

July 1, 2019

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Agency Building 3
Albany, NY 12223-1350

RE: *Case 18-M-0084 – In the Matter of a Comprehensive Energy Efficiency Initiative*

Dear Secretary Burgess,

The American Council for an Energy-Efficient Economy (ACEEE) welcomes this opportunity to provide comments to the New York State Public Service Commission (PSC) on the above-referenced case. ACEEE is a nonprofit research organization based in Washington, D.C. that conducts research and analysis on energy efficiency and is one of the leading groups working on efficiency in the United States at the national, state, and local levels. We have been active on energy efficiency issues for nearly four decades and have worked extensively in New York State including conducting energy efficiency studies, working as a consultant to PSC Staff and NYSERDA, co-chairing the original System Benefit Charge Advisory Board, and providing comments to the PSC in several dockets.

We have conducted extensive research and analysis on energy efficiency target-setting for many years and thus our comments focus on topic area #1 (Energy Efficiency Targets and Budgets) of the PSC's "Notice Seeking Comments Regarding Utility Energy Efficiency Proposal" from May 1st, 2019. Our comments address two aspects of energy efficiency targets that will help New York maximize its efficiency potential toward achieving its ambitious energy and climate goals: 1) the importance of adequate funding to achieve targets; and 2) a framework of *all cost-effective energy efficiency* going forward as a basis for establishing targets.

First, we would like to commend the Commission for its "Order Adopting Accelerated Energy Efficiency Targets" issued in December 2018. The order establishes an important framework for target-setting and charts a positive path forward for the state in meeting ambitious energy efficiency goals that will help consumers save money on their energy bills and that will help New

York State meet its aggressive climate goals. As stated in the order, “these targets, coupled with activity already underway at the utilities and the New York State Research and Development Authority (NYSERDA) and other complementary actions, will put New York on a path to achieve the 185 TBtu goal as well the overall state goal of 40% statewide reduction of greenhouse gas (GHG) emissions from 1990 levels by 2030” (p. 3). While the order charts a path forward, work remains to ensure that utilities and other parties are successful in meeting their targets and have the flexibility to invest in additional efficiency resources when cost-effective, and to ensure that longer-term policies set a continued, clear direction for ambitious but achievable levels of energy efficiency.

Importance of Adequate Funding to Fully Achieve Targets

ACEEE has defined energy efficiency resource standards (EERS) as policies that: 1) set clear, long-term (3+ years) energy savings targets for a utility or another program administrator to meet; 2) make targets mandatory; and 3) include sufficient funding for full implementation of programs necessary to meet targets.¹ This third component is critical to successfully achieving targets. Customer-driven energy efficiency faces many barriers and requires adequate funding for programs to address information barriers, other market barriers, and to provide customer incentives or financing to address first-cost barriers. We have documented past examples of efficiency policies that establish targets without establishing adequate funds and, as a result, program administrators were unsuccessful in fully achieving their targets.²

For the utilities to achieve the targets set forth in the Utilities’ Energy Efficiency Proposal, and for the state to achieve its overall energy and climate goals, utilities will need adequate levels of funding that are matched to the energy savings target levels. They will also need the flexibility to go beyond such targets and budgets when and where there is additional cost-effective efficiency potential, and the regulatory clarity to do so. For example, we note that Con Edison stated in a recent filing, Customer Energy Solutions Update and Rebuttal Testimony, that they are not proposing to increase efficiency budgets and targets to be in line with its initial January filing “primarily because it is subject to a budget cap under Commission’s Order in the EE Proceeding” (p. 43). We recommend that the budgets and targets set forth in the December order be treated as a floor and not a ceiling, and for the Commission to make this point clear to all stakeholders.

¹ Berg et al. 2018. *The 2018 State Energy Efficiency Scorecard*.
<https://aceee.org/sites/default/files/publications/researchreports/u1808.pdf> p. 40

² Ibid, p. 42

Well-funded utility energy efficiency programs are essential to achieving New York’s energy savings and climate goals, and the PSC’s efforts to ensure ratepayer protection, market animation and utility innovation will serve as important platforms as utilities invest strategically in cost-effective efficiency resources.

“All Cost-Effective” Energy Efficiency Framework for Target-Setting in New York

The New York State Legislature recently passed aggressive climate legislation, The New York Climate Leadership and Community Protection Act³, that commits the state to transition to 100% carbon-free electricity by 2040 and have a net-zero carbon economy by 2050. The new law also codifies the state’s goal of reducing energy consumption by 185 trillion British thermal units (BTUs) from the 2025 forecast through energy efficiency improvements.⁴ Energy efficiency is thus a critical component toward meeting this legislation, including implementation and full funding for the utility targets established by the PSC’s December order. Energy efficiency will continue to be a core strategy for meeting ambitious climate targets, reducing the total need required to serve customers with 100% carbon free electricity especially as the state moves toward vehicle and building electrification. As the PSC begins the next round of energy efficiency targets (e.g., post-2025), it should consider establishing an “all cost-effective” energy efficiency requirement. Under such a policy, utilities and program administrators are required to define and achieve the highest level of efficiency determined to be cost-effective.

In 2014, ACEEE conducted a review of “all cost-effective” efficiency targets.⁵ At that time and still today, 7 states have a requirement for utilities or third-party, statewide administrators to achieve all cost-effective energy efficiency.⁶ Our 2014 review found that on average, states with all cost-effective mandates were targeting and achieving savings that are significantly higher than states with more traditional EERS policies. On the other hand, although mandates in these seven states require investments in the complete set of available cost-effective efficiency resources, we found

³https://nyassembly.gov/leg/?default_fld=&leg_video=&bn=A08429&term=2019&Summary=Y&Actions=Y&Text=Y

⁴ <https://www.nrdc.org/experts/miles-farmer/unpacking-new-yorks-big-new-climate-bill-primer-0>

⁵ Gilieo, Annie. 2014. “Picking All the Fruit: All Cost-Effective Energy Efficiency Mandates.” In the *Proceedings of the 2014 ACEEE Summer Study on Energy Efficiency in Buildings*. <https://aceee.org/files/proceedings/2014/data/index.htm>

⁶ May 13, 2019. “State Energy Efficiency Resource Standard (EERS) Activity. <https://aceee.org/policy-brief/state-energy-efficiency-resource-standard-activity>. The seven states that have enacted all cost-effective efficiency policies are California, Connecticut, Maine, Massachusetts, Rhode Island, Vermont, and Washington. In addition, New Hampshire’s EERS has set forth a long term goal of achieving all cost-effective efficiency, which is anticipated to be met through planning and goal-setting in future implementation cycles.

that actual targets tended to be slightly more conservative than what efficiency potential studies suggested were achievable. In pursuit of a successful “all cost-effective” efficiency policy in New York, we recommend that the PSC devote resources to updating three important tools: 1) robust cost-effectiveness rules; 2) high-quality analysis of the energy efficiency potential; and 3) a formal stakeholder advisory group or similar coalition. These three tools represent best practices for all states setting ambitious energy efficiency targets regardless of the target-setting approach, but they become even more important under “all cost-effective” efficiency frameworks.

First, cost-effectiveness definitions and rules are paramount under such a policy. Our review of existing “all cost-effective” policies found that methods for determining cost-effective efficiency targets are left largely to public utility commissions and advisory bodies. We recommend updating the state’s cost-effectiveness policies based on the principles found in the National Standard Practice Manual (NSPM).⁷ The NSPM is a guidance tool rather than a prescriptive set of cost-effectiveness tests. Stakeholders in NY should use the principles set forth in the NSPM, such as aligning cost-effectiveness tests with all applicable state’s energy and climate policies, as it updates its cost-effectiveness policies.

Second, the state should use these cost-effectiveness approaches as screening thresholds in an updated analysis of the potential for efficiency resources. “All cost-effective” efficiency policies will be most effective when they have a strong foundation of high-quality analysis. An updated efficiency potential study should follow best practices in potential studies and avoid common pitfalls.⁸ It can also incorporate the latest assessment of the economics of heat pump technologies and streamline the assessment of energy savings measured in Btu’s—both issues that are directly relevant to the state’s target-setting process.

Third, stakeholder advisory groups play a significant role in determining efficiency targets under “all cost-effective” policies. A stakeholder advisory group or similar body is a best-practice approach to engaging stakeholders and ensuring that all relevant perspectives are fully considered. This can improve the likelihood of successful implementation of energy efficiency resources. Many states have used stakeholder advisory groups to come to consensus on issues such as cost-effectiveness testing. In Illinois, the Stakeholder Advisory Group focuses on a variety of issues,

⁷ <https://nationalefficiencyscreening.org/national-standard-practice-manual/>

⁸ See for example, <https://aceee.org/research-report/u1407> and <https://www.raponline.org/knowledge-center/ten-pitfalls-of-potential-studies/>

including evaluation, reporting standards, and low-income efficiency programs.⁹ In establishing an “all cost-effective” efficiency policy, New York should consider establishing such a group. Successful stakeholder groups exhibit four characteristics: 1) a clear set of objectives, 2) defined rules for participation, 3) facilitation and analysis support to enable good decision-making, and 4) a public, transparent and inclusive process.¹⁰ Such groups have also worked well in neighboring states with similar policies such as Massachusetts and Connecticut and can serve as models for New York.

Summary

We commend the commission for its December order establishing energy efficiency targets for the utilities. Efficiency resources will be critical for New York State to meet its ambitious climate policies. First, we recommend that the PSC establish full and adequate utility funding levels that are matched to the energy savings target levels, while also providing flexibility for the utilities to go beyond such targets and budgets when and where additional cost-effective efficiency potential is available. The budgets and targets set forth in the December order should be treated as a floor and not a ceiling, and we recommend the Commission clarify this point. Second, we recommend that the PSC consider an “all cost-effective” efficiency policy in New York to establish a clear, long-term framework for efficiency. While developing such a policy, we recommend that the PSC devote resources to updating three important tools: 1) robust cost-effectiveness rules; 2) high-quality analysis of the energy efficiency potential; and 3) a formal stakeholder advisory group or similar coalition.

This concludes our comments. We would be happy to answer any questions you have about these comments.

Sincerely,



Maggie Molina

Senior Director for Policy

⁹ See ILSAG working documents here: <http://www.ilsag.info/>

¹⁰ State and Local Energy Efficiency Action Network. (2015). *Energy Efficiency Collaboratives*. Michael Li and Joe Bryson. <https://www4.eere.energy.gov/seeaction/system/files/documents/EECollaboratives-0925final.pdf>