Comments of the Natural Resources Defense Council (NRDC) on Energy Efficiency and Forecasting

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I. Introduction and Summary

The Natural Resources Defense Council (NRDC) appreciates the opportunity to offer these post-workshop comments on the issues identified and discussed at the California Energy Commission (CEC or Energy Commission) Integrated Energy Policy Report (IEPR) Committee Workshop on *Improved Efficiency Measurement and Attribution in Energy Demand Forecasts* on August 12, 2008. NRDC is a nonprofit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand. We focus on representing our more than 124,000 California members' interest in receiving affordable energy services and reducing the environmental impact of California's energy consumption.

NRDC commends the Energy Commission staff for holding this workshop to (1) increase consistency across energy efficiency concepts and vocabulary used by various agencies and studies, (2) discuss the current considerations used by forecasters when modeling energy efficiency programs, (3) identify potential impacts and strategies to improve attribution of savings, and (4) outline the Energy Commission's staff plan to improve conservation quantification for the 2009 IEPR. As stated by numerous parties at the workshop, delineating the amount of energy efficiency currently embedded in the Demand Forecast will allow for more accurate and consistent modeling of energy efficiency in the various planning processes that are either currently underway or planned throughout the state. We appreciate staff's hard work on these efforts and generally support the proposed workplan put forth at the August 12, 2008 workshop. We offer the following comments summarized below.

Summary of Recommendations:

- NRDC supports the formation of a working group to address the stated issues and recommends that the Commission continue to involve the publicly-owned utilities (POUs) and reach out to the California Air Resources Board (CARB) as well as other modelers who are involved in the various state processes.

- NRDC recommends that the working group first focus on the uses and needs of the demand forecast and modify the current forecast accordingly.

- NRDC encourages parties to support the CEC in efforts to clarify the amount of embedded energy efficiency in the demand forecast.

- NRDC recommends a few modifications or clarifications to Itron's initial effort to make the related terms and concepts consistent.

II. Discussion

a. NRDC supports the formation of a working group to address the stated issues and recommends that the Commission continue to involve the publicly-owned utilities (POUs) and reach out to the California Air Resources Board (CARB) as well as other modelers who are involved in the various state processes.

As noted throughout the workshop, identifying the key uses and issues relating to the demand forecast requires a wide array of key stakeholders. We were pleased to see the variety of investor-owned and publicly-owned utilities participating in the technical panel and urge the CEC to continue collaborating with the utilities and the California Public Utilities Commission (CPUC) and also expand collaboration efforts to include additional stakeholders. NRDC further supports the Division of Ratepayer Advocates (DRA) recommendation to form a working group to address the identified challenges in a coordinated manner and recommends that the CARB be an active participant in this effort. In addition, we recommend that the CEC also reach out to additional modelers who are currently involved in key state planning processes that utilize the demand forecast.

b. NRDC recommends that the working group first focus on the uses and needs of the demand forecast and modify the current forecast accordingly.

NRDC agrees with the various participants at the workshop who noted that each stakeholder would use the clarification of the various energy efficiency attributes (both

for electricity and natural gas) differently for their respective analyses. NRDC further supports the comments at the workshop that increasing the accuracy of savings attributable to different market/program effects is imperative to obtain a more useful and effective demand forecast. In particular, the investor-owned utilities (IOUs) noted that they would use such knowledge to more accurately account for their savings goals while the Sacramento Municipal Utility District mentioned that a clearer understanding of the attributes would help them better design effective energy efficiency programs. Furthermore, CARB would utilize the information to set more targeted greenhouse gas emission reductions goals.

NRDC therefore recommends that the working group first focus on prioritizing the various electricity and natural gas efficiency attributes that require clarification as well as how the information will be used by the various stakeholders *prior* to modifying the demand forecast model. This will ensure that any adjustments to the model will be more effective as changes would be based on a thorough understanding of how the different stakeholders utilize the demand forecast.

c. NRDC encourages parties to support the CEC in efforts to clarify the amount of embedded energy efficiency in the demand forecast.

NRDC commends the California Public Utilities Commission (CPUC) for supporting the efforts of the Energy Commission to delineate the amount of embedded energy efficiency in the demand forecast. As this issue applies to a wide range of participants and affects multiple California agencies, NRDC encourages additional parties to participate and support the Energy Commission in this endeavor.

d. NRDC recommends the following modifications or clarifications to Itron's initial effort to make the related terms and concepts consistent.

NRDC greatly appreciates Itron's efforts to clarify the various terms that are currently used slightly differently by numerous parties. We support the suggestions voiced at the workshop and offer the following recommendations for further clarity:

- Include additional commonly used terms such as free driver, participant spillover, and non-participant spillover

- Add alternate terms for those included in the document (e.g. as done for the 'naturally occurring' term, include 'resource' in parenthesis for 'direct' and 'non-resource' for 'induced')

- Further clarify the difference between the CPUC and CEC use of the term 'uncommitted' savings.

- Include contextual examples whenever possible similar to those examples included under 'savings from market effects' (e.g. what is a 'naturally occurring' effect?)

- Describe how a term will be put into practice when possible (e.g. what is the common approach to determining a 'frozen efficiency forecast'?)

- Include assumptions whenever possible (e.g. is there a common set of assumptions addressing variables, such as measure re-adoption rate, that is used when calculating 'cumulative savings?')

- Assign the variations of 'potential' terms used in potential studies and across policy proceedings to those identified by Itron (e.g. all-cost effective energy efficiency falls under which type of potential? Which type of potential do the additional terms included by Itron relate to?)

Furthermore, NRDC agrees with Itron's distinction between 'conservation' and 'energy efficiency' and encourages the Commission to use the term 'energy efficiency' when referring to delineating the amount of energy efficiency embedded in the demand forecast.

III. Conclusion

Thank you for the opportunity to comment on these important issues. NRDC looks forward to participating in future workshops and related tasks to support the Energy Commission in this important effort.