



VERMONT ENERGY
INVESTMENT CORPORATION

Market Transformation Impacts

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Impact of Market Transformation

- Program Administrator Performance Awards
- Cost-effectiveness Testing Of Program and Portfolio
- Regional Forecasting

Performance Incentives

- Efficiency Vermont agrees to 3 year performance goals based upon a set of assumptions:
 - Baselines
 - Predetermined Free riders and spillover
 - Data Source = Technical Reference Manual
- **PROBLEM:** Assumptions may become stale

Performance Incentives

- “Should my ability to earn Performance Incentives be at risk for achieving Market Transformation?”
- SOLUTION:
 - Integrate new assumptions into revised savings calculations
 - Hold program administrators harmless with savings goal adjustments
 - Aligns PA interests with Regulators

<http://psb.vermont.gov/sites/psb/files/orders/2011/2011-2/EEU-2010-06%20Appendix%20C.12.27.11.pdf>

Cost-effectiveness Testing Of Programs and Portfolio

- Societal Test = Benefit/Cost ratio
 - Avoided Energy, T&D, Externalities, NEB's
- PROBLEM:
 - Do not recognize value of Market Transformation
 - Value of Market Transformation difficult to estimate

Market Transformation Societal Value

- “Should the value of energy efficiency be diminished due to Market Transformation accomplishments?”
- **SOLUTION:** Adopt a Market Transformation adder for cost-effectiveness evaluations
 - Variable dollar value
 - Program design dependent

Regional Forecasting

- Components of a long-range forecast:
 - Base load Forecast
 - Efficiency Forecast
- Adjusted Forecast = Base load minus Efficiency
- PROBLEMS:
 - Base load models business as usual
 - Potential double counting of EE savings
 - EE forecasting needs to maintain high degree of certainty

Regional Forecasting

- SOLUTION:
 - Leave EE as attribute of base load forecast
 - Increase forecaster's attention to reality of accelerated Market Transformation

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