

Principles for Including Energy Efficiency in 111(d) of the Clean Air Act: Final Review 4/21/2014

The undersigned organizations collectively believe that energy efficiency should be an integral, creditable part of state and tribal plans to be developed in response to EPA Clean Air Act Section 111(d) emission guidelines for carbon dioxide (CO₂) emissions from existing power plants. These guidelines should recognize the states' obligation to ensure affordable and reliable electric service as well as to protect the environment. EPA should provide flexibility and deference to state decision making as to how states comply with the 111(d) regulations.

EPA will require states to develop plans for addressing greenhouse gas emissions. The EPA rule and accompanying and subsequent guidance should recognize the significant emission reductions that are achievable through energy efficiency and specifically allow states (and tribes) to credit energy efficiency activities in their compliance plans. By including reduction options available throughout the interconnected interstate power generation and consumption system, states have expanded options for cost-effective compliance.

Energy efficiency programs and activities may vary substantially by state to reflect local conditions. Recognizing this diversity, EPA should invite multiple approaches to allowing energy efficiency emissions reductions to be part of state plans. To aid states in developing their plans, EPA should offer a draft of its likely approach for assessing the CO₂ reductions associated with energy efficiency as soon as practicable but no later than June 2015. EPA should work with states to develop clear paths to evaluate and approve state 111(d) plans that may incorporate energy efficiency. EPA should encourage transparent reporting protocols that will help determine whether CO₂ reductions are occurring as planned.

Appropriate environmental rigor, administrative ease, cost-effectiveness, flexibility, and periodic review and timeliness are criteria that should guide policymakers at the state and federal level. These criteria should inform the administrative processes and evaluation, measurement and verification (EM&V) protocols and approaches for crediting energy efficiency.

To ensure that energy efficiency can be incorporated and effectively implemented under 111(d), we offer the following principles:

1. **Guidance on inclusion of energy efficiency:** EPA should provide guidance to states, as soon as practicable, but no later than June 2015, setting forth a non-exhaustive list of approvable approaches/provisions that may be included in state compliance plans. States should have the option to adopt those and other policies and programs in their state compliance plans.
2. **State energy program recognition:** EPA should afford great deference to state energy efficiency programs and policies and allow states to credit energy efficiency programs and policies that utilize EM&V protocols and standards as described in this document. EPA should acknowledge and support state program competency in energy program design and delivery. State energy efficiency program experience, energy savings goals, and structures have varied based on state circumstances. EPA should therefore recognize:

- a. **Historical emissions reductions:** EPA should allow states to recognize past emissions reductions from existing energy efficiency programs to the extent that energy efficiency program measures continue to provide quantifiable emissions reductions.
 - b. **Future emissions reductions:** EPA should allow states to recognize future emissions reductions from energy efficiency programs and activities that were initiated after the promulgation of the final rule. EPA should allow states to take credit for all new activities, programs and installations utilizing EM&V protocols and approaches listed below.
3. **Non-utility delivered efficiency:** EPA should encourage states to develop a clear path for inclusion, crediting, and administrative review and oversight of non-utility-delivered energy efficiency activities providing emissions reductions included in state plans. This may include energy savings performance contracts, low-income weatherization programs, industrial energy efficiency and other privately contracted and delivered energy efficiency historically unaccounted for in ratepayer and state programs.
4. **Recommended EM&V protocols and approaches:** EPA, in consultation with the U.S. Department of Energy (DOE) and the states, should recommend protocols and approaches, and provide technical assistance for EM&V of state, utility and non-utility provided energy efficiency projects and programs. With respect to 111(d), EPA and DOE should work with states to ensure that EM&V protocols and approaches are consistent with the list below. EPA should also provide a process for states and industry to submit additional methodologies for consideration and approval, with deference to existing protocols and programs in place in many states. States should have the option to select or participate in regional and national EM&V initiatives. The following is a non-exclusive list of EM&V protocols and approaches that EPA should consider recognizing and recommending:
 - a. Model Energy Efficiency Program Impact Evaluation Guide issued by the State and Local Energy Efficiency (SEE) Action Network;
 - b. International Performance Measurement and Verification Protocol issued by the Efficiency Valuation Organization;
 - c. ASHRAE Guideline 14-2002 Measurement of Energy and Demand Savings;
 - d. Superior Energy Performance Measurement and Verification Protocol for Industry;
 - e. DOE Uniform Methods Project protocols;
 - f. Technical Reference Manuals (TRMs) developed and/or adopted by states, utilities and regional bodies such as the Northwest Power and Conservation Council Regional Technical Forum (RTF) and the Northeast Energy Efficiency Partnerships (NEEP) EM&V Forum;
 - g. Other SEE Action Network and regional products; and
 - h. Other modeling and/or statistical approaches.

States should be allowed to recognize any or all of these recommended methods or develop an equivalent state specific approach in their state compliance plans. EPA could consider modeling-based approaches for evaluating reductions in similar ways as has been approved for other criteria pollutants from stationary and mobile sources in the Clean Air Act.

To ease administrative burdens on the states, the federal agencies, states and industry should work together to develop transparent methodologies for evaluating the energy savings associated with energy efficiency measures.

5. **Translating electricity savings to avoided emissions:** EPA may recommend tools, such as the Avoided Emissions and Generation Tool (abbreviated as AVERT), dispatch modeling, and independent system operator/regional transmission organization (ISO/RTO) forecasting approaches, to calculate the emissions impacts of energy efficiency projects, programs and policies. In addition, it may provide methodology options on how to apply these emissions reduction credits toward state goals or regulated facility obligations. EPA should allow states to submit preferred emissions calculations methodologies and conversion approaches for consideration.
6. **Avoiding double counting:** EPA should offer guidance on options for avoiding double counting of emissions reductions from public investment, utility programs, and non-utility delivered efficiency efforts. Double counting could occur if an entity funds an efficiency project within a utility's service territory and transfers the credit to another regulated party or another state. Since the efficiency project would reduce emissions, this could result in double counting in the absence of a clear accounting methodology. States should specify, recognize and ensure clear attribution of energy savings and emissions reductions achieved using public funding, or as part of Energy Efficiency Resource Standards (EERS), utility programs, or state goals.
7. **Transmission and distribution efficiency:** EPA should encourage and credit energy efficiency in the electrical transmission and distribution system. Commercially available technologies exist today (such as voltage control and optimization) that may provide states with cost-effective emissions reductions and compliance options.
8. **Multi-state or regional efficiency programs:** EPA should recognize and encourage multi-state and regional energy efficiency efforts and compliance strategies, particularly where those programs use harmonized, consistent and transparent efficiency EM&V protocols and approaches and accounting standards for quantifying electricity savings and CO₂ reductions.
9. **Energy Efficiency Registry:** EPA should recognize that states or private entities may choose to develop or participate in a voluntary "registry" to establish a transparent data repository of energy efficiency projects or activities. A registry should provide clear attribution and ownership of energy savings and be used by the state to perform audits and assure credibility of savings and emissions reduction claims.
10. **Accountability for energy efficiency in state 111(d) plans:** We acknowledge that EPA and many states believe that section 111(d) requires that state plans generate reliable, verifiable and enforceable greenhouse gas reductions. Energy efficiency efforts can meet these requirements,

and in many cases at lower cost than other options. Because energy efficiency programs and policies may vary significantly, EPA should invite multiple approaches to achieving quantifiable and reliable reductions while avoiding imposing onerous and potentially expensive requirements on the states. EPA should work with states to develop clear paths to evaluate and approve state 111(d) plans, as well as clear and transparent reporting protocols to determine whether carbon reductions are occurring as planned. EPA and states should consider interim reporting and periodic updating of state 111(d) plans.

These principles will enable states, utilities and non-utility energy efficiency providers to further expand on efficiency efforts underway and support state carbon reduction goals. By recognizing the significant emission reductions that are achievable through energy efficiency, EPA will enable states and tribes to design the most cost-effective 111(d) compliance plans.