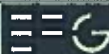




TESTIMONY OVERVIEW

HYDRO-QUÉBEC SUPPLY PLAN 2014-2023
Régie de l'énergie, R-3864-2013

June 19, 2014



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Energy Futures Group Consulting

Areas of Expertise

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R. 3864-2013
DÉPOSÉE EN AUDIENCE
19/06/2014
Date:
Pièces n°: **e.roee-0058**¹



Issues Addressed

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- HQ's planned efficiency savings levels
- HQ's proposed efficiency program emphases
 - Market transformation
 - Reducing winter peak demand
 - Shift from financial incentives to customer education

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HQ's Proposed Savings Goals



HQ's Proposed Efficiency Savings Goals

- ❑ Eliminate one-third of load growth
 - ❑ ~0.8 TWh new savings per year given current load growth forecast
- ❑ Little justification basing target on % of load growth
 - ❑ HQ says this is "industry practice"...
 - ❑ ...but no evidence provided to support that claim
- ❑ Little justification offered for proposed 33%
 - ❑ HQ says proposed % is designed "to strike a balance" between different objectives
 - ❑ ...but no empirical analysis to support it
 - ❑ ...and no analysis of impacts of alternatives
 - ❑ Similarity to past level of effort does not make it an optimal level of effort.



Problems with Tying Savings Goals to Load Growth

- ❑ Targets should be primarily a function of cost-effectiveness
 - ❑ Amount that is cost-effective is not primarily a function of load growth
 - ❑ Lots of savings are cost-effective even with no load growth
- ❑ Load growth can fluctuate a lot over time
 - ❑ If annual savings goals also fluctuate, there will be instability in efficiency markets
 - ❑ Reduces willingness of private sector to embrace selling efficiency
 - ❑ Undermines long-term market transformation objectives
- ❑ Not a typical industry practice
 - ❑ Most jurisdictions use fixed MWh targets or savings as % of total sales

Key Question: Is HQ asking for flexibility to reduce savings if load growth declines or increases, or are they saying that they will average 0.8 TWh/year and that that just happens to equal 1/3 of load growth? The latter approach is the correct one (putting aside the question of the magnitude of the target).



0.8 TWh Annual Target is Low


- Translates to only 0.4% to 0.5% of annual sales
- HQ proposed target well below others
 - Leading jurisdictions getting ~2.0% per year (or more)
 - Though those jurisdictions have higher avoided costs, most of their savings would still be cost-effective under HQ's avoided costs
 - Nearly 30 U.S. States had higher annual savings targets in 2011
 - British Columbia, Nova Scotia and Ontario all have targets 2 to 3 times the size of HQ's proposal
- HQ studies suggest cost-effective potential ~2.0% per year
 - Most of that should be achievable over 10 year period
- HQ plan would forgo majority of cost-effective savings potential
 - Avoided costs define what is cost-effective/beneficial to consumers
 - Potential studies used avoided costs to estimate cost-effective potential



Addressing Rate Impact Concerns

- Rate impacts are a potential equity concern
 - i.e. participant benefits vs. non-participant impacts
- Must be substantial to justify forgoing large total bill savings
- HQ has presented no analysis of rate impacts
 - Rhode Island study suggested rate impacts of just 0.7% to 1.6% from savings targets more than five times HQ's
- Even if substantial, impacts can be mitigated by designing efficiency program portfolio that reaches vast majority of customers

9 HQ's Proposed Efficiency Strategies



Emphasis on Market Transformation is Good

- Potential to produce greater savings at lower cost
- ...*if* programs carefully designed to meet MT objectives
- Requires development of long-term program logic models
 - Map how program strategies affect key aspects of market over time
 - Identify short, medium and long-term indicators of success
 - Establish goals tied to those indicators
 - Measure progress on those goals
 - Clearly define transformed market (specific to each program)
- Régie should require such logic models in future filing



Emphasis on Winter Peak Demand is Good

- HQ should pursue all cost-effective efficiency
- If it did, it would get all cost-effective winter peak savings...
- ...but it will take a few years to ramp up to that level
- Emphasis on peak demand is appropriate during ramp up
 - Likely greater benefits per unit of savings



Shift from Financial Incentives to Education is Problematic

- Program design should be a function of market barriers
 - Vary from market to market
 - Requires objective analysis
 - HQ has provided no evidence that better understanding of market barriers dictates such a shift
- No empirical evidence in other jurisdictions to suggest such a shift would lead to greater effectiveness in acquiring savings
- Note: \$ incentives can be key element of customer education
 - Helps get customers' attention so they can be educated
 - Gives trade allies credibility when talking to customers