



Energy Efficiency Stakeholder Meeting Program Administration

**Trenton War Memorial
Delaware Room
Trenton, NJ 08608**

September 25, 2019
10:00 am – 12:30 pm



AGENDA



- **Welcome & Overview** (Kelly Mooij, Deputy Director, NJ Board of Public Utilities)
- **Opening Remarks** (Joseph L. Fiordaliso, President, NJ Board of Public Utilities)
- **History & Governance** (Sherri Jones, Assistant Director, NJ Board of Public Utilities)
- **American Council for Energy-Efficient Economy Presentation** (Rachel Gold, Senior Manager, Utility Program, ACEEE)
- **Panel Discussion**
- **Questions & Answers** (From Audience to Panelists)
- **Closing Remarks** (Sherri Jones, Assistant Director, NJ Board of Public Utilities)





OBJECTIVES

- Ensure that stakeholders understand the EE transition process, including how you can contribute to decision-making
- Create an opportunity to raise diverse perspectives on Program Administration



CLEAN ENERGY ACT

In 2018, Governor Murphy signed the Clean Energy Act, taking a significant step to establish New Jersey's leadership in the clean energy economy.

The Act requires BPU to:

- Adopt electric and gas energy efficiency programs that reduce electricity and natural gas usage in the state. N.J.S.A. 48:3-87(g) and (h);
- Require that all each electric and gas public utility reduce the use of electricity and natural gas. N.J.S.A. 48:3-87.9(a);
 - Each electric public utility must achieve annual reductions of 2% of average annual usage in the prior three years within five years of implementation of programs.
 - Each natural gas public utility must achieve annual reductions of 0.75% average annual natural gas usage in the prior three years within five years of implementation of programs.
- Complete a study to determine the energy savings targets for full economic, cost-effective potential for electricity and gas usage reduction as well as potential for peak demand reduction. N.J.S.A. 48:3-87.9(c);
- Adopt quantitative performance indicators for each electric and gas utility with reasonably achievable targets for energy usage and peak demand reductions. N.J.S.A. 48:3-87.9(c);
- Establish a stakeholder process to evaluate the economically achievable energy efficiency and peak demand reduction requirements, rate adjustments, quantitative performance indicators, and the process for evaluating, measuring, and verifying energy usage reductions and peak demand reductions. N.J.S.A. 48:3-87.9(f); and
- Establish an independent advisory group to study the evaluation, measurement, and verification process for the reduction programs and provide recommendations to the Board for improvements to the programs. N.J.S.A. 48:3-87.9(g).





CLEAN ENERGY ACT

Continued

The Act requires each electric and gas public utility to:

- Establish energy efficiency programs and peak demand reduction programs, which must have a benefit-to-cost ratio greater than or equal to 1.0 at the portfolio level;
 - File with the BPU implementation and reporting plans as well as evaluation, measurement, and verification strategies;
 - File an annual petition with the BPU to demonstrate compliance with the energy efficiency and peak demand reduction programs, compliance with the targets established pursuant to the quantitative performance indicators, and for cost recovery of the programs;
 - Conduct a demographic analysis to determine if all of its customers are able to participate fully in implementing energy efficiency measures, to identify market barriers that prevent such participation, and to make recommendations for measures to overcome such barriers.
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- If an electric or gas public utility achieves the performance targets, the public utility shall receive an incentive as determined by the Board; and
 - If an electric or gas public utility fails to achieve the reductions in its performance target, the utility shall be assessed a penalty as determined by the Board.





PROCESS

- Public engagement will be a critical part of program development.
- Next round in public stakeholder following up on the prior stakeholder meetings.
- Staff expects to provide at least five future stakeholder meetings on topics that may include but are not limited to: program structure; administration and oversight; funding and budget; cost recovery; performance incentives and penalties; application of utility targets and utility specific quantitative performance indicators (QPIs); demographic analysis; cost benefit analysis and evaluation, measurement, and verification (EM&V); filing and reporting requirements; and peak demand response.
- Staff will further utilize expertise provided by consultants, experts, and the Clean Energy Act required Energy Efficiency Advisory Group (EEAG).



PROPOSED TIMELINE

- Fall 2019-Spring 2020
 - EEAG and stakeholder meetings
- Spring 2020
 - Board directs utility filings
- Summer 2020:
 - › Utility EE filings due to BPU
- Winter/Spring 2021:
 - › BPU completes review of utility filings
- July 1, 2021:
 - › New EE programs begin



HISTORY

Phase 1: Individual Investor Owned Utility (IOU) programs

- New Jersey had Demand Side Management (DSM) EE Programs since the 1980's - established after the 1973 oil embargo and the 1978 National Energy Conservation Policy Act
- 1999 Electric Discount and Energy Competition Act (EDECA) enacted
 - Requires the development of EE and Class I RE program
 - Establishes statewide Societal Benefits Charge (SBC) to fund EE and RE programs
 - Must provide environmental benefits over and above the existing DSM - Standard Offer programs
 - » Must consider market barrier, environmental benefits, market transformation, lost opportunities, reducing cost for low-income families, and reducing subsidies
- 2001 Board issues first EE and RE Order
 - Electric and natural gas IOU manage programs called the Collaborative – under the Comprehensive Resource Analysis Program.
- Funding set first 4 years (2001 to 2004) at \$115 million to \$124 million at 75% for EE and 25% for RE



HISTORY

Phase 2: Statewide State Program

- 2002 Davies Associates Report on Program Administration - recommends IOUs retain EE program administration and NJBPU manage RE programs
- 2003 NJBPU establishes New Jersey Clean Energy Council to advise NJBPU
 - › Clean Energy Council recommends NJBPU administer EE & RE programs
 - › Name changes to New Jersey's Clean Energy Program
- 2004 Board determines IOUs cannot bid on NJCEP program management because it is a competitive service
- 2005/6 Treasury issues NJCEP program management RFP
- 2006 to 2012 Solar transition to SREC
- 2008 EMP – Emphasis on EE and RE, balanced by reasonable rates



HISTORY

Phase 3: Statewide State Program & Individual IOU Programs

- 2008 EDECA is amended to allow the IOUs to file and for the Board to approve utility EE and Class I RE programs
- 2010 Based on 2008 EMP, proceeding are initiated to transition NJCEP administration and establish financing programs for EE and RE
- 2010 to present IOUs file extensions of existing and new EE programs

Phase 4

- Clean Energy Act of 2018:
 - › Requires electric IOUs to achieve at a minimum 2% annual electric usage reduction and the natural gas IOUs to achieve a 0.75% annual natural gas usage reduction
- 2019 EMP Goals– 100% clean energy and 80% reduction in GHG emissions by 2050



GOVERNANCE & ADMINISTRATION

- *Aligning Goals*
- *Understanding Options*
- *Finding Best Practices*
- *Statewide Consistency*
- *Managing Costs*
- *Equitable Access*



Principles for New Jersey's Energy Efficiency Transition

September Stakeholder Meeting

Rachel Gold, Utilities Program Senior Manager

September 25, 2019

Proposed Principles for Energy Efficiency Administration

All Programs Should...

Have goals for all obligated entities that roll up to statewide efforts

Why?

- Need for clarity on which entities need to achieve which savings targets
- Ensure that total savings meet CEA requirements
- States without this clarity have not been successful in meeting overall goals

All Programs Should...

Be regularly, transparently, and independently evaluated and improved based on those evaluations

Why?

- Ensure savings impacts are verified
- Maintain effective and cost-effective programs
- Best practices: regular intervals, transparency in process/results, how results are used, independence of evaluators

All Programs Should...

Operate in coordination or collaboration across obligated entities, as appropriate

Why?

- Ensure programs leverage comparative advantages of all participants
- Avoid marketplace (trade ally, customer) confusion
- Avoid duplicative program expenses

All Programs Should...

Have feedback mechanisms for staff, contractors, trade allies, and customers

Why?

- Avenues to voice concerns and address issues as they arise
- Ability to respond to changes in market dynamics

All Programs Should...

Have transparent and clear rules for market participants

Why?

- Create regulatory certainty to avoid undue market confusion
- Enable successful transitions in response to policy guidance

All Programs Should...

Have the contracting resources, authority, financial resources, training, and data required

Why?

- Sufficient resources critical to EE policy success
- Need organizational authority and motivation to make decisions for programs
- EE program administration requires specialized skills (e.g., finance, marketing) and data (e.g., usage, customer segmentation) for success

All Programs Should...

1. Have goals for all obligated entities that roll up to statewide efforts
2. Be regularly, transparently, and independently evaluated and improved based on those evaluations
3. Operate in coordination or collaboration across obligated entities, as appropriate
4. Have feedback mechanisms for staff, contractors, trade allies, and customers
5. Have transparent and clear rules for market participants
6. Have contracting resources, authority, financial resources, training, and data required

Key Questions to Consider:

Program structure, administration, and oversight

Key Questions for Program Administration

1. **HOW:** Are the programs delivered statewide? If so, is that in branding, offerings, or other program design features?
2. **WHO:** Who delivers the programs to meet savings goals? E.g. by utilities or state program?
3. **WHO:** Who is responsible for each of the roles in program admin, structure and oversight:
 - Administration and coordination?
 - Portfolio development?
 - Budgeting?
 - Impact, process, market evaluations?



PANEL DISCUSSIONS

- **Anne-Marie Peracchio**, Director Conservation and Clean Energy, New Jersey Natural Gas
- **Adam Procell**, President, Lime Energy Co.
- **Peter Rose**, Director, Isles, Inc.
- **Bob Mulcahy**, Vice President of Facilities, Hackensack Meridian Health
- **Rachel Gold**, ACEEE – Summary of Discussion



KEY QUESTIONS

- Which types of programs and market supporting activities are best delivered by which entities?
- Which programs and activities require statewide consistency, and for what (brand, pricing, etc.)?
- What elements of existing program delivery in New Jersey are important to maintain in this transition?
- Where do you see duplicative administration costs in programs now? Where are you concerned they might emerge in the transition?
- What program administration structures best support delivering equitable access and outcomes for all ratepayers?
- How should programs be delivered in order to maximize the energy efficiency opportunities and encourage deeper energy savings, while minimizing costs to consumers and ratepayers?



QUESTIONS & ANSWERS





THANK YOU

Comments may be submitted electronically to EnergyEfficiency@bpu.nj.gov on or before Friday, October 4, 2019.

