

Summary of Non-Pipeline Alternatives (NPAs)

Technical Subcommittee Meeting #2

Dec 17, 2024

Agenda: Discussion on Benefit-Cost Analysis (BCA) Tests and Components

Topic
Goals and Working Group Questions on Cost Effectiveness Tests
Background on Cost Effectiveness Tests
Background on Massachusetts Cost Effectiveness Tests
Eversource BCA Proposal
Wrap up and next steps

Key Discussion Topics

1. E3 Presentation on BCA Test Perspectives and Components

- Presentation focused on cost test perspectives commonly used for program evaluation, cost components included in each test, and Massachusetts energy efficiency program BCA guidelines that could inform NPA BCA design
- Stakeholders discussed the inclusion of the costs of not meeting state goals, the appropriate counterfactual or baseline technology assumption for evaluating NPA technology costs, as well as the costs of expected policies such as the Clean Heat Standard. Stakeholders recommended basing the counterfactual on current customer adoption patterns (i.e., fossil equipment counterfactual).
- Stakeholders noted that current LDC capital planning horizons are too short to initiate an NPA BCA; LDCs responded that the BCA framework being developed would apply to both NPAs as well as longer-term targeted electrification projects.

2. LDC Presentation on tests for NPA Evaluation

The LDCs presented four cost tests for evaluation of NPAs. The LDCs noted that including all four tests is intended to ensure that both participants and ratepayers benefited from NPA projects:

1. Total Resource Cost (TRC)
2. Electric Ratepayer Impact Measure (E-RIM)
3. Gas Ratepayer Impact Measure (G-RIM)
4. Participant Cost Test (PCT)

Stakeholder feedback on 4-test framework:

- Stakeholders voiced concerns that using all four tests may screen out too many NPA projects. Stakeholders also expressed concerns about lost gas revenues from customer departures being considered in the gas RIM test. LDCs clarified that using the gas RIM test is meant to ensure that the revenue losses are not greater than associated decreases in revenue requirements. This is designed to protect non-participants from gas rate increases. Additionally, LDCs clarified that the cost tests are intended to test “but for” scenarios, that look at the impacts of specific projects.
- Stakeholders also flagged that behind-the-meter (BTM) electric costs primarily fall on customers, while gas infrastructure costs are socialized, worsening PCT scores. Stakeholders suggested consideration of integrating rooftop solar into NPA technology packages to improve customer economics for electrification.
- Stakeholders emphasized the need for creative strategies to utilize TRC cost savings to ensure positive PCT and RIM scores, including the possibility of fund bill credits for participating customers to ensure bill savings. LDCs clarified that they may reallocate benefits to participants as additional incentives, improving PCT scores.
- Stakeholders voiced concerns about requiring a score of >1 for all cost tests. Stakeholders noted that a score of >1 is unnecessary for the PCT, as customers have the choice to participate or not.