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DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENTAL CONTROL

DIVISION OF ENERGY AND CLIMATE

2000 Division of Energy and Climate

2105 Regulations Governing Evaluation, Measurement, and Verification Procedures and Standards

1.0 Authority

These regulations are promulgated pursuant to 29 **Del.C.** §8059(h). Affected energy providers that are not regulated by the Commission may elect to develop, implement and fund programs for energy efficiency and peak demand reduction recommended for approval by the boards of directors for rural electric cooperative or the pertinent local regulatory authorities for municipal electric companies.

2.0 Purpose

The purpose of these EM&V regulations is to:

- Develop an overall approach to the evaluation of energy efficiency and demand response programs in Delaware;
- Standardize evaluation approaches for the assessment of energy efficiency and demand response programs;
- Provide specific guidance to Program Administrators, contractors and stakeholders for the evaluation of energy efficiency and demand response programs, and
- Ensure consistency between Program Administrators' energy efficiency evaluations plans, analysis, and reporting efforts.

3.0 Definitions

The following words and terms, when used in this regulation, have the following meaning unless the context clearly indicates otherwise:

"Annual Reconciliation Report" means an annual report submitted by a PA to the EEAC detailing final year-end program outcomes, including program costs, energy savings, and cost-effectiveness results, whether or not programs have been evaluated.

"Baseline" means conditions, including energy consumption and related emissions that would have occurred without implementation of the subject measure or project. Baseline conditions are sometimes referred to as "business-as-usual" conditions and are used to calculate program-related efficiency or emissions savings. Baselines can be defined as either project-specific baselines or performance-standard baselines.

"Biannual Program Snapshot" means a twice-yearly report submitted by a PA to the EEAC with preliminary program savings and spending data.

"Coincident Peak" means the time period of highest system load; for purposes of this regulation, the definition of coincident peak is equivalent to PJM's definition of energy efficiency performance hours under the Reliability Pricing Model (RPM), defined as the hours ending 15:00 through 18:00 Eastern Prevailing Time (EPT) during all days from June 1 through August 31, inclusive, that is not a weekend or federal holiday.

"Deemed Savings" means a measurement of energy savings or demand savings for a single unit of an installed energy efficiency measure or adopted efficiency practice that (a) is determined *ex ante* and applied to all such measures without further measurement or verification, and (b) has been developed from the data source referenced in section 4.1 or from other data sources and analytical methods that are widely considered acceptable for the measure and purpose.

"Delaware TRM" means the Technical Reference Manual applicable to energy efficiency measures in Delaware as approved by the EEAC EM&V Subcommittee.

"Demand Response (DR)" means the temporary reduction of customer energy usage at times of peak usage in order to help system reliability, to reflect market conditions and pricing, or to support infrastructure optimization or deferral of additional infrastructure. Demand response programs may include contractually obligated or voluntary curtailment, direct load control, and pricing strategies.

"Department of Natural Resources and Environmental Control (DNREC)" means the entity established by 29 **Del.C.** §8001.

"Effective Useful Life (EUL)" means the average time over which an energy efficiency measure results in energy savings, including the effects of equipment failure, removal, and cessation of use. The Delaware TRM shall be the primary source of EUL data.

"Energy Efficiency Advisory Council (EEAC or Council)" means the body created by 29 **Del.C.**

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§8059(h)(1)(a).

“Energy Efficiency (EE) Programs” means energy efficiency, peak demand reduction, and emission-reducing fuel switching programs which seek to decrease consumption of electric energy, natural gas, and/or delivered fuels such as oil and propane.

“Equivalent Energy Efficiency Measure” means reductions in the use of fossil fuel other than natural gas or use of other sources of energy not derived from fossil fuel equivalent to a reduction in natural gas consumption or electricity consumption. This excludes all solar photovoltaic, wind, ocean, geothermal, hydroelectric, and other on-site generation except when part of a system that reduces total end-use customer energy consumption, such as with combined heat and power systems.

“Evaluation” means the performance of studies and activities aimed at determining the effects of an efficiency program.

“Evaluation, Measurement and Verification (EM&V)” means any and all independent research and analytical activities occurring during or after implementation of efficiency programs intended to assess or estimate the accuracy of measure or program impacts, or assessment of the efficiency and effectiveness of the program design and implementation.

“Ex-Post Evaluated Savings” means savings estimates developed and reported by an Independent Evaluation Contractor (IEC) resulting from an energy impact evaluation of past efficiency program activity. These can be either gross or net savings, as defined in this section.

“Free riders” mean participants who participate in a program, but who would have adopted some or all of the efficiency measures without the benefits of the program.

“Gross Savings” means the change in energy consumption and/or demand that results directly from program-related actions taken by participants in a program, regardless of whether the savings are ultimately attributable to the program. Gross savings may be deemed per unit based on ex-ante estimates or evaluated ex-post results.

“Impact Evaluation” means an evaluation that quantifies the direct and indirect results and benefits of a program or project using measured or deemed savings methods.

“Independent Evaluation Contractor (IEC)” means a contractor hired by a Program Administrator to perform evaluation activities and products.

“Market Effect” means the change in the structure or functioning of a market, or the behavior of participants in a market, that results, or is expected to result, from one or more program efforts.

“Net Present Value (NPV)” means the value of a stream of future costs and/or benefits converted to a single sum in a specific year, usually the first year of the analysis, using a discount rate as specified in these regulations. It can also be thought of as the equivalent worth of all costs and benefits relative to a base point called the “present.” NPV takes into account the time value of money by discounting future streams of costs and benefits.

“Net Savings” means (Gross Savings) – (savings attributable to Free Riders) + (savings attributable to Spillover) + (savings attributable to Market Effects). Net savings are the energy savings that are attributable to a program’s intervention in the market, exclusive of other reasons for changes in energy use.

“Net-to-Gross Ratio (NTG)” means a factor or ratio representing Net Savings divided by Gross Savings.

“PJM” means PJM Interconnection LLC, the organization that manages electricity transmission and wholesale electricity market for the region that serves Delaware or its successor at law.

“Process Evaluation” means an evaluation that indicates how to improve the structure and delivery of a program or project. These evaluations typically survey program stakeholders, analyze their feedback, and use this information to identify opportunities for program improvement.

“Program Administrator (PA)” means any affected energy providers, as defined by 29 Del.C. §8059(h) and any other entities who deliver energy efficiency programs and want the energy savings generated to count towards the statewide energy reduction goals.

“Program Year” means the annual regulatory period for which an approved program operates, and aligns with the program annual budget and impact targets. In Delaware, the energy efficiency program year runs from January 1 through December 31.

“Public Advocate” means the entity established by 29 Del.C. §8716.

“Public Service Commission (PSC)” means the entity established by 26 Del.C. §103.

“Realization Rate” means the ratio of evaluated Gross Savings to initial pre-evaluation claimed Gross Savings. The basis for a realization rate varying from 1.0 can include several considerations such as the following: 1) adjustments for data errors, 2) differences in implemented measure counts as a result of Verification activities, and/or 3) other differences revealed through the evaluation process, such as with respect to adjustments to baseline assumptions or per unit savings estimates.

“Reliability Pricing Model (RPM)” means PJM’s capacity market.

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"Renewable Energy Credit (REC)" means a tradable instrument defined by 26 Del.C. §352(18) used to demonstrate compliance with the percentage requirements set forth in 26 Del.C. §354(a).

"Rigor" means the level of effort expended to minimize uncertainty due to factors such as sampling error and bias. The higher the level of rigor, the more confident one is that the results of the evaluation are both accurate and precise.

"Solar Renewable Energy Credit (SREC)" means the tradable instrument defined by 26 Del.C. §352(25) used to demonstrate compliance with the percentage requirements set forth in 26 Del.C. §354(a).

"Spillover (free drivers)" means EE or DR measures that are not directly counted as resulting from program participation, but are taken as a result of the program's influence on customers or markets. There are two general types of spillover: (1) participant spillover, in which program participants adopt additional efficiency measures or practices that are not counted directly as part of the program tracking system; or (2) non-participant spillover in which actions are taken by non-participants due to the general influence or awareness-raising effects of the program.

"Technical Reference Manual (TRM)" means an operating manual that describes the standardized approaches to be used for estimating savings from the installation of energy efficiency measures or adoption of efficiency practices. It provides a common comparable approach for estimating energy savings across programs and market sectors for the measures typically installed via the energy efficiency programs.

"Three-Year EM&V Plan" means a plan submitted by a PA to the EEAC detailing the proposed evaluation approaches that will be used to demonstrate that the PA's efficiency programs meet the requirement of these regulations.

"Verification" means an independent ex-post assessment of an energy efficiency or demand response program that confirms: (1) the installation rate of measures installed through the programs; (2) the installation meets reasonable quality standards; (3) the measures are operating correctly and have the potential to generate the predicted savings; and (4) tracked savings estimates are properly calculated based on agreed upon deemed values or rules in the TRM. Verification may include one time or multiple activities over the effective useful life of the measures.

22 DE Reg. 514 (12/01/18)

4.0 Incorporation by Reference

The Delaware TRM document most recently approved by the EM&V committee and posted on the EEAC website, is hereby adopted and incorporated by reference.

22 DE Reg. 514 (12/01/18)

5.0 EEAC, DNREC, Program Administrators and Independent Evaluation Contractors EM&V Responsibilities

5.1 The EEAC and DNREC shall provide oversight of EM&V for PA energy efficiency portfolios in Delaware. These parties will work together to plan, implement, and review evaluations, including impact, process, market assessments, cost-effectiveness analysis, and baseline research. The following entities shall be engaged in and have responsibilities for EM&V in Delaware, as summarized in the remainder of this section, and including all specific responsibilities defined in greater detail in subsequent sections.

5.2 EEAC Responsibilities

5.2.1 The EEAC shall oversee, plan and guide Delaware energy-efficiency program evaluations and EM&V related activities both pursuant to and not explicitly expressed in these regulations. The EEAC will approve portfolio-level EM&V plans and budgets.

5.2.2 The EEAC shall establish a schedule for meetings to discuss progress of on-going work and to plan and manage new research. The EEAC may establish subcommittees as needed to handle details best suited for smaller groups or matters that affect a sub-set of all PAs.

5.2.3 The EEAC shall review, approve or ask for modifications to, all EM&V analyses and work products produced by IECs.

5.2.4 The EEAC shall work collaboratively with the PAs to develop EM&V plans. EM&V plans should clearly outline the approach for each program or portfolio evaluation including specifications for the level of expected rigor and reliability of results.

5.3 DNREC Responsibilities

5.3.1 DNREC may hire an EEAC Consultant to represent the EEAC and to assist with the planning and oversight of EM&V activities in Delaware. DNREC's oversight responsibilities related to acquiring EM&V services include: 1) competitively acquiring EEAC Consultant services, and 2) establishing, managing, and overseeing EEAC Consultant service acquisition process and the day-to-day management responsibilities

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required to successfully implement the EEAC Consultant's efforts.

- 5.3.2 DNREC will post all final evaluation reports and results on the Delaware EEAC website, except when doing so would compromise customer privacy or data security.

5.4 PA Responsibilities

- 5.4.1 Each PA shall develop a comprehensive Three Year EM&V plan in the year prior to the start of the new three-year cycle, including overall EM&V budgets. The initial three-year energy efficiency program plans are not required to include a Three-Year EM&V plan until after the approval of such program plans by the appropriate regulatory body. After such approval, the Three-Year EM&V plan should be submitted to the EEAC within 6 months for review and recommendation to the appropriate regulatory body.
- 5.4.2 PAs shall enter into contracts to procure the IECs and provide day-to-day and contractual management of IECs.
- 5.4.3 PAs are responsible for the direct development and implementation of all EM&V activities required for their energy efficiency portfolio in adherence with these regulations, and for ensuring that efforts are consistent with the policies, procedures, approaches and timelines that meet Delaware's needs.
- 5.4.4 The PAs shall inform the EEAC of major changes to existing programs prior to their implementation so that the EEAC can develop or approve any necessary EM&V plans. Each PA must ensure that data is supplied to IECs as needed and in a timely fashion. The PAs must ensure that their program third-party implementers also track necessary data and cooperate fully with IECs in support of all EM&V activities.
- 5.4.5 The PAs may provide periodic progress reports that include updates on progress towards EM&V goals and expenditures and participate in update meetings as requested by the EEAC. Progress reports may be made to the EEAC during Council meetings verbally or in other forms.
- 5.4.6 The PAs shall provide DNREC with information to support the preparation of an annual summary of evaluation results, as described in subsection 6.1.3.
- 5.4.7 PAs are encouraged to offer their eligible program resources into relevant and applicable energy and capacity markets, such as the PJM RPM capacity market so long as it is cost-effective and the evaluation of such resources remains compliant with these regulations.

5.5 IEC(s) Responsibilities

- 5.5.1 The IEC(s) shall provide technical advice and information to the EEAC, develop and recommend EM&V plans and budgets, and conduct all EM&V research and tasks.

22 DE Reg. 514 (12/01/18)

6.0 Evaluation Requirements

6.1 Reporting

- 6.1.1 EM&V reports shall provide an assessment of EM&V activities completed in a manner that is consistent with these regulations.
- 6.1.2 Each PA shall provide the EEAC with a final report for each completed evaluation study.
- 6.1.2.1 Evaluation study final reports shall present the results of the study in a clear, concise manner. They should include, at a minimum, the following components:
- 6.1.2.1.1 Cover;
 - 6.1.2.1.2 Title Page;
 - 6.1.2.1.3 Abstract;
 - 6.1.2.1.4 Table of Contents;
 - 6.1.2.1.5 Executive Summary (including impact findings and process recommendations as specified further in subsection 6.1.2.3 of the EM&V Regulation);
 - 6.1.2.1.6 Introduction and purpose of the study;
 - 6.1.2.1.7 Description of programs covered in study (markets, measures, and customers included);
 - 6.1.2.1.8 Study methodology;
 - 6.1.2.1.9 Assessment of the reliability of study findings;

- 6.1.2.1.10 Detailed study findings (impact and process evaluation);
- 6.1.2.1.11 Recommendations for program changes and future studies; and
- 6.1.2.1.12 For impact studies, *ex-post* cost-effectiveness results.
- 6.1.2.2 The timeline for each study will be unique, described in the Three-Year EM&V Plan, and be subject to change consistent with the work plan of the IEC(s) engaged for each particular activity. The timeline should, whenever possible, meet the needs of the PAs, EEAC, and any relevant PJM market compliance cycles.
- 6.1.2.3 The following information, when applicable, shall be included in a table format or bullet list within both the Executive Summary of the evaluation report as well as in the sections of the report in which those items are presented and discussed. The goal of this requirement is to allow efficient and rapid extraction of key results to better understand the study results.
 - 6.1.2.3.1 Energy Impact
 - 6.1.2.3.1.1 Program and portfolio level first year annualized gross and net energy impacts
 - 6.1.2.3.1.2 Program and portfolio level gross and net lifecycle energy impacts
 - 6.1.2.3.1.3 For electric programs, program and portfolio level gross and net coincident peak kW
 - 6.1.2.3.1.4 Program NTG ratios and estimated components
 - 6.1.2.3.1.5 Program and portfolio level first year annualized gross original PA-tracked ex-ante savings
 - 6.1.2.3.1.6 Program and portfolio level first year annualized gross realization rates
 - 6.1.2.3.1.7 Program and portfolio level impact goals
 - 6.1.2.3.1.8 Program and portfolio level achievement as a percentage of goal, based on ex-post evaluation results
 - 6.1.2.3.1.9 Program and portfolio level calculated benefit-cost results based on ex-post evaluation net savings
 - 6.1.2.3.2 Process Evaluation
 - 6.1.2.3.2.1 Key findings from the process evaluation
 - 6.1.2.3.2.2 Summary of recommendations made by the evaluation team
 - 6.1.2.3.3 Market Effects
 - 6.1.2.3.3.1 Timeline describing years covered by the reported effects
 - 6.1.2.3.3.2 Key findings from the market effects evaluation aligning with priorities identified by the EEAC if they have been established.
 - 6.1.2.3.3.3 Estimated annual and lifecycle net energy savings estimated from market effects (per technology, technology class, or market sector as appropriate)
 - 6.1.2.3.3.4 Listing of major technologies and/or practices affected by market effects evaluations
- 6.1.3 An annual summary of evaluation results shall be prepared by DNREC to summarize the key findings of all studies conducted in a program or calendar year, in order to provide the EEAC with a consolidated list of findings and recommendations to facilitate discussions of program refinements, evolution, and the next three-year program cycle.
- 6.1.4 Each PA shall prepare and submit to the EEAC a Biannual Program Snapshot that presents information regarding the progress of the PA's efficiency programs.
 - 6.1.4.1 The Biannual Snapshot should include data tables presenting key information regarding the progress of efficiency programs as compared to planned savings and budgeted expenditures. For each program a clearly labeled table should present the following data points, both the projected annual value or budget and the actual year-to-date value, on an ex-ante basis:
 - 6.1.4.1.1 Number of projects
 - 6.1.4.1.2 Electric energy savings (kWh)
 - 6.1.4.1.3 Electric peak demand savings (kW)
 - 6.1.4.1.4 Natural gas savings (MMBtu)
 - 6.1.4.1.5 Savings from equivalent energy efficiency measures
 - 6.1.4.1.6 Program expenditures
 - 6.1.4.2 The Biannual Snapshots should be prepared for presentation to the EEAC in October (for the first half of program year) and April (for the second half of program year).

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6.1.5 Each PA shall submit an Annual Program Reconciliation Report to the EEAC highlighting findings from the past program year.

6.1.5.1 The Annual Reconciliation Report is a critical output of the EM&V process. It links together all information and accounting for each efficiency program, demonstrates that savings are accurately reported, and presents the results of cost-effectiveness analysis

6.1.5.2 The report shall be submitted by the end of the 1st quarter after the close of the program year, and should include all completed reports and results that were not included in any previous annual report. It should include the following information.

6.1.5.2.1 A summary of EM&V activities completed in a manner that is consistent with these regulations and with EM&V Plans approved by the EEAC.

6.1.5.2.2 A summary of process evaluation findings, as appropriate by program.

6.1.5.2.3 A summary of impact evaluation findings, as appropriate by program and for the portfolio as a whole, showing original PA tracked savings, actual evaluated gross and net savings performance, original program goals, evaluated NTG ratios, and evaluation realization rates. For programs not undergoing impact evaluations for that year, the summary should provide the tracked and claimed gross and net savings consistent with prior agreements, deemed savings and the Mid-Atlantic TRM, and indicate these are unevaluated results.

6.1.5.2.4 Estimates of ex-post evaluation estimated savings and cost-effectiveness results by program and for the portfolio as a whole, performed and calculated in a manner consistent with the EM&V regulations.

6.2 Benefit-Cost Analysis

6.2.1 Energy Efficiency programs and portfolios in Delaware must meet the benefit-cost requirements outlined in these regulations. PAs shall develop program and portfolio plans to achieve positive net benefits based on the cost-effectiveness test described below. PAs are responsible for providing prospective planned cost-effectiveness test results to EEAC for review at the program and portfolio level. In addition, the IECs and PAs must provide the EEAC with retrospective cost-effectiveness test results at the program and portfolio level. Portfolios shall be developed to maximize long term cost-effectiveness and consider investing in the activities and resources needed to establish the groundwork for programs in the future.

6.2.2 Cost-Effectiveness Test

6.2.2.1 Programs are considered cost-effective when the benefit-cost ratio as determined by the Total Resource Cost (TRC) test is greater than one. The TRC test compares the costs and benefits of energy efficiency programs as a resource option from the perspective of the entire economy. The formula for the TRC test is:

$$\text{Benefit_Cost Ratio} = \frac{NPV \sum \text{Benefits(dollars)}}{NPV \sum \text{Costs(dollars)}}$$

where:

Benefits = Net Present Value of (Avoided Supply Costs + Other Benefits)

Costs = Net Present Value of (Participant Costs + Utility Costs – Federal Tax Credits)

6.2.2.2 The costs are the total costs of the program, whether incurred by participants or Program Administrators. Costs include:

6.2.2.2.1 equipment and installation costs (but only those that are incremental to baseline costs);

6.2.2.2.2 increases (or decreases) in operation and maintenance costs;

6.2.2.2.3 cost of removal (less salvage value);

6.2.2.2.4 administrative costs directly attributable to the programs; and

6.2.2.2.5 costs for EM&V activities, utility performance incentives, and Federal tax credits (as a reduction in cost).

6.2.2.3 Benefits include all benefits to the utility, its ratepayers, and other Delaware constituents that result from changes in energy consumption resulting from energy efficiency programs. The benefits calculated in the TRC shall include, when determined by the EEAC to be reasonably quantifiable:

6.2.2.3.1 avoided electric supply costs, based on energy costs in the respective zone of the PJM Regional Transmission Organization;

6.2.2.3.2 avoided electric transmission, distribution, and generation capacity costs, valued at marginal cost for the periods when there is a load reduction, based on relevant costs in the respective zone of the PJM Regional Transmission Organization;

- 6.2.2.3.3 reduced SREC and RECs requirements;
- 6.2.2.3.4 avoided gas supply and delivery costs;
- 6.2.2.3.5 the effect of lower prices for electric and gas energy and capacity in wholesale markets resulting from reductions in the quantity of energy and capacity sold in those markets, sometimes referred to as Demand-Reduction-Induced Price Effect (DRIPE);
- 6.2.2.3.6 avoided costs of energy savings in fuels other than electricity and natural gas, or from equivalent energy efficiency measures, such as reduction in delivered heating fuel resulting from improvements in the building envelope or other systems; and
- 6.2.2.3.7 avoided environmental compliance costs, where such costs can be directly tied to changes in energy use.
- 6.2.2.3.8 Non-energy impacts as approved by the EEAC.
- 6.2.2.4 The benefits shall be calculated using net savings.
- 6.2.3 To set a standard that allows TRC tests conducted on Delaware's energy efficiency programs and portfolio to be comparable, the following guidance shall be followed.
 - 6.2.3.1 Net present value - Cost-effectiveness of an energy efficiency measure, program, or portfolio will be calculated based on the net present value of the costs and benefits valued in the TRC test, discounted over the effective useful life of the measures installed.
 - 6.2.3.2 Discount Rates - The discount rate used in energy efficiency and demand reduction cost-effectiveness tests shall be 4.0% on a real basis.
 - 6.2.3.3 EUL - Measures installed via Delaware's energy efficiency programs shall have their energy savings counted and valued over the full EUL of the installed measures.
 - 6.2.3.4 With the exception of program-specific data, inputs to cost-effectiveness tests shall not be different for different programs.
- 6.2.4 Although the TRC test will serve as the primary criterion for determining program cost-effectiveness, customer rate and bill impacts shall be provided in portfolio plans to help inform the planning process. The results of additional cost-effectiveness tests may also be reported.
 - 6.2.4.1 Portfolio plans shall include projected customer rate and bill impacts over the three-year program for each customer class.
- 6.2.5 EEAC Responsibilities for Benefit-Cost Analysis
 - 6.2.5.1 Develop or approve energy savings forecasts, avoided costs, line losses, and/or other major inputs to the benefit-cost analysis.
 - 6.2.5.2 Monitor that Program Administrators are following the benefit-cost approaches as outlined in these regulations.
 - 6.2.5.3 Review and approve program and portfolio level benefit-cost analysis completed by Program Administrators and/or IECs on energy efficiency portfolios and programs.
 - 6.2.5.4 Coordinate with the PSC and the Public Advocate to provide advice on benefit-cost metrics, metric values, and calculation approaches.
- 6.2.6 Program Administrator Responsibility for Benefit-Cost Analysis
 - 6.2.6.1 Develop estimates of avoided costs and line losses, for review, discussion and approval by the EEAC.
 - 6.2.6.2 Perform benefit-cost analysis for energy efficiency measures, programs and portfolios for planning purposes using Delaware TRM values and best available information as appropriate.
 - 6.2.6.3 For programs evaluated by an IEC, provide IECs with appropriate input data and ensure that the IECs perform required benefit-cost analyses based on ex-post evaluation results and submit timely reports to the EEAC.
 - 6.2.6.4 Report planned and ex-post benefit-cost calculation results to EEAC.
 - 6.2.6.5 Provide data and benefit-cost analyses models to the EEAC for review, if requested
- 6.3 Energy Impact Baseline
 - 6.3.1 Prescriptive Measures
 - 6.3.1.1 The baseline used for prescriptive measures shall be established in the Delaware TRM. Baselines for prescriptive measures shall follow the approaches outlined below.
 - 6.3.1.2 For program models that are market driven, including replace on failure or end of life, new construction, renovation, remodel, or any other reason the customer is already planning to install

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equipment, the Delaware TRM shall use one of the following approaches to establish deemed baselines, unless specified in the Delaware TRM to be site or customer-type specific:

- **Code or standard:** Energy impact baseline is set at the minimum building code or the minimum appliance standard without compliance adjustments
- **Typical Code or Standard with Compliance Adjustment:** Energy impact baseline is set at the typically applied building code or appliance standard adjusted for estimated compliance
- **Market Mean or Mode:** Energy impact baseline is set at the mean or mode (industry standard) market practice for that equipment, depending on the distribution

6.3.1.3 For programs models that result in equipment replaced earlier than what would have occurred without the program (early replacement or “retrofit”), or where additional or optional equipment is added to existing equipment of systems, the baseline condition is the energy use condition prior to the program-induced change for the remaining useful life of the replaced measure. Once the remaining useful life has expired, the baseline should be established using one of the three methods outlined in subsection 6.3.1.2 and applied to the remaining useful life.

6.3.2 Custom Measures

6.3.2.1 Baseline conditions for custom measures will be set for each project being evaluated so that it reflects the typical conditions associated with that custom application, consistent with the above guidelines for prescriptive measures. The IEC will review baseline assumptions established by project engineers, and if appropriate, suggest modifications.

6.3.3 EEAC Responsibilities for Energy Impact Baseline

6.3.3.1 Provide guidance to IECs and PAs regarding appropriate baseline approaches, assumptions and estimations.

6.3.3.2 Collaborate with the IECs and PAs on the evaluation efforts and review baseline approaches and savings assumptions to be used in the evaluation efforts ensuring they are developed in a manner consistent with the baseline approach established in these regulations.

6.3.3.3 Work to resolve any disagreements between the IECs and PAs, or other stakeholders, regarding baseline assumptions.

6.3.3.4 Approve any IEC suggested deviations from the required approach for setting baseline conditions if properly justified and explained.

6.3.4 Program Administrator Responsibilities for Energy Impact Baseline

6.3.4.1 Provide guidance to IECs on program baseline assumptions.

6.3.4.2 Develop, in coordination with the IECs, custom baseline assumptions on a project-specific basis to support calculations of custom project gross savings.

6.4 Application of Savings

6.4.1 Program results and goal achievement in Delaware shall be reported as Ex-Post Verified Net savings. Gross program savings that are verified by evaluation activities are then adjusted using net-to-gross (NTG) ratios determined as described in subsection 6.4.3.1 to yield an ex-post, verified net savings value.

6.4.2 Gross savings will be calculated using the Delaware TRM where applicable. For measures not included in the Delaware TRM, gross savings will be calculated by other appropriate methods.

6.4.2.1 Gross savings do not account for the effects of free riders, spill over or market effects on the total program savings.

6.4.2.2 For deemed savings, ex-post savings shall be verified by the IEC and may reflect installation rate, quantity, and adjustments for errors in data collection.

6.4.2.3 Custom projects shall require engineering, metering, or other evaluation estimates that will be applied retroactively.

6.4.3 Net savings, those savings that are caused by the program’s intervention in the market and that account for free riders, participant spillover and market effects, shall be used for purposes of assessing goal achievement and to provide program design and marketing guidance that can support planning for upcoming program years. An assessment of net-to-gross ratios may also be used by the EEAC, and other policy makers to assess when a program should be redesigned or terminated as a part of the Delaware portfolio.

6.4.3.1 The EEAC shall develop or approve NTG ratios to be applied to each program prospectively at a minimum of every three years. These NTG ratios can be derived from the Delaware TRM or specific research or from other best available

information. The EEAC, in consultation with the IEC, shall agree on NTG values to use going forward, informed by evaluations and all other best available information.

- 6.4.3.2 Estimated net-to-gross assumptions used in portfolio planning analyses shall be included with the portfolio plan submitted to EEAC.

6.4.4 Retroactive vs. prospective savings calculation

- 6.4.4.1 Changes in deemed energy savings or other deemed assumptions that result from program evaluation shall not be applied retrospectively, but shall be applied to the program and portfolio prospectively in the next program cycle.

- 6.4.4.2 Changes to deemed savings assumptions shall be coordinated through the annual process of updating the Delaware TRM.

6.4.5 Transmission and Distribution Losses

- 6.4.5.1 All transmission and distribution loss factors applied to customer or meter-level savings in order to estimate generation-level savings shall be based on estimates of marginal system line losses rather than average loss factors.

6.4.6 EEAC Responsibilities for Savings Calculations

- 6.4.6.1 The EEAC shall develop or approve gross savings analyses completed by IECs on energy efficiency portfolios and programs.

- 6.4.6.2 The EEAC shall coordinate with the DNREC to provide updates to the Delaware TRM so that savings used in Delaware reflect the most recent information available, including information gathered through program EM&V completed in Delaware.

- 6.4.6.3 The EEAC shall review and approve Program Administrator assumptions regarding savings attributable to avoided transmission and distribution system losses.

- 6.4.6.4 The EEAC shall reach consensus on all forward looking NTG ratios to apply to the following year.

6.4.7 PA Responsibilities for Savings Calculations

- 6.4.7.1 The PAs shall coordinate with the DNREC and the EEAC to provide advice on benefit-cost metrics, metric values, and calculation approaches.

6.4.8 IEC Responsibilities for Savings Calculation

- 6.4.8.1 The IEC shall provide to the EEAC all EM&V reports. Reports shall include, as a minimum, evaluated gross and net savings for each program.

- 6.4.8.2 The IEC shall advise the EEAC, as requested, on issues related to reaching consensus on NTG ratios for each program.

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7.0 Evaluation Budgeting and Budget Management

- 7.1 For any given program cycle, the EEAC will review evaluation budgets proposed by the PAs to ensure funding is at a level sufficient to cover EM&V.

- 7.2 The EEAC shall consider the following when approving the proposed EM&V Plans and when recommending EM&V activities:

- 7.2.1 Programs that are expected to save more energy (in both the near-term and over their measure lifetimes) or have high demand reduction impacts should have evaluation approaches that are more rigorous than those that are expected to save less energy.

- 7.2.2 Programs that represent larger portions of the portfolio budget should have a level of evaluation rigor that matches the importance of the program's total financial investment.

- 7.2.3 Measures that have a high risk around the accuracy of the savings should have a high level of evaluation rigor, thus reducing the level of uncertainty around the energy saving estimates of that program and for the portfolio.

- 7.2.4 Field measurement and verification efforts should focus on the programs of the portfolio that have the greatest risk of lowering the reliability of the total impact estimates.

- 7.2.5 Sampling approaches, sample-size targets, and confidence limits should provide the highest level of accuracy achievable balanced with the available resources. Large programs and programs that are important for reaching energy saving targets should have sampling approaches that reflect that importance. Low impact or smaller programs may have lower precision and confidence levels.

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- 7.2.6 Budgets devoted to process evaluations should consider the likely opportunities to identify program improvements, the current success of the program in terms of participation and overall program implementation, and the likely duration of the program effort.
- 7.2.7 Where possible, evaluation activities should support the ability of the PAs to meet the EM&V requirements for participation in relevant and applicable energy and capacity markets, such as the PJM RPM capacity market.

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8.0 Technical Reference Manual (TRM) Purpose and Updating Process

- 8.1 A Delaware TRM as approved by the EM&V Committee shall serve as the source for deemed gross savings and the associated calculation approaches used in Delaware.
- 8.2 The Delaware TRM is usually completed in the late spring or early summer each year. PAs planning to launch programs the following January 1 or later will use the updated Delaware TRM in planning for the subsequent year. PAs launching new programs in advance of January 1 of the subsequent year will use the standing values until the start of their next program year, at which time they will adopt the updates from the Delaware TRM for all forward-planning and reporting purposes.
- 8.3 EEAC Responsibilities for Delaware TRM Updates
 - 8.3.1 Participate in the Delaware TRM development process.
 - 8.3.2 Lead the various aspects associated with the coordination process to ensure that all necessary information is assembled to inform discussions regarding proposed changes to the TRM.
 - 8.3.3 Obtain opinions from evaluation and program implementation experts as needed to inform modification and other update decisions.
 - 8.3.4 Solicit feedback from other interested parties as part of the updating process.
 - 8.3.5 Develop and document all procedures and policies related to the Delaware TRM, its use, update schedule, and application.
- 8.4 PA Responsibilities for Delaware TRM Updates
 - 8.4.1 Develop recommendations for changes and new measures and participate in discussions as appropriate.
 - 8.4.2 Inform the EEAC promptly of the desire for additional and characterization of any new measures to support program design and implementation activities.
 - 8.4.3 Provide feedback and insight into the updating process for the Delaware TRM, including direct feedback and findings resulting from EM&V activity in Delaware.
 - 8.4.4 Provide opinions, comments, or responses on the recommended changes provided by others.
- 8.5 IEC Responsibilities for Delaware TRM Updates
 - 8.5.1 Identify appropriate modifications and updates to the EEAC, provide recommendations for new assumptions, and assist in developing Delaware TRM updates.

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Please Note: Due to the size of the Delaware Technical Reference Manual, it is not being published here. The link to the manual is provided below:

Mid-Atlantic TRM May 2018 ([http://regulations.delaware.gov/AdminCode/title7/2000/Mid-Atlantic TRM May 2018.pdf](http://regulations.delaware.gov/AdminCode/title7/2000/Mid-Atlantic_TRM_May_2018.pdf))

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22 DE Reg. 514 (12/01/18)