

List of Policy Barriers to Utility Infrastructure Efficiency

At the July 28th stakeholder meeting for this project, a preliminary list of barriers to electric utility infrastructure (EUI) efficiency projects was presented, and participants filled out a questionnaire rating which ones they see as the most significant barriers to implementation. Additionally, between August and September, the project team completed 25 phone surveys with key stakeholders to continue gathering more information about key challenges and recommendations related to EUI.

This memo summarizes the stakeholder feedback collected to date in order to present a current understanding of the barriers, outline the relative importance of overcoming each, and a draft list of GDS Associates' possible/preliminary recommendations.

This is not an exhaustive list of barriers and potential solutions; rather these are the ones most closely related to the Conservation Improvement Program (CIP).¹ GDS Associates will continue refining this list based on stakeholder feedback, including developing more detailed set of recommendations and a close evaluation of potential risks/unintended consequences related to the possible solutions.

The front and back of this document includes a summary description of each barrier, its relative importance, and a list of possible solutions for discussion.

Table – Summary of CIP-related EUI Barriers and Possible Solutions

Identified Barrier	Possible Solution Type	Priority
Lack of certainty in calculating eligible savings	DER Guidance/New CIP Tools	High
Capital cost recovery for projects is uncertain/complicated	Regulatory Changes/Clarity	High
Lack of direct incentive mechanism	Statute Change	High
1% Demand-side requirement <i>before</i> EUI savings count	Regulatory Changes/Clarity	High
Definition of “normal maintenance” not clear	DER Guidance/New CIP Tools	Medium
EUI does not count toward CIP spending requirements	Statute Change	Medium
There are easier CIP options than EUI	DER Guidance/New CIP Tools	Low

Lack of certainty in calculating eligible savings, which introduces uncertainty to planning EUI projects.

- **Importance High:** Many utilities listed this as one of the most important barriers to implementation. Some measures are now defined in the TRM, but they are somewhat complicated and still new.
- **Potential Solution:** A good first step is to begin using the existing TRM measures. There are also likely to be opportunities to simplify the measures and learn how they best fit into existing infrastructure planning processes.

¹ Non-CIP-related EUI barriers have also been discussed, and will be tracked as part of the Literature Review Document that is posted on the project webpage <https://www.mncee.org/mnsupplystudy/home/>.

Capital cost recovery for certain projects may be uncertain or complicated, and may require additional effort or justification on the part of the utility.

- **Importance High:** There is a defined rider that regulated utilities can use to recover incremental costs of efficiency projects, but some utilities may not be interested in expending the additional effort required to file the rider.
- **Potential Solution:** It might be possible to develop a streamlined rider template or offer assistance to undertake the filing. For co-ops and municipal utilities, tools to evaluate the costs and benefits of EUI projects would be helpful.

Lack of direct incentive mechanism, which makes EUI projects less cost-effective and more difficult to approve.

- **Importance High:** Many stakeholders raised this issue as one of their main reasons they do not consider EUI efficiency projects.
- **Potential Solution:** Further discussion is necessary to clarify the difference between an implementation incentive vs. the performance incentive utilities achieve. Possible solutions may range from clearer cost/benefit understanding to regulatory changes allowing EUI spending to factor into the calculation of performance incentives.

1% demand-side requirement before EUI savings count, which prevents utilities from considering some EUI projects because if the demand side goal is not met, then none of the EUI savings can count.

- **Importance High:** This barrier was mentioned by several stakeholders as having the potential to affect the decision to implement EUI.
- **Potential Solution:** Allow EUI savings to count even before achieving 1% on the demand side. Require the 1% DSM threshold to be met through reported CIP Plans/Goals; however, reported CIP Performance would not be subject to the 1% DSM threshold. Would require evaluation of CIP Plans/Goals to ensure that the 1% DSM goal is still being met, but remove the risk of losing actual reported EUI savings if there is a shortfall during CIP Performance reporting.

Definition of “normal maintenance” as the baseline is unclear, as the existing conservation statute requires that eligible EUI projects must be more energy efficient than would otherwise be implemented in the course of “normal maintenance activity,” but this is undefined in statute.

- **Importance Medium:** Several stakeholders raised this issue, but there are efforts in place to address it (TRM measures, project pre-approval review, etc.)
- **Potential Solution:** This barrier is partially addressed through the TRM measures and there is precedent in the Clean Air Act. However, this will likely always be difficult – reviewing projects before implementation for DER approval (similar to large custom projects) will help overcome the barrier.

EUI spending does not count toward utility CIP spending goals, and some utilities may be below the annual spending requirement when only counting demand side CIP programs expenditures.

- **Importance Medium:** For some utilities this may be of very high importance, but most utilities do not have a problem meeting the spending requirement with just demand-side conservation.
- **Potential Solution:** Statute would have to be changed to allow EUI spending to count toward goals. This could be similar to the savings requirement (1% demand-side and 0.5% EUI). Would have to carefully consider consequences and may be difficult to achieve.

There are easier CIP options than EUI, meaning there is no urgent need to invest in infrastructure efficiency while demand-side efficiency programs are still meeting conservation goals today.

- **Importance Low:** Stakeholders recognize that developing tools now is good planning for use later. At some point in the future, if demand side programs struggle, the importance of EUI may increase.
- **Potential Solution:** Begin laying the groundwork to develop infrastructure as an efficiency tool as the “low-hanging fruit” of demand-side programs potentially begins to dry up. We are using this process to better understand the CIP/EUI opportunities before they are widely implemented.