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August 4, 2020

MEMORANDUM

TO: Power Committee

FROM: Energy Efficiency Team

SUBJECT: Initial 2021 Power Plan Conservation Target Framework

BACKGROUND:

Presenter: Jennifer Light

Summary: Council staff is exploring opportunities to refine the conservation target in the 2021 Power Plan. Staff developed an initial framework that outlines a path of developing two targets—a regional target and a Bonneville specific one. Additionally, the framework outlines likely inputs and considerations that Council may want to weigh when developing the target. Throughout development, staff has worked with Bonneville staff to understand their goals, needs, and challenges in an attempt to reflect those in the framework considerations. Staff has also initiated discussions with other key stakeholders and is planning a dedicated discussion with the CRAC at its next meeting on September 30.

Staff shared an initial framework with the Power Committee and the CRAC on July 17. Stakeholder discussions over the past two weeks have further refined staff's thinking around the framework. At our August Council meeting, staff plans to discuss this initial framework and get early member feedback. Staff is specifically interested in any additional considerations or areas where the members are interested in specific advisory committee input. This feedback will be used to develop another draft of the framework that staff will share with the CRAC in advance of their next meeting. Staff anticipates this to be the start of an ongoing discussion with

the Power Committee as results become available to inform the eventual plan findings.

Relevance: The Council is in the process of developing its 2021 Regional Power Plan. Per the Power Act, as part of this and any plan, the Council must give priority to cost-effective conservation measures (Section 4(e)(1)) and include in the plan “an energy conservation program to be implemented under this Act” by Bonneville, and “set forth a general scheme for implementing conservation measures and developing resources ... to reduce or meet the Administrator’s obligations....” (Sections 4(e)(2), 4(e)(3)(A)). Bonneville in turn shall acquire conservation resources and implement all conservation measures as Bonneville determines to be consistent with the plan, and make use of its authorities to the maximum extent practicable to acquire conservation and implement conservation measures, in order to effectuate the priority given to conservation under the Act. (Sections 6(a)(1), 6(e)(1)).

This framework provides a starting place for informing conversations around the development of the conservation program in the 2021 Power Plan.

Workplan: A.2. Develop the 2021 Power Plan, Conservation

Background: For the 2021 Power Plan, the Council will need to develop a conservation program to be implemented. The Council has a lot flexibility in the form of this program, and it has used that flexibility to develop different approaches to meeting the Act requirements over the previous seven power plans. For the 2021 Power Plan, staff is proposing a framework that seeks to provide greater clarity than the Seventh Plan while acquiring all cost-effective conservation and continuing to allow for flexibility in implementation.

Staff is proposing a framework with two targets:

- 1) Regional target in average megawatts representing all cost-effective energy efficiency for the region as identified in the preferred resource strategy.
- 2) Bonneville target in average megawatts representing all cost-effective energy efficiency for Bonneville in support of the preferred resource strategy. Staff further is proposing that this target, at a minimum, include a programmatic-specific component in average megawatts.

In developing the specific target amounts, the Council will need to weigh a variety of considerations. These include, but are not limited to:

- **Form of the Target:** In addition to defining the resource need in terms of average megawatts, the Council may want to provide additional guidance around pace, funding, and other attributes (e.g. demand). Another consideration is whether to develop a point target, as was done in the Seventh Plan, or a range.

- **Definition of Implementation Approach:** There appears to be broad recognition that defining program savings as at least a part of the target has benefits in focusing on efficiency that is in Bonneville's and its customers' control. Should the Council choose to develop a target focused on a specific implementation approach, like programmatic savings, it raises considerations around how to recognize and incorporate other savings mechanisms, such as NEEA savings.
- **Guidance to Address Risks:** The many years of implementing conservation have revealed risk areas that potentially impact the acquisition of all cost-effective energy efficiency. The Council may want to consider providing guidance that aims to minimize some of these risks, while ensuring sufficient flexibility for successful implementation.

Initial Framework for 2021 Efficiency Target

Power Committee

August 11, 2020



THE 2021
NORTHWEST
POWER PLAN
FOR A SECURE & AFFORDABLE
ENERGY FUTURE

Background

- The Draft 2021 Power Plan must include a conservation program for implementation
- Until we have modeling results, it's too early to discuss the values for the target(s), but we can start framing the considerations
- Based on past plans, the Council has a wide range of options for the level of specificity in setting the targets
- Staff have developed a draft framework and considerations to inform the target and related recommendations



Goal of Today's Discussion

Share early thinking on a framework for developing a conservation target and get initial feedback regarding framing and considerations

Not seeking decisions today, but feedback to refine

- Framework likely to benefit from additional robust discussion with stakeholders
 - Initial feedback from some
 - CRAC meeting scheduled for September 30 for more
- Results will be needed to inform specific recommendations within the framework



It's a Long and Winding Road



2021:
There's a
plan!

2019 + 2020 (Especially Q2 2020): Conversations with BPA staff to understand their perspectives to inform our thinking



Today!

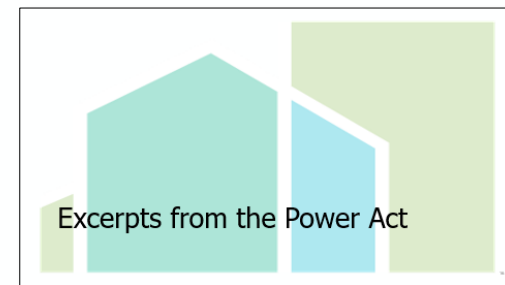
October-December+:
Continue the conversation with the Power Committee as results come in to inform recommendations

July 2020: Developed an initial draft framework to share with Power Committee and CRAC; started soliciting feedback

August-September 2020:
Refine the framework based on early feedback and discuss with CRAC on 9/30

Seventh Plan: Implementation challenges highlighted potential alternative approaches for the 2021 Plan

Power Act Requirements



- Council shall develop a **regional power plan** (Section 4(d)(1)) that shall :
 - Give priority to **cost-effective** resources, with **conservation** being the first resource (Section (4)(e)(1))
 - Include an conservation program to be implemented (Section 4(e)(3)(A))
 - Set forth a general scheme for implementing conservation to reduce or meet the Administrator’s obligations with **due consideration** for environmental quality, **compatibility with regional system**, fish and wildlife, and other criteria (Section 4(e)(2))
 - Include **model conservation standards** and surcharge methodology
- Bonneville shall:
 - **Acquire conservation** resources and implement **all measures** that the Administrator determines to be **consistent with the plan** (Section 6(a)(1))
 - Make use of authorities to the **maximum extent practicable** to acquire conservation in order to effectuate the priority given to conservation (Section 6(e)(1))
 - Aid customers and governments in the **implementation of MCS** (Section 6(a)(1)(C))

Proposed Objectives for Target Development

- Acknowledge cost-effective energy efficiency is a *priority resource* that requires long-term planning and consistent effort to realize value
- Recognize the Council's and Bonneville's respective roles around developing a plan and acquiring resources consistent with the plan
- Improve clarity among Council, Bonneville, and stakeholders around the EE target and tracking against that
- Maintain flexibility in implementation approaches, recognizing Bonneville's and other's expertise
- Ensure support for non-programmatic activities that enable cost-effective energy efficiency acquisition (ex: NEEA and market research)



Proposed Framework: Two Targets



Regional Target:

Represents all cost-effective energy efficiency for the region identified in the preferred resource strategy



Bonneville Target:

Represents all cost-effective energy efficiency for Bonneville in support of the preferred strategy

Plus the
Model
Conservation
Standards



Establishing a Regional Target

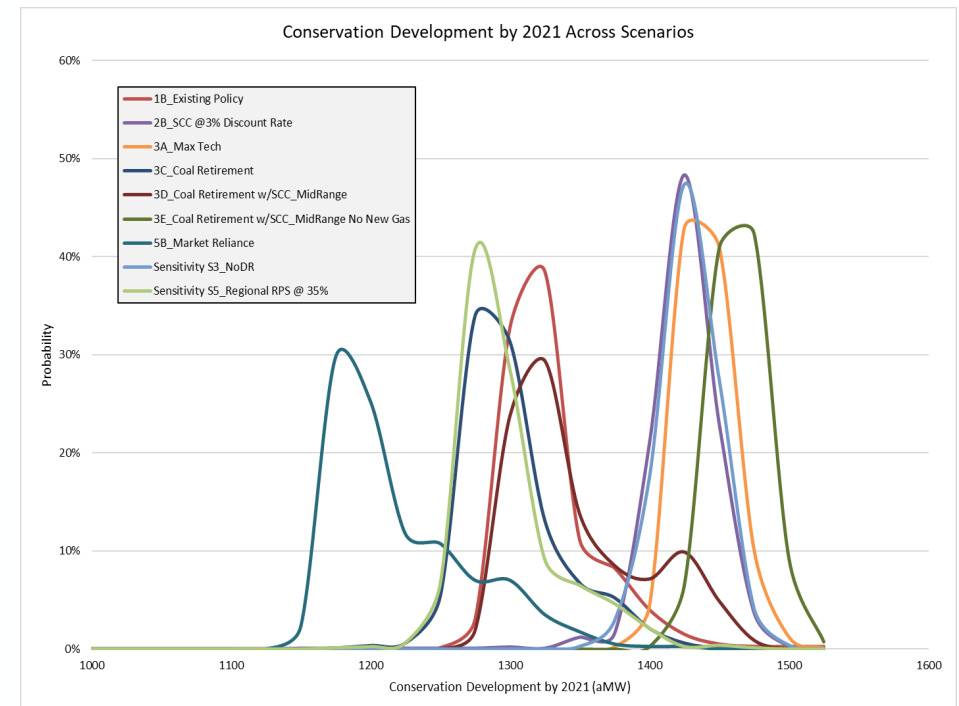


- Determines the amount of cost-effective energy efficiency based on the preferred resource strategy
- Includes all cost-effective energy efficiency regardless of implementation mechanism
- Informed by all scenarios, weighing the findings around costs and risks and policy goals



Key consideration: What role should conservation play in meeting resource needs and addressing policy goals?

Example Scenario Results from Seventh Plan



Establishing a Bonneville Target



- Determines cost-effective conservation resources for Bonneville
- Council will have a variety of data points to inform target, including:
 - Results from regional scenarios informing on key drivers for efficiency
 - Data comparing Bonneville to the region on a variety of metrics (ex: loads, potential)
 - Results from Bonneville scenario providing information on least-cost from a BPA-portfolio perspective in light of post-2028 uncertainty
- Council has a lot of discretion in how it chooses to frame the target



Key consideration: What role does the Council expect Bonneville to play in meeting the region's long-term resource needs over a planning horizon that we know will require significant if uncertain changes in the region's resources and loads?

- Understanding this will help the Council determine the right basis for establishing a target for Bonneville to acquire cost-effective conservation to help the region, Bonneville's customers, and Bonneville itself avoid an unnecessarily higher-cost resource future

Defining Implementation Approach?



- Staff is proposing to provide an aMW programmatic target for BPA
- Consideration: Should the Bonneville target only reflect programmatic savings or should the target also include some NEEA and momentum?

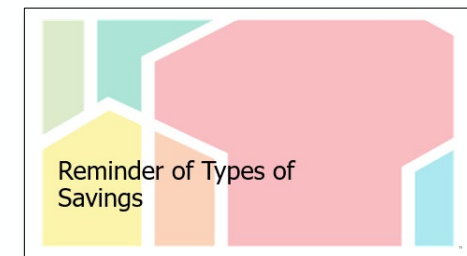
Programmatic only:

- Savings in direct control and linked to public power consumers
- Good track record of achieving planned savings
- More readily measured to determine progress
- NEEA and momentum are long-term regional mechanisms that can be recognized through other means than BPA-specific target (ex: MCS, regional target, etc.)



Include NEEA and Momentum:

- Not being included in target may impact ability to fund/support regional value
- NEEA provides significant benefit to cost-effective energy efficiency beyond the short-term aMW



Form of Target



- In addition to defining aMW, staff recommends considering a range of options to form the target depending on results and goals
- Considerations may include:
 - Is there value in providing annual or multi-year milestones to gauge progress and inform implementation adjustments
 - Should the target highlight specific attributes based on the drivers for building EE
 - Is there a useful role for guidance around costs to support all regional programs and NEEA achieve goals?



Potential Cost Considerations:

- Could range from average historical reference costs to specific budget
- Might highlight importance of non-programmatic activities (such as NEEA) to ensure continued support (especially if not included in Bonneville target)
- Could demonstrate a maximum budget assuming utilities cover full cost of cost-effective resources

Point Estimate or Range



- Staff is proposing using scenario results to inform approach
- Consideration: How does the Council want to define cost-effective conservation to meet reliability and reflect planning uncertainty?

Point Estimate:

- May be appropriate if results show a similar range of conservation builds across scenarios
- Provides clear guidance on cost-effectiveness formulation
- Avoids planning for the minimum and potentially under-developing the resource



Range:

- May be appropriate to reflect uncertainty in savings or represent a wide range of scenario results
- Provides greater flexibility to address changing market conditions (and could be tied to those conditions)
- Could be developed similar to other jurisdictions to reflect a minimum for reliability and a stretch goal for providing other values

Guidance to Address Risks



- Staff is considering options to provide guidance around key risk areas, being mindful to allow implementation flexibility
- Consideration: What are potential risk areas for achieving target goals as defined and how might the Council want to provide guidance in advance?



Example Topics to Consider:

- Bonneville savings currently driven by customer utility goals; what happens when those may not align with Bonneville needs?
- To acquire all cost-effective efficiency means reaching diverse consumers; how does Bonneville manage equity across utility customers and end-use consumers?
- Bonneville has a long budget cycle (already setting budgets for 2022-2023); how might Bonneville build sufficient flexibility to adjust as needed to successfully implement the conservation program?



Feedback to Date

- Generally supportive, but not all
- General support for:
 - BPA programmatic target
 - Increased clarity
 - Ensuring continued NEEA support
- Some expressed support for a range
- Differing opinions on role of budget guidance and backstop
- Some feedback on other potential considerations



Next Steps

- Refine framework based on initial member and stakeholder feedback to inform discussion with CRAC on September 30
 - Are there any specific aspects you are interested in the advisory committee discussing?
 - Are there any missing considerations or suggestions for refinement?
- Continue the discussion with the Power Committee, informed by RPM results and other data as needed





Excerpts from the Power Act

Council Plan Requirements for Conservation

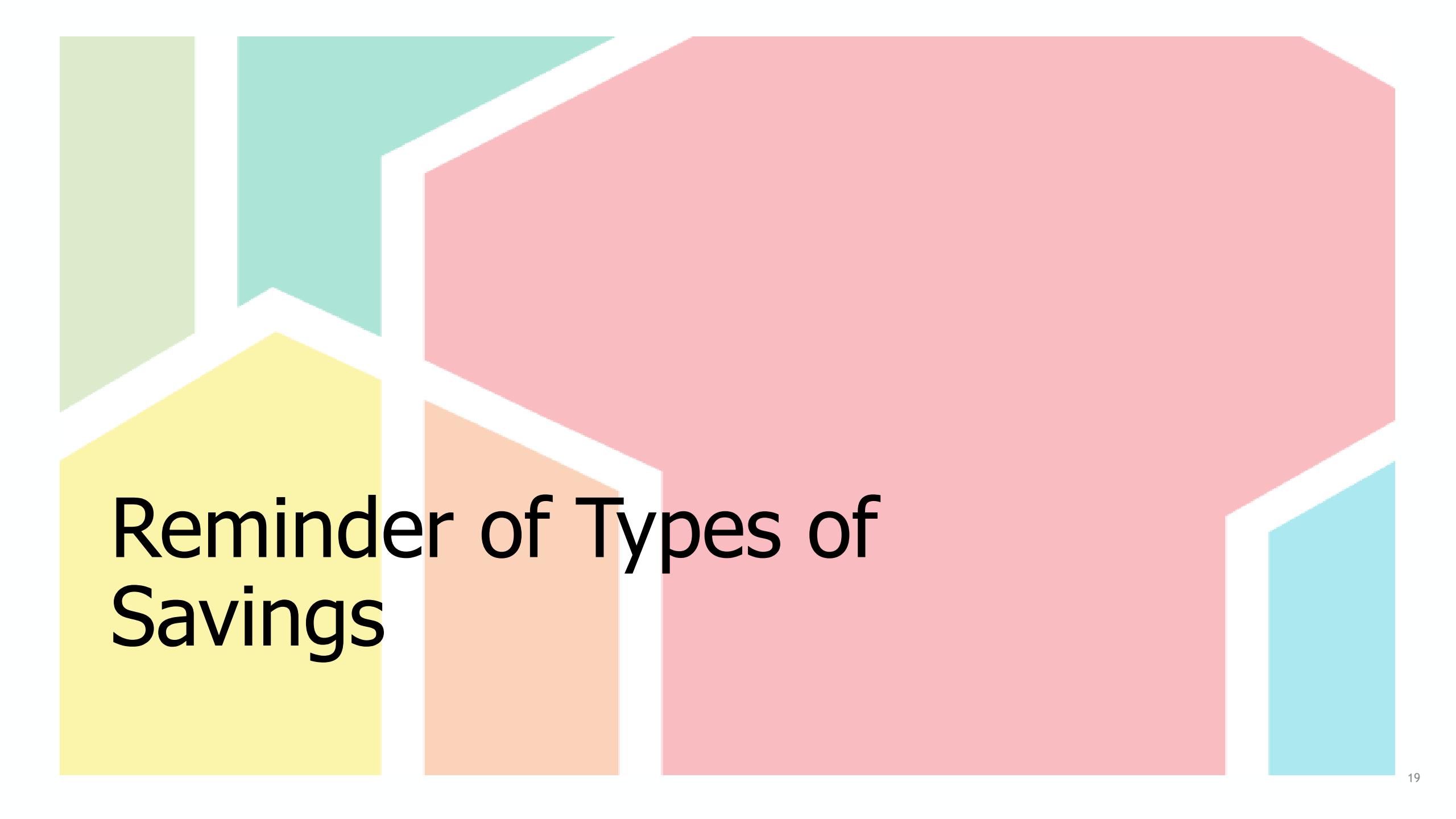
- Council shall prepare, adopt, and transmit to the Administrator a regional conservation and electric power Plan (Section 4(d)(1)), which shall :
 - Give priority to resources the “Council determines to be cost-effective” with priority first given to conservation (Section (4)(e)(1))
 - Include an “energy conservation program to be implemented under the Act” (Section 4(e)(3)(A))
 - “Set forth a general scheme for implementing conservation measures and development resources ... to reduce or meet the Administrator's obligations with due consideration by the Council for (A) environmental quality, (B) compatibility with the existing regional power system, (C) protection, mitigation, and enhancement of fish and wildlife ..., and (D) other criteria which may be set forth in the plan” (Section 4(e)(2)).
 - “Model conservation standards to be included in the plan shall include, but not be limited to, standards applicable to (A) new and existing structures, (B) utility, customer, and governmental conservation programs, and (C) other consumer actions for achieving conservation...” (Section 4(f)(1))



Obligation of the Administrator

- Bonneville shall be consistent with the Plan (Section 4(d)(2)), which includes the Administrator:
 - Acquiring “such resources through conservation, implement all such conservation measures, ... as the Administrator determines are consistent with the Plan” (Section 6(a)(1))
 - “[Aid] the Administrator’s customers and governmental authorities in implementing model conservation standards” (Section 6(a)(1)(C))
 - “To the maximum extent practicable” making use of the his authorities to acquire conservation resources and implement conservation measures “in order to effectuate the priority given to conservation measures” under the Act (Section 6(e)(1)(A))





Reminder of Types of Savings

Types of Savings in the RCP

Total Market Savings

Represents the total savings in the region relative to the Power Plan baseline. A look at the change in consumption for a whole market (efficient and inefficient). **These savings are most comparable to the Power Plan goals.**

Program Savings

Savings claimed by utilities, BPA, and Energy Trust of Oregon for specific measures that they have incentivized.

NEEA Alliance Savings

Savings reported by NEEA that represent efficiency in markets they track above the Power Plan baseline not claimed by programs.

Momentum Savings

Savings reported by BPA to reflect efficiency in the market, resulting from previous program activity, that are above the Power Plan baseline and not accounted for by Programs or NEEA.

Codes and Standards Savings

Savings from new buildings or equipment that meet a new code or standard not captured in the Power Plan baseline.