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CLEAN ENERGY

IN THE MATTER OF THE IMPLEMENTATION OF <u>P.L.</u>	)	ORDER
2018, <u>c.</u> 17 REGARDING THE ESTABLISHMENT OF	)	
ENERGY EFFICIENCY AND PEAK DEMAND	)	DOCKET NO. QO19010040
REDUCTION PROGRAMS	)	
	)	
	)	
ENERGY USAGE REDUCTION TARGETS AND	)	
QUANTITATIVE PERFORMANCE INDICATORS	)	DOCKET NO. QO19050536

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BY THE BOARD:

**BACKGROUND**

On May 23, 2018, Governor Murphy signed P.L. 2018, c. 17, codified at N.J.S.A. 48:3-51-87 into law ("Clean Energy Act," "CEA" or "Act"), effective immediately. Amongst other things the Act mandates that the Board require each electric public utility to develop energy efficiency programs to "achieve annual reductions in the use of electricity of two percent of the average annual usage in the prior three years within five years of implementation of its electric energy efficiency program" and each gas public utility to develop energy efficiency programs which "achieve annual reductions in the use of natural gas of 0.75 percent of the average annual usage in the prior three years within five years of implementation of its gas energy efficiency program." N.J.S.A. 48:3-87.9(a).

In furtherance of this mandate the Act requires the Board to complete a study for energy savings targets for each utility and the timeframe to achieve reductions. N.J.S.A. 48:3-87.9(b). Specifically, the Act mandates:

c. No later than one year after the date of enactment of P.L. 2018, c.17 (C.48:3-87.8 et al.), the board shall adopt quantitative performance indicators pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) for each electric public utility and gas public utility, which shall establish reasonably achievable targets for energy usage reductions and peak demand reductions and take into account the public utility's energy efficiency measures and other non-utility energy efficiency measures including measures to support the development and implementation of building code changes, appliance efficiency standards, the Clean Energy program, any other State-sponsored energy efficiency or peak reduction programs, and public utility energy efficiency programs that exist on the date of enactment of P.L.2018, c.17 (C.48:3-87.8 et al.). In establishing quantitative performance indicators, the board shall use a methodology that incorporates weather, economic factors, customer growth, outage-adjusted efficiency factors, and any other appropriate factors to ensure that the public utility's incentives or penalties determined pursuant to subsection e. of this section and section 13 of P.L.2007, c.340 (C.48:3-98.1) are based upon performance, and take into account the growth in the use of electric vehicles, microgrids, and distributed energy resources. In establishing quantitative performance indicators, the board shall also consider each public utility's customer class mix and potential for adoption by each of those customer classes of energy efficiency programs offered by the public utility or that are otherwise available. The board shall review each quantitative performance indicator every three years. . . .

[N.J.S.A. 48:3-87.9(c).]

In the development of the study and quantitative performance indicators ("QPI"), Board Staff ("Staff") with assistance from its consultant Optimal held four stakeholder meetings to discuss data availability, the intended methodology, model assumptions and inputs, and preliminary results and findings. The meeting dates and topics addressed were:

- February 28, 2019: Data Sources and Key Global Inputs;
- March 15, 2019: Measure Characterization and Key Model Inputs;
- April 23, 2019: Preliminary Model Results ; and
- May 3, 2019: Draft QPIs, Utility Targets, and Performance Incentive Structure

Stakeholders were provided the draft study including the suggested QPIs on May 9, 2019 and were asked to provide comments to Board Staff by May 16, 2019 at 5:00 p.m. Those comments have been summarized and have been made an attachment to the final Energy Efficiency Market Potential Study ("EE Study"). On May 28, 2019, the Board accepted the study as complete and authorized the release of the EE Study through a Secretary's Letter.

By Order dated May 28, 2019, pursuant to N.J.S.A. 48:3-87.9(f) the Board established an Energy Efficiency Advisory Group including its anticipated composition, role and responsibilities and directed Staff to work with the Advisory Group in a stakeholder process to further refine the framework, issues and details of the program design for utility energy efficiency and demand reduction programs.<sup>1</sup>

**STAFF RECOMMENDATIONS**

The EE Study made several recommendations, some of which need to be further refined in order to provide direction to the utilities on program planning and implementation. For instance, as set forth in the Act, the Board is required, "...to adopt quantitative performance indicators...for each electric public utility and gas public utility, which shall establish reasonably achievable targets for energy usage reductions and peak demand reductions..." (N.J.S.A. 48:3-87.9(c)).

In the EE Study, Optimal created what they believe to be realistic and achievable five-year targets for electric and gas sales reductions (Energy Efficiency Potential in New Jersey, Study by Optimal Energy, Table ES-2, pg. 6). Optimal estimates that the maximum achievable potential exceeds the values found in Table ES-2, but that New Jersey administrators will need time to ramp up to the minimum 2% electricity reduction and 0.75% natural gas reduction required in program year 5.

Table 1. Electric net annual statewide energy savings targets<sup>2</sup>

Year	Net savings targets (% of load)	Net annual incremental savings targets (GWh)
2020	0.75%	568
2021	1.10%	833
2022	1.45%	1,100
2023	1.80%	1,369
2024	2.15%	1,645

Table 2. Gas net annual statewide energy savings targets<sup>3</sup>

Year	Net savings targets (% of load)	Net annual incremental savings targets (BBtus)
2020	0.25%	1,168
2021	0.50%	2,335
2022	0.75%	3,511
2023	0.95%	4,473
2024	1.10%	5,226

Similarly, Optimal has recommended a set of weighted QPIs to form the basis of performance incentive structure.<sup>4</sup> Staff finds that the broad approach to weighting metrics proposed by

<sup>1</sup> I/M/O the Clean Energy Act of 2018 – Energy Efficiency and Peak Demand Reduction Programs and the Energy Efficiency Advisory Group, Docket No. QO19050547. May 28, 2019.

<sup>2</sup> Energy Efficiency Potential in New Jersey Optimal Energy, Table 35 pg. 77 (May 2, 2019).

<sup>3</sup> Energy Efficiency Potential in New Jersey Optimal Energy, Table 36 pg. 78 (May 2, 2019).

<sup>4</sup> Energy Efficiency Potential in New Jersey Optimal Energy, Unlabeled Table pg. 8 (May 2, 2019).

Optimal is useful, but Staff recommends that a more refined set of performance goals within a given metric is necessary in awarding performance incentives or penalties.

Metric	Weighting of PI \$
Annual energy savings	10%
Annual demand savings	5%
Lifetime energy savings	20%
Lifetime of persisting demand savings	10%
Utility cost less NPV of net benefits	35%
Low-income lifetime savings	7%
Small business lifetime savings	7%
Optional additional metric for key policy objective	6%

Optimal has recommended overall net savings goals for each utility, however Board Staff must conduct a stakeholder process seeking further input before making a final recommendation to the Board on utility goals and QPIs which can be fully operationalized. Therefore, Board Staff recommends the Board adopt the energy savings targets and QPIs for electric and gas as preliminary pending a final comprehensive recommendation from Staff on program plans, budgets, cost recovery, evaluation measurement and verification requirements for each individual utility.

#### DISCUSSION AND FINDINGS


The Board appreciates the hard-work of Staff, Optimal, and stakeholders in working to have this EE Study completed by the deadline set forth in the Act. The Board acknowledges that there is still a lot of work ahead and that there are many details not fully contemplated in the law or addressed in the EE study which require further analysis and recommendations. Therefore, the Board advises that utilities should continue with their current energy efficiency programs, until the Board makes further determinations with respect to the program planning details required to implement the Energy Efficiency Program.

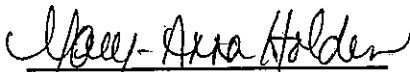
Therefore, the Board **HEREBY ADOPTS** the QPIs as set forth in the EE Study and herein as preliminary and **HEREBY DIRECTS** Board Staff to initiate a stakeholder proceeding with regards to the QPIs. Additionally, the Board **HEREBY ADOPTS** the targets set forth in N.J.S.A. 48:3-87 (a). The Board **FURTHER DIRECTS** staff to work with the Advisory Group to develop a methodology for program implementation and to study the evaluation, management, and verification process for the programs, as well as incentives and penalties as prescribed in the Act. The Board **FURTHER DIRECTS** staff to conduct a stakeholder process to receive comments and recommendations from interested parties on the proposed methods to the program.

This Order shall be effective on June 7, 2019.


DATED: 5/28/19

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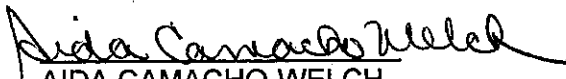
  
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I HEREBY CERTIFY that the within  
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ESTABLISHMENT OF ENERGY EFFICIENCY AND PEAK DEMAND REDUCTION  
PROGRAMS**

**DOCKET NO. QO19010040**

**AND**

**IN THE MATTER OF ENERGY USAGE REDUCATION TARGETS AND QUANTITATIVE  
PERFORMANCE INDICATORS**

**DOCKET NO. QO19050536**

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