

October 7, 2015

To: Interested Stakeholders

From: Richard Génécé

Re: Comments on BPA's Allocation of Momentum Savings

Thank you to those that took time to review and provide comments on the draft allocation method for Momentum Savings. BPA began the process to report savings to utilities based on requests from utilities, who want to understand the Momentum Savings in their territory. This memo describes the four comments received, and BPA's action items to address the concerns raised.

BPA received comments from the Northwest Power and Conservation Council, Northwest Energy Efficiency Council, Northwest Energy Coalition and Tacoma Power. The comments describe concerns with communication, robustness of Momentum Savings analysis and inconsistent baselines.

Tina Jayaweera with the **Northwest Power and Conservation Council** commented with concerns around differences in the Council baseline that BPA uses and Conservation Potential Assessment's (CPA) baselines that individual utilities use. BPA agrees with this concern. We concur that where the utility CPA baselines do not match the Council baseline there is a risk of double-counting Momentum Savings. BPA explored options to report against multiple baselines, and determined that this is not currently feasible. However, BPA is taking two actions to address baseline inconsistencies:

- BPA will hold a webinar to define the problem of inconsistent baselines for regional stakeholders, and present some options to help increase regional consistency to mitigate this risk.
- When BPA shares the analysis and findings from Momentum Savings research, BPA will have the baseline explicitly defined to promote transparency.

The **Northwest Energy Efficiency Council's (NEEC)** requested that BPA not approve an allocation methodology and expressed skepticism about the fundamental concept of Momentum Savings and their inclusion in BPA's planning forecasts.

BPA is committed to robust methods for quantifying and allocating savings. It is important to BPA that all stakeholders have a clear understanding of the methods used to quantify the savings. The Northwest Energy Efficiency Alliance (NEEA) has been quantifying both their net market effects and Momentum Savings using similar methods for over a decade. BPA's analysis builds on this work.

BPA's market research on Momentum Savings is similar to research performed outside the region and our findings are consistent with research in other regions. For instance, in 2006, the Northeast Energy Efficiency Partnerships (NEEP) funded an extensive review of distributor sales for commercial HVAC equipment in the Northeast, and found that only 23% of the efficient packaged commercial units sold were through programs. For 2006 to 2008, a study commissioned for the California Public Utilities Commission found that one-third of the total efficiency change in high bay lighting was outside of direct program incentives. In addition, NEEA's market research also shows market movement outside of programs that are not directly due to NEEA initiatives, which they have in the past called "Naturally Occurring Conservation."

An exciting part of BPA's Momentum Savings market research is that the region can use this information to better target program dollars to increase total efficiency. The Council's Power Plan potential includes all efficiency—whether it comes from programs or not. However, some markets need program investment more than others.

Momentum Savings allows regional energy efficiency to target energy efficiency dollars where they are most needed.

One example of this is what we learned from our first study on non-residential lighting. We had two major findings: (1) that T-12 sales were a small part of the linear fluorescent market and the current practice was a 32w T-8; (2) that the maintenance market was large and consisted an opportunity to push the default 32w lamp to a lower wattage. These two findings led to two opportunities: BPA changed the baseline for linear fluorescents to stop paying incentives for a measure where a federal standard was successfully changing buying patterns, and NEEA focused on an upstream program to influence the maintenance market. In other words: we stopped investing where we had evidence of a market that no longer needed utility intervention, while identifying a new efficiency opportunity to invest program dollars that will increase the total energy efficiency the region achieves.

We have extensive documentation and learning materials about Momentum Savings and market research on the BPA webpage at www.bpa.gov/goto/MomentumSavings. There are links to one-pagers, videos and reports that outline our findings.

To address NEEC's concerns, BPA is taking the following actions:

- Currently, all draft Momentum Savings analysis is posted online on the Momentum Savings website. The analysis has been reviewed by the Northwest Power and Conservation Council staff, utilities, NEEA and BPA staff. However, the external review has been more ad-hoc than we would like. This fall we are developing a plan for a formal external review process, which we hope to launch in early 2016.
- We understand that the analysis and methods need to be understood by all stakeholders. We will have a workshop at the beginning of 2016 to review the work so that stakeholders can provide feedback.

The **Northwest Energy Coalition (NVEC)** had three main concerns and a request to not approve the allocation methodology at this time. The three concerns were: (1) lack of a robust engagement process; (2) the accuracy and reliability of savings; and (3) the risk of double-counting. We understand the concerns about the engagement process from NVEC, and regret that we did not communicate effectively with NVEC and other stakeholders on this matter; this was an oversight. We welcome engagement with stakeholders on this topic, and in addition to the workshop at the beginning in 2016 are interested in hearing specific formats that would be useful for engagement around this issue.

Some of NVEC's concerns are similar to those raised by the Council and NEEC, and are addressed above. In addition:

- BPA is committed to providing information on this work to external stakeholders. Our website, public webinars, presentations and outreach have been focused on trying to share information. We will reevaluate how to effectively communicate with all stakeholders and welcome suggestions.
- BPA is currently conducting an entire portfolio review to assess areas of savings overlap with other areas of BPA's portfolio. We are aware of, and account for, overlap with NEEA's portfolio and program savings. A systematic review of BPA's portfolio will help ensure that we are not double-counting Momentum Savings. We plan to continue doing these types of portfolio reviews in the future, and will look to our external review process to ensure that these reviews are robust. The findings will be posted on our webpage when completed this fall.
- We are not finalizing the allocation methodology nor the reporting process with utilities until we have the workshop early next year and incorporate feedback.

Tacoma Power's comments expressed concerns around documentation, timing of reporting and an understanding of how the Department of Commerce will view Momentum Savings. In addition, Tacoma Power's technical staff has expressed significant concern that Momentum Savings baselines are different than the more up-to-date utility CPA baselines, a concern shared by BPA and the Council. BPA staff met with staff at Tacoma Power, and Tacoma Power's technical team has been providing feedback and review on BPA's work, which has been useful. BPA appreciates the critical review of this analysis.

In addition to the other action items:

- BPA plans to meet and share our work with the Department of Commerce.
- BPA is beginning engagement with the Washington State Auditor's Office to share concepts and the technical underpinning of Momentum Savings.
- Once a solution to the baseline differences has been developed and additional outreach has been conducted, BPA will work with stakeholders to discuss utility reporting timelines. It is currently too soon to commit to a timeline for reporting these savings to utilities.

Again, we appreciate the feedback and look forward to implementing follow up to continue these discussions.

In summary, we will do the following through December 31st:

- BPA will hold a webinar to define the problem of inconsistent baselines for regional stakeholders, and present some options to help increase regional consistency to mitigate this risk.
- BPA will reevaluate how to effectively communicate with all stakeholders.
- BPA will meet and share our work with the Department of Commerce and the Washington State Auditor's Office.
- BPA will share the findings from our portfolio review project to assess areas of savings overlap with other areas of BPA's portfolio.
- BPA will post for public comment and review our report on methods to quantify Momentum Savings.

From December 31st 2015 through April 30, 2016:

- BPA will hold a stakeholder workshop February 18th to provide information and an opportunity for feedback on Momentum Savings.
- BPA will revisit the allocation and reporting process after we have opportunities for engagement throughout the fall and at the stakeholder workshop.
 - Any reporting will reflect the need for transparency in baselines.
- BPA will release a plan for a formal external review process.