

# Northeast Energy Efficiency Partnerships, Inc.



## Comments of Northeast Energy Efficiency Partnerships, Inc. (NEEP) On the Integrated Resource Plan for Connecticut

February 7, 2008

Northeast Energy Efficiency Partnerships, Inc. (NEEP) appreciates this opportunity to submit comments to the Connecticut Energy Advisory Board (CEAB) in regard to the United Illuminating Company and Connecticut Light & Power ('the Companies') Draft Integrated Resource Plan ('Resource Plan') for Connecticut.

NEEP is a nonprofit organization founded in 1996 whose mission is to promote energy efficiency in homes, buildings and industry in New England, New York and the Mid-Atlantic states through regionally coordinated programs and policies that increase the use of energy efficient products, services and practices, and that help achieve a cleaner environment and a more reliable and affordable energy system.<sup>1</sup>

**NEEP recommends that the CEAB adopt and ensure the effective implementation of the Plan's "Recommendation #1: Maximize the use of DSM, within practical operational and economic limits, to reduce peak load and energy consumption."** Specifically, the CEAB should adopt the demand side management investment proposal ("DSM-Focus") on the basis that:

- 1) The proposal is consistent with Connecticut's legislative mandate put forth in §51.c. of PA 07-242 that states: "Resource needs shall first be met through all available energy efficiency and demand reduction resources *that are cost-effective, reliable and feasible.*" (emphasis added);
- 2) The proposal will provide significant cost savings to Connecticut being the lowest cost resource option;
- 3) The proposal will be critical to helping Connecticut meet its emission reduction goals for carbon (Regional Greenhouse Gas Initiative carbon cap levels), NO<sub>x</sub> attainment (per the state's implementation plan), and for SO<sub>2</sub> emissions attributable to acid rain; and
- 4) The proposal will provide Connecticut a leading opportunity to develop a competitive job market for DSM related technologies, products and services, retaining dollars within the state and building the state's economy.

**NEEP recommends that the CEAB support the proposed DSM-Focus funding levels, and to increase funding beginning in 2008:** The proposed funding levels under the DSM-Focus

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<sup>1</sup> These comments are presented by NEEP staff and do not necessarily reflect the opinions of the NEEP Board of Directors, its sponsors or underwriters. For more information about NEEP, visit [www.neep.org](http://www.neep.org)

scenario reflect aggressive, yet attainable savings goals. While unprecedented in Connecticut, the strategy to ramp-up investments in DSM resources (double or triple funding) is being actively pursued elsewhere in the country (notably California and Vermont), and likely to be pursued at similar rates in other New England states over essentially the same time horizon as Connecticut's Resource Plan, based on recent or forthcoming legislation to procure all cost-effective energy efficiency. (See: <http://www.rilin.state.ri.us/Statutes/TITLE39/39-1/39-1-27.7.HTM> and <http://www.mass.gov/legis/bills/senate/185/st02/st02457.htm> at Section 11).

NEEP further recommends increased funding and expansion of DSM – through the Companies' Conservation and Load Management (C&LM) programs – as quickly as possible, beginning this year so as to maximize the use of DSM (and mitigate the likelihood of over-subscribed programs), and to begin the process of building the necessary infrastructure that must accompany the expansion of the C&LM programs.

NEEP recommends adoption of at least the first five years (2009-2013) of the DSM-Focus funding levels set forth in the Resource Plan, and that such levels be recommended to the Department of Public Utility Control for approval and timely adoption. Funding beyond the 2013 timeframe should be informed by actual experience from the previous years, and incorporated into future Resource Plans.

**Future Resource Plans should model the system cost impacts of expanded DSM throughout New England.** Though the Resource Plan identifies DSM funding levels appropriate to meet the intent of the state PA 07-242 legislation, NEEP submits that the Resource Plan falls short in that it assumes status quo investment in DSM in other New England states, and as such does not adequately model the impact of broader DSM on New England's resource needs and associated cost impacts.

While a valid reason for this assumption may be that Connecticut has no control over expanding DSM investments in its neighboring states, it is likely, if not given, that there will be significant increases in DSM funding in other states in the near future, including Vermont, Massachusetts and Rhode Island, as noted above, and potentially in Maine and New Hampshire as well. Specifically, Vermont has approved a program budget for its efficiency utility that essentially has doubled the efficiency investments over a three-year time frame, and is developing a program portfolio to reflect this significant increase in funding. Rhode Island in 2006 adopted comprehensive energy legislation that also requires its distribution utility to procure all cost-effective energy efficiency that is less expensive than comparable amounts of electricity supply, while Massachusetts is in the final stages of adopting new energy legislation that will enact a similar mandate in that state. Further, New Hampshire just recently issued a Request for Proposal to conduct an energy efficiency achievable potential study to inform its potential expansion of efficiency resources in the state, while 2006 legislation in Maine directed the Public Utilities Commission there to choose new capacity resources in an order of priority that placed all new energy efficiency resources first and foremost. (See: <http://janus.state.me.us/legis/ros/lom/LOM122nd/17Pub651-684/Pub651-684-51.htm#TopOfPage>)

In addition, all New England states are contemplating additional increases to their DSM budgets through allocations in some part of proceeds derived from investments in the ISO New England Forward Capacity Market (FCM) or proceeds from the sale of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI).

From a New England wholesale market perspective, the longer-term costs and capacity shortfalls (i.e., year 2018 and beyond) modeled in the Resource Plan using the DAYZER dispatch model would likely differ if the region as a whole experiences a substantial ramping up of DSM investments over the next 10-plus years. The Resource Plan currently assumes that the “rest of New England” expands energy efficiency and demand response at half the rate of Connecticut.<sup>2</sup> This assumption likely underestimates the impact of regional DSM in lowering electricity costs for all New England customers by further lowering wholesale market clearing prices, since the Resource Plan assumes that any residual “gap” in capacity needs beyond the scenario MW assumption (i.e., DSM-Focus) is met through new combustion turbine or combined cycle gas units). While not modeled in the Resource Plan, this essentially increases costs and risks associated with fuel price volatility and transmission system expansion. NEEP recommends that subsequent Resource Plans should at least incorporate sensitivity analysis to better capture the potential system cost impacts of increased DSM investments anticipated throughout the New England region.

In closing, NEEP commends the leadership in Connecticut in its pursuit to aggressively address the high cost and environmental impacts of electricity, and strongly encourages the CEAB to adopt and implement the necessary DSM investments in the state that will provide considerable economic, environmental and energy system benefits to the residents and businesses of Connecticut for the foreseeable future.

We thank you for this opportunity to comment on the Integrated Resource Plan, and look forward to following the progress on this important effort to secure the energy future of Connecticut. Please do not hesitate to contact us if you have any questions.

Sincerely,

Julie Michals  
Policy Outreach Manager  
[jmichals@neep.org](mailto:jmichals@neep.org)

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<sup>2</sup> At pg. 10 of Draft Integrated Resource Plan.