SEE Action Webinar:
Using Integrated Resource Planning (IRP) to Encourage Investment in Cost-Effective Energy Efficiency Measures

September 26, 2013

**Moderator:** Johanna Zetterberg, DOE

**Speakers:**
- Larry Mansueti, DOE
- John Shenot, Regulatory Assistance Project
- Michael Harrington & Ronny Sandoval, Consolidated Edison
About SEE Action

• Network of 200+ leaders and professionals, led by state and local policymakers, bringing energy efficiency to scale

• Support on energy efficiency policy and program decision making for:
  • Utility regulators, utilities and consumer advocates
  • Legislators, governors, mayors, county officials
  • Air and energy office directors, and others

• Facilitated by DOE and EPA; successor to the National Action Plan for Energy Efficiency

The SEE Action Network is active in the largest areas of challenge and opportunity to advance energy efficiency
Sign up for news alerts and explore 40+ guidance documents and other resources

The State and Local Energy Efficiency Action Network (SEE Action) is a state- and local-led effort facilitated by the U.S. Department of Energy and the U.S. Environmental Protection Agency to take energy efficiency to scale and achieve all cost-effective energy efficiency by 2020. SEE Action offers publications, events, and technical assistance to state and local decision makers as they provide low-cost, reliable energy to their communities through energy efficiency.

SEE Action Working Groups »

- Existing Commercial Buildings
- Industrial Energy Efficiency and Combined Heat and Power
- Customer Information and Behavior
- Evaluation, Measurement and Verification
- Building Energy Codes
- Driving Ratepayer-Funded Efficiency through Regulatory Policies
- Financing Solutions
- Residential Retrofit

Upcoming Events »


See all SEE Action events

Publications »
The Guide explains:

• The purpose and use of IRP
• Recommendations for successful IRP to encourage use of energy efficiency as an energy resource
• Alternatives to IRP in states with competitive retail markets
• Examples of successful IRP efforts
• How IRP interacts with other energy efficiency policies and programs

Working Group lead: Kit Kennedy, NRDC
Primary Author: John Shenot, RAP
## Driving Ratepayer-Funded Efficiency through Regulatory Policies
### Working Group Members

### Co-Chairs

**Jennifer Easler**  
Iowa Office of Consumer Advocate  
Commissioner co-chair  

**Vacant**  
Commissioner co-chair vacant

### Policymakers

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Ellie Friedman</td>
<td>Colorado Public Utilities Commission staff</td>
</tr>
<tr>
<td>Jennifer Hinman</td>
<td>Illinois Commerce Commission</td>
</tr>
<tr>
<td>Brian Rounds</td>
<td>South Dakota Public Utilities Commission</td>
</tr>
<tr>
<td>Marsha Smith</td>
<td>Idaho Public Utilities Commission</td>
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### Consumers

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<tr>
<th>Name</th>
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<tr>
<td>Bob Nelson</td>
<td>Montana Consumer Counsel</td>
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<tr>
<td>Wilson Gonzalez</td>
<td>Ohio Consumers’ Counsel</td>
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### Practitioners/Utilities

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<tr>
<th>Name</th>
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<tr>
<td>Janet Besser</td>
<td>Formerly of National Grid</td>
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<tr>
<td>Rebecca Craft</td>
<td>Con Edison</td>
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<tr>
<td>Dena DeLucca</td>
<td>New Hampshire Electric Cooperative</td>
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<tr>
<td>Jared Lawrence</td>
<td>Duke Energy</td>
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<tr>
<td>Anne-Marie Peracchio</td>
<td>New Jersey Natural Gas</td>
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<tr>
<td>Diane Munns</td>
<td>MidAmerican Energy</td>
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<tr>
<td>Sheldon Switzer</td>
<td>Baltimore Gas and Electric</td>
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### Non-Government Organizations

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<tr>
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<tbody>
<tr>
<td>Kit Kennedy</td>
<td>Natural Resources Defense Council</td>
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<tr>
<td>Derek Murrow</td>
<td>Environment Northeast</td>
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<tr>
<td>Steve Nadel</td>
<td>American Council for an Energy-Efficient Economy</td>
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<tr>
<td>John Sibley</td>
<td>Southface</td>
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<td>Lisa Wood</td>
<td>Institute for Electric Efficiency</td>
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### Observing Coordination Organizations

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<tr>
<th>Name</th>
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<tr>
<td>Jeff Genzer</td>
<td>National Association of State Energy Officials</td>
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<td>Don Gilligan</td>
<td>National Association of Energy Service Companies</td>
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<tr>
<td>Keith Dennis</td>
<td>National Rural Electric Cooperative Association</td>
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<tr>
<td>Miles Keogh</td>
<td>National Association of Regulatory Utility Commissioners</td>
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<tr>
<td>Elizabeth Noll</td>
<td>American Gas Association</td>
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<tr>
<td>Rick Tempchin</td>
<td>Edison Electric Institute</td>
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<tr>
<td>Aliza Wasserman</td>
<td>National Governors Association</td>
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### Working Group Advisors

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<th>Name</th>
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<tr>
<td>Rich Sedano, Janine Migden-Ostrander</td>
<td>Regulatory Assistance Project</td>
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<tr>
<td>Tim Woolf</td>
<td>Synapse Energy Economics, Inc.</td>
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</table>
Purpose and Use of IRP

• Purpose: identify the mix of supply-side & demand-side resources that will minimize future energy system costs while ensuring safe & reliable system operation

• In most cases, an IRP is developed by a utility based on the needs of its service territory
  – Common for electric utilities
  – Much less common or gas utilities

• In some states, utilities are required to file IRPs with the public utility commission (PUC)
  – Serves as blueprint for future resource acquisitions
  – Filing may or may not be subject to PUC approval
Alternatives to IRP in Competitive Retail Markets

- In retail choice states, customer chooses electricity supplier
- Distribution utility is responsible for *delivery* of electricity to all customers, and (except in Texas) for “default” service
- Comprehensive IRP not appropriate for the more limited role of these utilities, but “integrated” approach can still add value to:
  - Portfolio Management for default service
  - T&D planning

Source: U.S. Energy Information Administration
How IRP Can Promote Energy Efficiency (EE)

Data Source: EIA, Annual Energy Outlook, 2013
1. Credible load forecasts
2. Credible information about costs and availability of resources
3. Fair and equal consideration of all resources
1. **Load**: model a range of possible load forecasts, not just the “reference case”

2. **Generation Resources**: model a range of possible costs for each supply-side technology, considering uncertainties

3. **T&D Resources**: consider new transmission lines as a possible resource, but also consider distribution system improvements as a way to reduce line losses and reduce the need for generation
Best Practices in IRP (continued)

4. **EE and other Demand-Side Resources**: create levelized cost curves and allow the model to choose optimum investment level

5. **Environmental Regulations**: Consider the compliance costs associated with a range of possible future regulations
6. **Modeling**: evaluate cost *and risk* of multiple portfolios under a wide range of future scenarios; choose a “robust” portfolio

7. **Stakeholder Participation**: provide opportunities for consumer advocates and other stakeholders to review the modeling assumptions and the list of scenarios to be modeled and suggest changes or additions; also provide them the chance to review modeling results before the IRP is finalized

8. **Scale**: acknowledge the existence of regional electricity grid and model at a regional scale, if feasible
Examples of State Regulations and Recent Utility Plans
by
Rachel Wilson
Bruce Biewald

Synapse
Energy Economics, Inc.

June 2013

Available at http://www.raponline.org/document/download/id/6608
Examples of Best Practices

• From SEE Action Report:
  - Northwest Power and Conservation Council for Bonneville Power Administration (4 states)
  - PacifiCorp (6 states)
  - Con Edison (NY)

• Additional from Synapse Report for RAP:
  - Arizona Public Service (AZ)
  - Public Service Company of Colorado/Xcel (CO)
About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raponline.org

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Integrated Resource Planning & Targeted DSM

Michael Harrington
Ronny Sandoval
Energy Efficiency and Demand Management Programs
Agenda

• Current Landscape & Evolution
• Integration of DSM into System Planning
• Targeted DSM Deep Dive
Con Edison – The Landscape

- 70,000 people/sq. mile
- 2000 MW/sq. mile
- 660 sq. mile service territory
- 133,000 miles of T&D cable (over 96,000 miles are underground)
- 13,825 people/sq. mile
- 20 MW/sq. mile
- 3.3 million electric, 1.1 million gas, and 1,700 steam accounts; serve about 9 million people
- Over 650,000,000 sq. ft. of office space
- 462,000 businesses
- 900,000 residential buildings
- 58 billion kWh of electric consumption
Capturing Value from Energy Efficiency

<table>
<thead>
<tr>
<th>Energy Savings</th>
<th>T&amp;D Savings</th>
<th>Line Loss Savings</th>
<th>Capacity Savings</th>
<th>Environmental Benefits</th>
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<tr>
<td><img src="image1" alt="Energy Savings Image" /></td>
<td><img src="image2" alt="T&amp;D Savings Image" /></td>
<td><img src="image3" alt="Line Loss Savings Image" /></td>
<td><img src="image4" alt="Capacity Savings Image" /></td>
<td><img src="image5" alt="Environmental Benefits Image" /></td>
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The Electric System - Restructured

Generating Station (electricity generated at 13.8 to 22.0 kV)

Transformers (voltage stepped up to transmission voltage)

Transmission Substation (voltage stepped down to distribution voltage)

Area Substation (voltage stepped down to 480, 208, or 120 V)

Transmission

Distribution

Feeders

Network Customers (residential, commercial, industrial, hospitals, schools, and street and traffic lights)

Connection To Others

NYISO

Con Edison

Radial Customers
Evolution...

- **2000**
  - Market Restructured
  - Generation assets divested
  - Transmission assets under NYISO
  - Con Edison distribution only

- **2002-2004**
  - Targeted DSM Program begins
  - Demand Response programs begin

- **2005-2008**
  - Targeted DSM contracts for cap ex deferrals

- **2009-2010**
  - EEPS Programs begin

- **2011-**
  - Conservation Voltage Optimization
  - 3G system design
  - Portfolio approach
  - Load Shaping
  - Fuel Switching
  - Targeted Steam Projects
Integration of DSM into System Planning
Evolution of DSM Integration

- 2004: Targeted DSM
- 2008: System Wide DSM
- 2009: NYSERDA System Wide DSM
- 2010: NYPAD DSM Projects
- 2011: Demand Response
Planning Process and Internal Stakeholders

- Demand Side Management (EE + DR)
- Distributed Generation
- Peak Load Forecast

Flow:
- Peak Load Forecast → Peak Load Forecast w/ DSM & DG → Potential DSM Projects

Subprojects:
- Area Substation Planning
- Transmission Planning
- Regional Distribution Planning
- Central Engineering

Related Areas:
- Transmission Planning
- Central Engineering

Legend:
- Green shapes represent stakeholder roles and project areas.
Long-Term Impact of DSM

ConEd - 10-year growth without DSM = 1.6%

ConEd - 10-year growth with DSM = 1.2%

growth = CAGR
Example: Ten Year Peak Load Forecast
Substation “A”

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<tr>
<td>Less DSM</td>
<td>(1)</td>
<td>(3)</td>
<td>(5)</td>
<td>(7)</td>
<td>(9)</td>
<td>(10)</td>
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- Without DSM: demand is expected to exceed capacity by 2014
  - Capital investment needed to expand capacity.
  - Depending on the engineering solution, several years of lead time may be needed
  - Procurement/construction may start long before the impacts of EE are apparent.

- With DSM in forecast: project is deferred until 2018
Forecasting Approach: Overview

• Allocate expected energy savings to networks for each program
  – Con Edison has 91 networks/load areas, each with differing customer composition
  – Challenge is to estimate the geographic distribution of program participants by network (relative market penetration)

• Convert expected energy savings to coincident demand reductions
  – Program goals are expressed in energy—not demand—savings
  – Programs measures have differing load curves; networks peak at differing times

• Account for the variability of real outcomes (distribution uncertainty)
  – Grid reliability requires that the variance of the geographic distribution be estimated
Converting to Demand Reductions

- Generated 8760 load curves by program using Cadmus Portfolio Pro
  - Same tool used to design the programs
  - Sampled curves at each network’s peaking hour to convert to demand
Impact & Results

• DSM has proven to be a viable load relief option for system planning
  – Contributed to capital investment deferrals and reductions

• Improvements in the accuracy of forecasts has enhanced the way engineers view DSM

• Increased DSM awareness and its importance in system planning
Targeted Demand Side Management (DSM) Program
Targeted DSM: History & Background

• Con Edison’s “Targeted DSM” program has used EE proactively to reduce demand on specific circuits since 2004

• Contracted demand reductions in targeted networks included in 10 year peak load forecast, but...
  – No geographic uncertainty (ESCOs credited only for projects in targeted networks)
  – No coincidence uncertainty (ESCOs only allowed to include measures that would reduce consumption during the relevant network peak)
  – Only risk is ESCO non-performance: mitigated contractually via liquidated damage provisions that offset the costs of handling last minute capacity shortfalls
The Targeted DSM program created significant benefits for our customers

- Phases 1-4 achieved **108 MW** of demand reductions and **281 GWh** of annual energy savings
- The program created **$531M** in total customer benefits, including **$253M** in avoided T&D capital, on **$162M** in total costs. Achieved a **3.3** benefit-to-cost ratio.*
Targeted DSM: How It Works

• System planning identifies future network shortfalls (capacity – forecast)

• EE Department issues RFP for required DSM delivery schedule

• Markets (ESCOs) respond with bids
  – Markets determine the optimal portfolio of measures (EE, DG, etc.)

• Economic bids selected and contracted
  – DSM bids compared to project costs on a Total Resource Cost (TRC) basis
  – Project planning stops if DSM solution is selected

• Firm contracts and strict M&V ensure load reductions
  – Rigorous M&V regime to be certain of load reductions (100% pre- and post-)
  – Liquidated damage clauses motivate ESCOs and protect utility and customers
Targeted DSM: How It Works

- **EE**: Distribution
  - kW scale reductions for secondary load relief

- **DR**: Area Station
  - Firm contract MW reductions for A/S load relief

- **DG**:
Targeted DSM: Example Project

Project: Install 3<sup>rd</sup> transformer and 138 kV supply feeder
Cost: $29 million
Deferral: 2007 to 2010

<table>
<thead>
<tr>
<th>Shortfall (MW)*</th>
<th>May 1 2006</th>
<th>May 1 2007</th>
<th>May 1 2008</th>
<th>May 1 2009</th>
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<td>Achieved (Cumulative)</td>
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<td>4</td>
<td>8</td>
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RFP: Sept 2005
Contract: Nov 2005 – May 2010
Savings: $44 million ($13.5 T&D savings)
TRC: 2.6 (benefit/cost)

* Shortfalls, contracted, and achieved MW are as of May 1<sup>st</sup> each year (prior to the need each summer period)
Targeted DSM: Program Features

• Vendors fully responsible for all marketing and implementation
  – Con Edison did not initially lend its brand, but eventually did with success

• Rigorous M&V regime to assure real peak load reduction
  – 100% verification of existing and replacement equipment

• Security and Liquidated Damages
  – Upfront security & large financial penalties on ESCOs for missing goals
  – Proved important to driving ESCO performance

• Measures limited to those that reduced peak load
  – Fuel switching and DG allowed; residential and commercial peak differently
  – Mistake was to not applying coincidence factors in program design

• Physical Assurance for DG (but no projects actually done)
Targeted MW reductions came primarily from residential and commercial lighting.

69,100 Total Customers Served, 16,000 Commercial (51% of MW), 53,100 Residential (49% of MW)

Other eligible measures: Distributed Generation (e.g. Solar, CoGen), electric-to-steam/gas conversion, thermal storage, alt. fuel/heat pump water heaters
Targeted DSM: Key Takeaways

• Formal coordination and communication with engineering and planning groups are essential
• Strong vendor management and contracts are key
• Need flexibility to review and adjust/modify/terminate contracts based on changing load relief needs
• Plan for coordination and communication with other DSM programs and company initiatives
• Utility branding and direct support makes a difference
Targeted DSM: Next Steps

- New $100 million Targeted DSM Program
- Adjusting program model and strategy based on delayed load relief needs at substation level (5+ years out)
- Looking at opportunities to leverage other existing EE and DR programs for targeted purposes
- Reviewing opportunities and challenges of extending the targeted DSM model to primary and secondary distribution
- Reviewing new, innovative technologies for potential targeted projects (e.g. storage, DG)
- DSM / DR / DG Market Research Project
More Information

“Planning for Efficiency”, Public Utilities Fortnightly, August 2011

“Con Edison’s Targeted Demand Side Management Program: Replacing Distribution Infrastructure with Load Reduction”, ACEEE 2010
Questions?

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