



May 7, 2007

Rae McQuade, President
North American Energy Standards Board
1301 Fannin, Suite 2350
Houston, TX 77002

Dear Ms. McQuade,

I am writing to follow up on the NAESB meeting that was held April 11 to explore developing model business practices for energy efficiency.

CEE's membership comprises more than 60 administrators of publicly-funded energy efficiency programs throughout North America. Our members have many years of experience planning, carrying out, and evaluating demand-side management and demand response programs. Indeed, quite a few of our members have been running programs continuously since DSM first emerged in the 1970s. Collectively, they represent a wealth of wisdom and experience in energy efficiency.

CEE and its members applaud NAESB for its commitment to standardization and its interest in bringing the benefits of standardization to energy efficiency. However, as I and others mentioned during the April 11 meeting, there are a number of matters that NAESB may want to consider before launching its effort.

First, there are differences across regions in terms of market structure, approach to energy efficiency program administration and implementation, and established approaches for assessing cost-effectiveness. A single national-level standard which does not address these differences would have very limited usefulness to those states with established and accepted practices. This is particularly true for the measurement of benefits and cost-effectiveness, since the methods in use all reflect local conditions and are the result of negotiation. In planning its efforts, CEE recommends that NAESB take into consideration how policy differences will dictate different standards.

Second, CEE recommends that NAESB utilize the existing body of knowledge on the subject of energy efficiency program evaluation. There is already a relative degree of consensus in the literature as to the range of methods for quantifying benefits, cost avoidance, and demand reduction for energy efficiency programs. Taken together, this literature comprises a set of standard practices, methods and approaches for quantifying many aspects of energy efficiency programs. This body of knowledge is contained in standard practice manuals, guidebooks, evaluation frameworks, and other documents that define commonly accepted approaches to energy efficiency program evaluation and explain the range of circumstances appropriate for each approach. These include, but are not limited to, ISO New England's *Manual for Measurement & Verification of Demand Reduction Value from Demand Resources* (2007); the

many evaluation guidelines developed by California and its program administrators, such as California Public Utility Commission's *California Evaluation Framework* (2004) and *California Energy Efficiency Evaluation Protocols* (2006), Pacific Gas & Electric's *A Framework for Planning and Assessing Publicly Funded Energy Efficiency* (2001), *Protocols and Procedures for the Verification of Costs, Benefits, and Shareholder Earnings from Demand-Side Management Programs* (1998), and the California Energy Commission's Database for Energy-Efficient Resources; and the Northwest Power and Conservation Council's Regional Technical Forum. CEE plans to supply NAESB with a list of these efforts to add to the list of relevant materials that CEE understands others have already submitted to NAESB, such as the references on the last page of the presentation provided by EPA.

Third, it is anticipated that the forthcoming National Action Plan for Energy Efficiency's (NAPEE) *Model Energy Efficiency Program Evaluation Guide*, the development of which is being supported by a broad coalition of energy efficiency program administrators around the country, will serve to organize the body of knowledge mentioned above in a policy-neutral way that will be particularly useful for new program administrators and regulators. CEE recommends that to ensure the greatest likelihood of success, NAESB and stakeholders examine NAPEE's *Model Energy Efficiency Program Evaluation Guide* to assess the remaining needs for standardization and how these might be met within a policy-neutral framework.

Fourth, the effort described in NAESB's meeting announcement involves an extremely broad scope of work that actually encompasses many different aspects of energy efficiency program evaluation, each with its own purpose and separate set of issues. Undertaking even a fraction of the scope of work that NAESB describes would entail enormous work and time. If NAESB wishes to launch an effort of more manageable scope, CEE urges NAESB to become familiar with these different aspects of program evaluation, and then choose one specific aspect at a time upon which to focus. Specific standards such as these could fill an important role by making the existing measurement approaches as transparent as possible. Some examples include documenting the rationale behind specific measurement choices, sources of information, or assumptions, and explaining variations on the measurement approaches and why they make sense in certain situations. This would help the existing body of knowledge around energy efficiency program evaluation become more widely acknowledged and adopted by adding value to it.

Fifth, lack of agreement as to the meaning of terms in common use across the energy efficiency industry is a widespread problem that is likely to hamper any standardization effort NAESB undertakes. Regardless of which aspect of energy efficiency program evaluation NAESB chooses to focus on, we urge that NAESB start by developing a comprehensive set of terms in need of definition, and work with the energy efficiency industry to come to consensus on the definitions of these terms.

Sixth, for any scope pursued for standardization, we recommend the inclusion in the process of other stakeholders without whose buy-in a "standard" might not be successful in regulatory

proceedings. For example, those parties representing consumer and environmental interests are critical to the acceptance of standards, but they are often constrained by resources from fully participating in an extended effort.

Finally, in considering the scope of work NAESB should avoid those aspects of energy efficiency program evaluation which are more closely related to policy, as these lend themselves less to standardization. This is in line with Chuck Goldman's recommendation that NAESB consider starting with the measurement of savings impacts separately from other aspects of program evaluation because it is the least tied to policy issues. We agree with this recommendation.

There are other areas that could also benefit from greater standardization and transparency. Among these is the measurement of impacts from market transformation programs. In spite of this strategy's potential for very cost-effective and persistent savings, measurement practices for market transformation programs have not received the same degree of attention as have more traditional programs focused on resource acquisition. One of the impediments to greater pursuit of market transformation is the lack of widely accepted evaluation methods.

We also agree with the stakeholders at the meeting that measurement of impacts from demand response programs, which are relatively new, is another promising area of focus for NAESB, especially given the level of interest in these programs. However, the purpose of the program—whether for wholesale or retail, for forward capacity or for load management—should be addressed to determine whether or how standards of evaluation may differ. Note that the ISO New England's *Manual for Measurement & Verification of Demand Reduction Value from Demand Resources* addresses demand response, and the California investor-owned utilities plan to develop a protocol for evaluating demand response soon.

CEE wishes NAESB all success with its efforts on behalf of energy efficiency. We will follow them with interest and be sure to keep our members apprised of opportunities to participate in NAESB's work.

Best regards,

A handwritten signature in black ink that reads "Marc G. Hoffman". The signature is written in a cursive, flowing style.

Marc G. Hoffman
Executive Director