

Energy Efficiency Avoided Cost Phase 2 Workshop #1

**UM 1893, Electric Capacity
Value Element Update
Discussion**

7/6/18



Current Components of Energy Trust Avoided Costs



- Energy Trust has historically accounted for peak contribution, but the method was not consistent for different avoided cost components.
- There is a need to make adjustments to more accurately value contribution of energy efficiency to peak reduction.

Avoided Cost Component	Load Profile impact?	Description of Current Load Profile Application
Energy Forward Price Forecast	Y	Used to allocate monthly wholesale energy prices into high/low segments
T&D Capacity Deferral Value	Y	Used to allocate deferral credit based on coincidence with Power Council assumed 6pm Winter Peak
Generation Capacity Deferral Value	N	Utilities develop generation deferral credit based on proxy generating resource - applied equally to all measures
Risk Reduction Credit	N	N/A
10% NW Power Act Credit	N	N/A

Generation Capacity Scenario Analysis



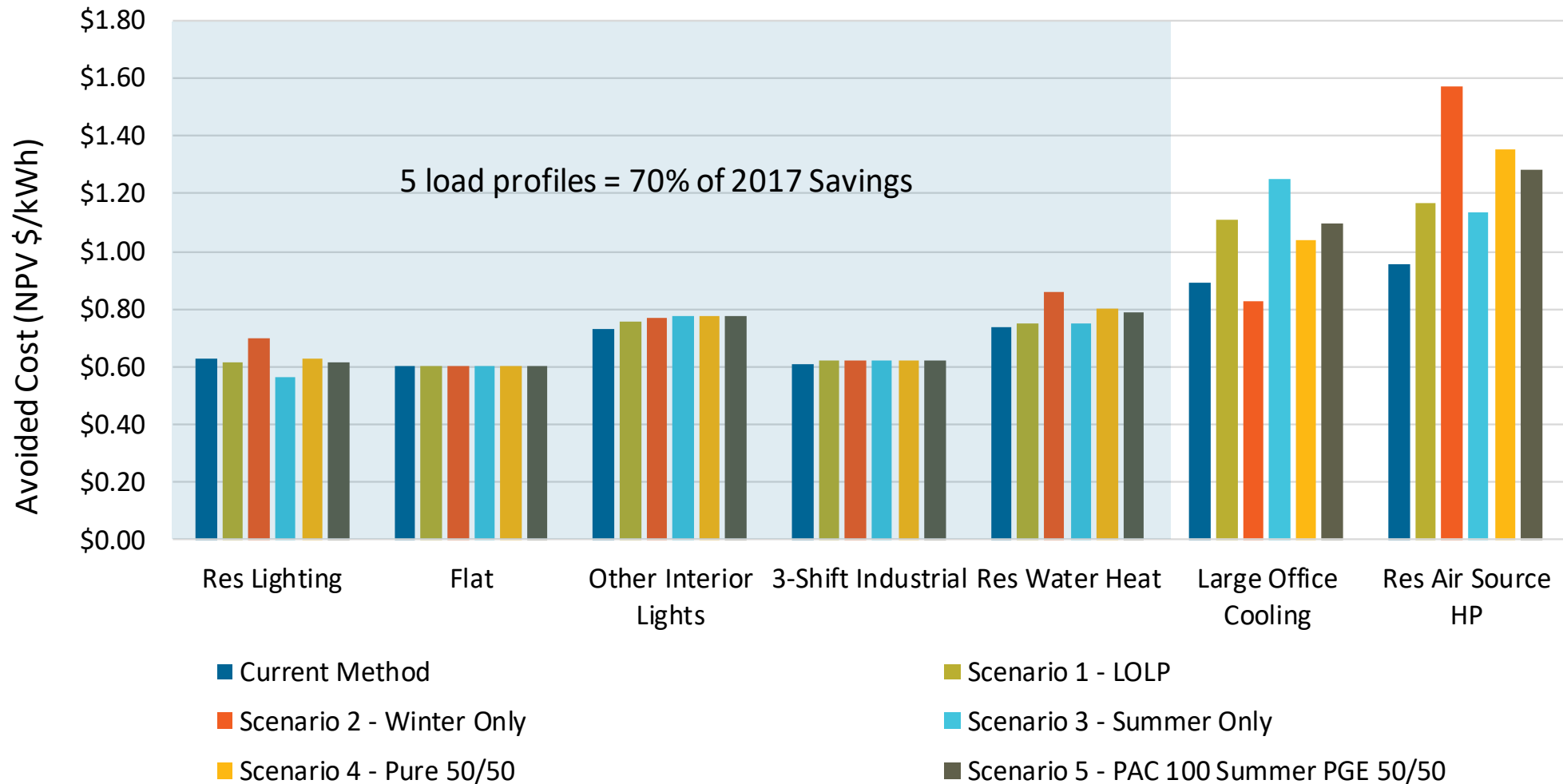
- Some measures save on winter peak, some summer, and some both
- This analysis covers the following scenarios related to different views of when peak savings have value
 - Scenario 1: Loss of Load Expectation/Probability (LOLP)
 - Scenario 2: 100% Winter Peak
 - Scenario 3: 100% Summer Peak
 - Scenario 4: 50/50 Summer/Winter for both PGE and PAC (aka “Pure 50/50”)
 - Scenario 5: 100% PAC Summer, 50/50 PGE Summer/Winter

Caveats



- The following results only show the effect of changing the method to value generation capacity deferral, all other inputs are kept constant
- The results show blended avoided costs with the current avoided cost inputs from each utility (finalized May 2017)
- The results show relative value per unit savings and increases or decreases do not necessarily indicate whether a measure is or isn't cost-effective
- Results may change if load profiles are revised

Capacity Sensitivity Results – Select Priority Load Profiles



Proposed Capacity Adjustments



Staff proposes adoption of Scenario #5 for Avoided Costs used in the 2020 Budget

- Best reflects peak by utility.
- Energy Trust could implement using current format. Does not require LOLP.

Next Steps



- Discuss
- Receive feedback
- Schedule workshops in 2019 to explore LOLP

UM 1893 – Investigation of Methodology and Process of Energy Efficiency Avoided Costs (AR621 Rulemaking)

July 6, 2018

Background

UM 1893 is an open investigation into the process for developing avoided costs used in energy efficiency cost effectiveness tests. Phase 1 began in October 2017 and consisted of three stakeholder workshops leading to four major findings.¹

1. Energy efficiency avoided costs serve two very distinct purposes: long-term IRP forecasts and near-term energy efficiency acquisition. Both would be impacted by any changes to the update process and any methodology changes. The changes currently being considered would potentially impact:
 - a. The linkages between a utility's specific avoided costs for IRP forecasts for energy efficiency and the blended system avoided costs used to develop annual goals and budgets for energy efficiency programs requires deliberative consideration.
 - b. The need to synchronize the Timing with IRP update cycle
2. Developing any changes to the data update process and the process for avoided cost methodology improvements will require more time to establish than Staff initially anticipated.
3. Adopting a more regular, structured, transparent, Commission-led approach to updating avoided cost data and changing or improving the avoided cost methodologies will require rulemaking.
4. All utilities expressed an interest to learn more about Energy Trust's cost effectiveness tests, which use avoided cost values and serve as the basis for both annual savings goals and savings potential in IRP forecasts.

To close Phase 1 of this investigation, the Commission provided the following direction to Staff within Order No 18-077 from February 27, 2018.

- Staff to provide updates every 6 months
- Staff directed to launch Phase Two of the investigation
 - o Establishment of a regular on-going process to update and improve avoided costs
 - o Open an associated rulemaking to adopt avoided cost reporting rules before December 2018

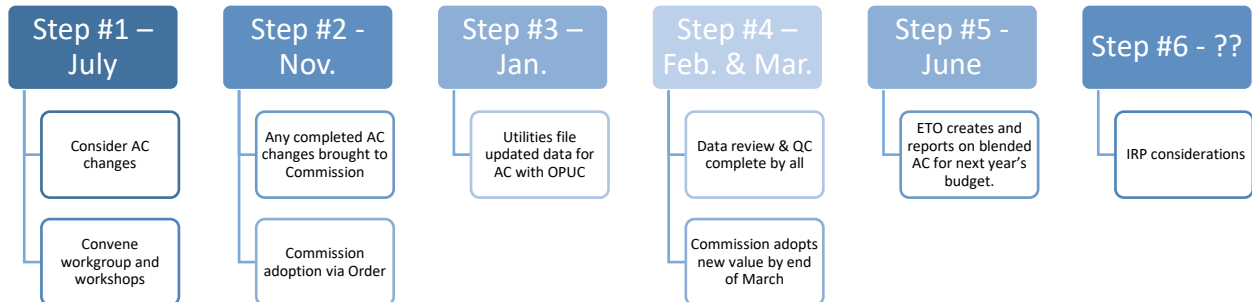
¹ See February 21, 2018 Staff report <https://edocs.puc.state.or.us/efdocs/HAU/um1893hau17252.pdf>

Phase 2

Establishing a process for updates

As a starting point for stakeholder discussion, Staff would like to review the straw proposal first presented to stakeholders in Phase 1.

Proposed On-going Schedule



- Staff proposes that each July, PUC Staff would convene a working group to discuss the need for improvements to current element methodology or additions.
- Any resulting changes would be brought forth to the Commission for adoption through an Order at a Public Meeting by the end of November. If no changes are needed, the update process would begin with the next step.
- In January, utilities would file updated avoided cost data to the Commission
- Review by Staff and stakeholders in Feb would be followed by Commission adoption in March
- Once adopted, those values would be provided to Energy Trust for use in measure/program analysis for the next program year efforts.
- New rules are needed to provide utilities with the necessary direction to file specific information with the Commission in a specific manner and to define the process of review once filed. (Steps 3 and 4)

Again, the above represented Staff's original proposal for the update process. Staff has received feedback about maintaining this process but moving the timing forward by a few months. We would like to discuss this at our 7/6/18 stakeholder workshop.

Updates to elements for 2018 – Electric avoided capacity value

For this year's process, July–Sept 2018, Staff proposes that stakeholders continue to focus on improvements to methodology for electric avoided capacity. In Phase 1, Stakeholders determined that the current approach is easy to apply but not accurate and better information is available to be integrated into the methodology. Energy Trust and utilities worked collaboratively through the spring and made advancement towards use of an LOLP 12x24 matrix approach.

Staff proposes that this work continues to advance the LOLP concept but that due to the complexity in review of that approach and the short time frame we have to work with, that for this year, we consider

a mid- range improvement to this element. This mid-range improvement proposal will be considered at the July 6th workshop.

Rulemaking

Schedule:

Due to Energy Trust internal process timing, any updated information from utilities was initially determined was needed to be provided to the Commission by January of the year prior to the program year for which Energy Trust is planning. Staff has received feedback that January is not optimal for Energy Trust and would need to move forward two months. So while this rulemaking was scheduled to be complete by December to provide time for utilities to respond with filings to the Commission in the manner determined through this rulemaking process by January 2019, it may be that any new process developed under this rulemaking does not officially go into effect until late 2019. This would allow for a minimum of 60 days following Notice of proposed rulemaking with the Secretary of State, Staff proposes to target early September 2018 to complete the informal rulemaking process with stakeholders and have time to prepare for formal adoption in the Fall of 2019.

Proposed Scope of Remaining Issues for Rulemaking, Phase 2:

Below is a draft list of issues Staff proposes to discuss with stakeholders during this process. Discussions will inform how rules are structured. A draft of rule language will be provided at subsequent informal workshops.

- Issue #1: Interaction between IRP avoided costs and Energy Trust operational avoided costs
- Issue #2: Function of new rules

Option 1. Create a new rule division for submitting avoided cost information specific to this annual purpose, short term acquisition vs. long term planning, which has potential to expand beyond energy efficiency avoided costs needs to avoided costs associated with other distributed energy resources. **Staff preference**

Option 2. Adjust current rules related to avoided cost requirements and integrated resource plans to allow use of avoided cost data for same purposes.

- Issue #3: Specifics of what information the utilities are expected to include in annual filings and by what date
 - a. Proposals for submission of data components:

Option 1: Utilities submit the following data as it was submitted in the utility's last acknowledged IRP: capacity, proxy resource, hedge value, and transmission and distribution capacity. Utilities submit updated energy values.

Option 2: Utilities submit updated data for capacity, proxy resource, hedge value, transmission and distribution, and energy values.

Option 3: Alternative Proposals for discussion

- b. Proposals for response templates
 - Details of format and methodology used to produce element specific values defined in a separate template creation and approval process through Commission order, not detailed within Rules.
 - Request for template proposals
- Issue #4: Commission Review Process
 - a. Role for outside stakeholders following filing of avoided cost data with Commission
 - b. Timeframe for Staff to present the data to the Commission for approval to forward to Energy Trust
- Other Issues?

Utility	Pre Jul 18 Ack IRP	2018						2019												2020		
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
NWN	Feb, 2017	IRP Filed						IRP Ack														
CNG		IRP Ack		IRP Update filed																		
Avista	Mar, 2017	IRP Filed						IRP Ack												IRP Update filed		
PAC	Dec, 2017	IRP Filed												IRP Ack								
PGE	Mar 2018 IRP update	IRP Filed																				
Energy Trust		PAC forecast						CNG forecast						PGE forecast			NWN forecast	Avista forecast				
		Draft Budget			Finalize budget			Measure Development						Draft Budget			Finalize budget					
Proposed Process, All Utilities		Updates/changes to element methodologies considered (electric avoided capacity value), Rulemaking for January 2019 process start				Utilities file EE Avoided Cost elements		Review process / blending, forward to Energy Trust				Updates/changes to element methodologies considered				Template updates, as needed		Utilities file EE Avoided Cost elements		Review process / blending, forward to Energy Trust		