

New England States Committee on Electricity

To: ISO-NE
From: NESCOE
Date: January 14, 2013
Subject: Comment on 2013 Draft Energy Efficiency Forecast

The New England States Committee on Electricity (NESCOE) provides comment on the 2013 Draft Energy Efficiency Forecast. Implementation of an accurate energy efficiency forecast will ensure that New England's transmission planning process reflects ratepayers' significant investment in energy efficiency resources and the resulting reduction to New England's load. The data collected to inform the 2012 Energy Efficiency Forecast confirmed the states' significant investment in energy efficiency resources. Ratepayers have already seen a benefit resulting from the elimination, during the planning period, of the "need" for facilities estimated to cost \$265 million due to the incorporation of energy efficiency investment into the load forecast used in transmission planning. This experience confirms that it is imperative to reflect investment in energy efficiency and the corresponding reduction to load in analysis about the need for - and timing of - new transmission facilities.

The following comments reflect NESCOE's view regarding the forecast in its entirety. Individual states may, of course, submit comments on aspects of ISO-NE's forecast for that state, including comments on ISO-NE's subjective assumptions for that state.

As a threshold matter, NESCOE appreciates that ISO-NE, through the Energy Efficiency Forecast Working Group, continues to solicit regular formal input from the region's energy efficiency experts from state agencies and Energy Efficiency Program Administrators (Program Administrators). These discussions inform ISO-NE's understanding of energy efficiency programs, particularly with respect to future program dollar allocations, production costs, and peak to energy ratio of resources. NESCOE appreciates the Energy Efficiency Forecast Working Group's time and effort in providing

ISO-NE data.

This year, the data Program Administrators provided to ISO-NE to inform the draft 2013 forecast show relatively minor changes in the cost to produce a kwh of efficiency from 2009-2011. Additionally, a comparison between the 2012 and 2013 forecast projected production costs for 2021 shows a decrease in production costs for five out of six states.¹ However, ISO-NE's forecast methodology assumes production costs increase five (5) percent each year. ISO-NE's five percent escalation in costs is on top of an assumed two and a half percent increase per year due to inflation. Because ISO-NE's assumption causes each MW of savings to cost more, it decreases projected efficiency in 2022 by approximately 600 MW.

ISO-NE puts substantial time and effort into collecting and reviewing data from Program Administrators, and likewise Program Administrators and state regulatory staff commit substantial time and resources to comply with ISO-NE's data request. While it is reasonable for ISO-NE to account for uncertainty in the forecast, in the course of exercising its judgment in this regard, it would be helpful if ISO-NE (1) presented clearly the uncertainty factors it selects and (2) provided detailed basis for any adjustments ISO-NE makes to the forecast in those circumstances where ISO-NE decides to depart from the data Program Administrators have provided. As we move forward, the clear presentation of this information will help ensure states' and market participants' confidence in the adjustments ISO-NE believes to be necessary in furtherance of system reliability. Additionally, next year, based on two years' experience with the forecast, it will make sense to revisit ISO-NE's assumptions to be sure there is confidence that the assumptions are supported by the data and Program Administrators' experience.

We appreciate the time and resources ISO-NE has dedicated to ensure that investments in energy efficiency are reflected in the Regional System Plan and in transmission planning studies. The data and draft forecast demonstrate that investments in energy efficiency

¹ Draft 2013 Energy Efficiency Forecast presentation, November 14, 2012. "Comparison of EE Forecasts 2012-2013, Slide 16, Line 1 – Production Costs in 2021 (\$/MWh).

resources are significant and in some cases delay the time of need for ratepayer investment in new transmission facilities. For that reason, NESCOE fully supports ISO-NE's inclusion of the energy efficiency forecast in all studies and analyses where the load forecast is relevant to the transmission planning process. NESCOE will support this effort as it continues to evolve and offers its full cooperation to ensure its long-term success.