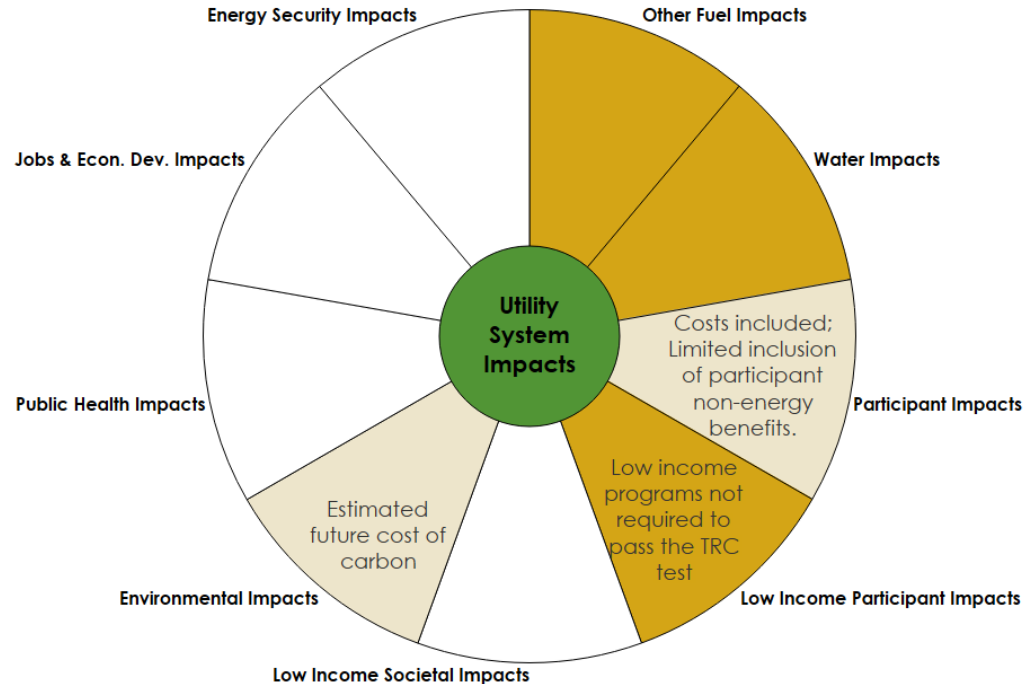
[National Standard Practice Manual](#)

[State Database \(DSESP\)](#)



All TRCs are not the same

TRC Test as applied in Illinois

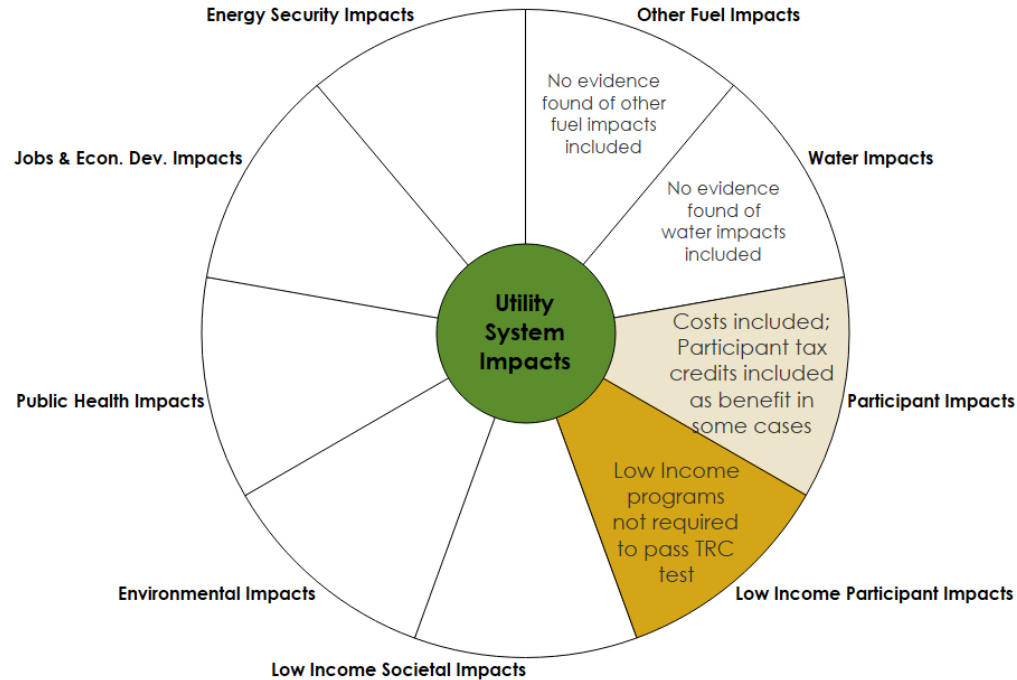


The Illinois Stakeholder Advisory Group (IL SAG) has an ongoing **Non-Energy Impacts Working Group** evaluating how to include calculated NEIs in the IL-TRM

Source: MEEA review of utility filings; NSPM DSESP database

All TRCs are not the same

TRC Test as applied in Indiana

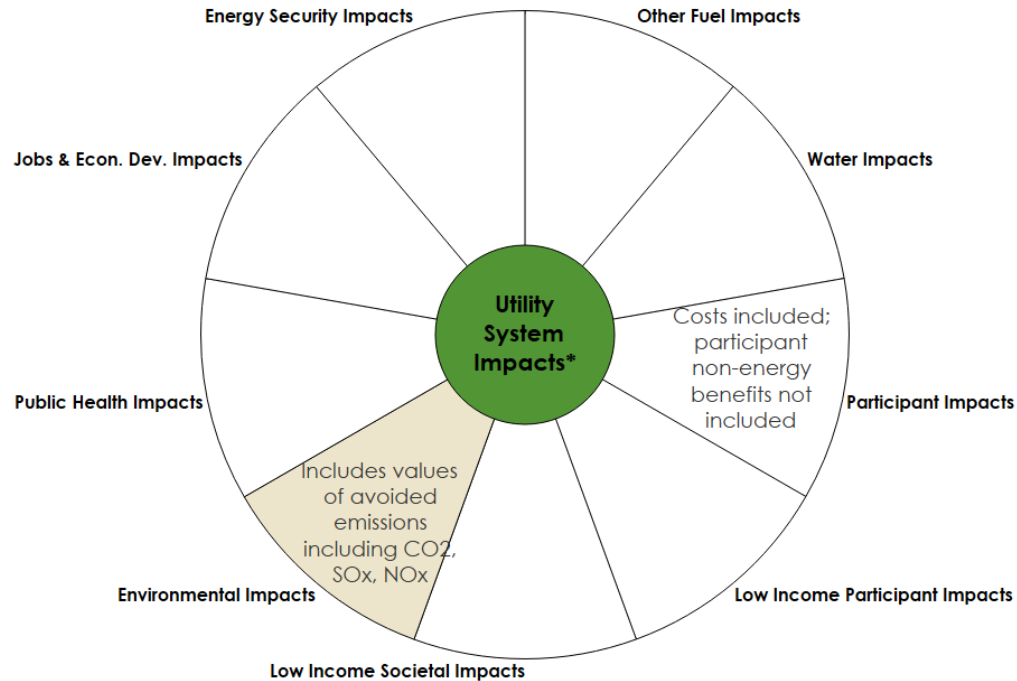


Very limited detail of benefit-cost testing in public materials, making it difficult to determine what impacts are or are not included in Indiana

Source: MEEA review of utility filings

All TRCs are not the same

TRC Test as applied in Wisconsin



Wisconsin considers a range of environmental emission impacts in its TRC, but **does not consider all the utility system impacts** from avoided transmission & distribution

Source: NSPM DSESP database

Thank you!

Greg Ehrendreich

Midwest Energy Efficiency Alliance

gehrendreich@mwalliance.org

