

Kevin Lucas

From: Gray, Susan T <SGray@dnr.state.md.us>
Sent: Tuesday, July 31, 2012 4:07 PM
To: Walt Auburn; Kevin Lucas
Subject: EmPower MD 2020

Kevin and Walt,

Here are some initial thoughts about EmPower 2020.

Susan

General Comments

We agree with MEA's assessment that the forecasts of post-2015 performance on demand response (DR) and energy efficiency and conservation (EE&C) are fundamentally based on extrapolation of historical funding and performance, and that this approach may be optimistic. Broad economic influences have favorably affected reductions in both energy consumption and growth in demand. With more robust economic recovery, it will be more challenging for future reductions in energy consumption and peak demand to keep pace of earlier achievements.

As a general matter, there are diminishing returns to EE&C and to peak demand reduction investments/activities. With less "low hanging fruit" available, economic opportunities of energy consumption reductions and reductions in peak demand will become less abundant. Additionally, market prices for electricity are low relative to historical standards since wholesale market prices are largely (though not exclusively) driven by natural gas prices. With currently low natural gas prices and the expectation that natural gas prices will remain low in coming years, some EE&C methods lose cost-effectiveness and participation rates may decline.

These factors, taken together, suggest that a more conservative assessment and presentation of future program achievements is appropriate to avoid creating expectations that may be extremely difficult to achieve.

Goals Beyond 2015

Should EmPOWER Maryland goals extending through 2020 be developed, we suggest that the following technical and programmatic issues be addressed: (1) Goals for the post-2015 period should be based on a revised baseline that incorporates the achievements of the initial period programs. This will have the benefit of removing some of the ancillary impacts on energy use and demand reduction that complicates the assessment of program success, e.g., general economic conditions, changes in natural gas prices, and technological changes. (2) Goals should recognize the potential to achieve savings through effective utilization of technological improvements and tools related to deployment of smart meters and the ability of consumers to control their energy usage through technology. (3) Greater emphasis should be placed on energy efficiency and conservation and less emphasis on demand reduction programs. Demand reduction already has significant market incentives and, in addition, energy use reduction also has demand reduction benefits. (3) Reliance on per capita measurement rather than absolute measurement should be retained post-2015 to provide a reasonable mechanism to avoid the impacts of load growth associated simply with growth in the customer base. While we recognize that calculation of the population data on a utility service area basis represents certain challenges, reasonable approximations of partial county population can be made that should be well within the tolerances required for meaningful assessment of program impacts.

Natural Gas

Programs targeted to natural gas consumption should be included under the EmPOWER Maryland umbrella.

As noted in the GDS study, energy savings should be net of fuel switching impacts. Accounting for these impacts will require some degree of coordination between utilities, for example, fuel switching from electric to natural gas in the Pepco service area will require coordination between Pepco and Washington Gas Light so one company is not credited with excess savings (Pepco) and another shows an increase in consumption (WGL).

Development of specific program recommendations should follow an assessment of the experience of programs in other states that have implemented both electric and natural gas programs as a means to help address fuel-switching issues, for example, California, Connecticut, and Massachusetts.