



# Three-Year Planning Update

April 9, 2025



# Three-Year Planning Overview

- 2025 is the last year of the current Three-Year Plan cycle
- A focus for the EEAC in 2025 will be on planning for 2026-2028
- Steps will include:
  - Updating Plan inputs (NTGRs and Avoided Costs)
  - Reviewing program performance (2024 results, snapshots)
  - Discussing and setting savings targets
  - Reviewing PA proposed program portfolios
- Some consideration required related to planning schedule for regulated vs non-regulated PAs



# Proposed Three-Year Planning Schedule

	Quarter 1			Quarter 2			Quarter 3			Quarter 4		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<i>You are here</i> →												
<b>Three-Year Target Planning</b>												
Quarterly EEAC Meeting												
Avoided Costs Updated					VOTE							
NTG Updated					VOTE							
2024 Year End Review												
Update Potential Study												
EEAC Discussion re: savings targets												
PAs submit draft three-year plans to the EEAC												
PAs submit final three-year plans to the EEAC												
EEAC sets recommended portfolio and savings targets												
PAs submit three-year plans to the PSC												
PSC votes on three-year plans												

# Key Planning Assumptions



# Key Planning Assumptions for 2026-2028

- Avoided costs
  - Used to assess program benefits cost-effectiveness screening
- Net-to-Gross Ratios
  - Impacts energy savings values
  - Impacts results of cost-effectiveness screening
- Three-year savings targets
  - Set goals against which progress will be tracked



# Cost-Effectiveness Overview

- Cost-effectiveness analysis compares the benefits and costs of an investment
- An investment is considered “cost-effective” if the benefits exceed the costs
- We use benefit-cost ratios (BCRs) to assess cost-effectiveness
  - A BCR of 1 or greater means the investment is cost-effective
- Can be used to assess overall EE portfolios, programs, projects, or measures

**Benefit-Cost Ratio (BCR) > 1**

$$\text{Benefits} \div \text{Costs} = \text{BCR}$$



# Cost-Effectiveness Requirements

- Most jurisdictions require EE programs to pass a particular cost-effectiveness test
  - TRC is most common
- In DE, EM&V guidelines specify:
  - “Programs are considered cost-effective when the benefit-cost ratio as determined by the Total Resource Cost (TRC) test is greater than one.”



# Updating Avoided Costs

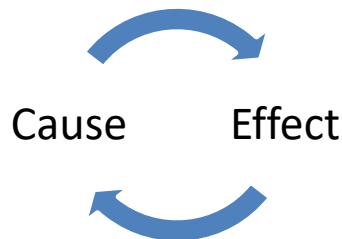
- Avoided costs are key component of calculating benefits for cost-effectiveness screening
- DE Avoided Costs originally developed in 2017
  - Updated in 2019 and 2022
- In absence of a DE-specific study, relied on available data from relevant jurisdictions and public sources
- Avoided costs should be updated regularly to reflect current market conditions





# Updating Net-to-Gross Ratios (NGTRs)

- EM&V Regulations also specify that “The benefits shall be calculated using net savings.”
- Net savings are energy savings attributable to the program
- As market conditions change and programs mature, NTGRs change too
- Can impact cost-effectiveness
  - Low NTGRs indicate lower attributable savings
- Few studies assessing NTGRs have been completed to date in DE
- Have been updated using studies of similar programs in other states



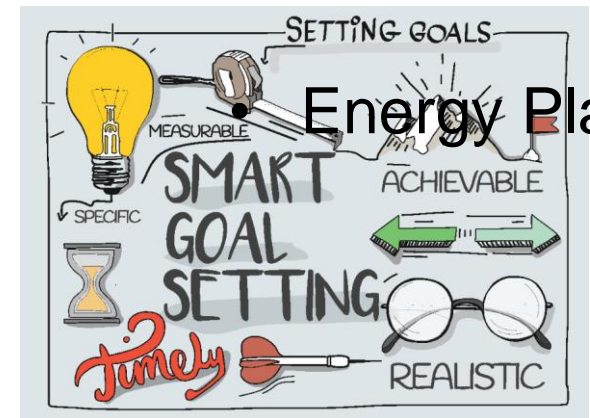
# Setting Three-Year Savings Goals

- Historically, three-year savings targets have been set as annual savings as a percent of utility sales
  - Relative to statewide sales in year date most recently available (EIA Form-861, EIA Natural Gas Consumption values)
- Have been set at a statewide level



# Goal Setting Approaches

- First planning cycle (2016/17-2019) based on energy efficiency potential and included a ramp rate
- Second planning cycle (2020-2022) based on the three-year average of what PAs expected to achieve
- No formal goals set for 2023-2025 given the fact the PAs were at different points in their planning processes
  - Climate Action Plan made savings level recommendations for 2023 on:
    - “Build on existing incentive programs to reduce energy consumption by 0.7% annually by 2022 and by 1.5% annually from 2023 forward.”



# Relevant Energy Plan Goal Setting Strategies

- **Strategy:** Incorporate greenhouse gas emissions into energy efficiency potential studies
  - Future studies should identify and quantify the costs and potential energy savings from energy efficiency and fuel switching programs and measure GHG reduction opportunities
- **Strategy:** Ensure that energy efficiency programs are consistent with the Climate Change Solutions Act of 2023
  - The Energy Act currently requires the EEAC to set energy reduction targets without linkage to state GHG reduction potentials



# Current Program Cycles

- Current program plan cycles differ by PA

Program Administrator(s)	Current Program Cycle
Non-Regulated PAs	2023-2025
Delmarva Power	2024-2026
Chesapeake Utilities	2024-2025 +2026



# Key Planning and Goal-Setting Questions

- Is annual savings a percent of sales the right goal-setting metric?
- Should goals be aspirational or reflect current plans?
- Should goals be statewide or PA-specific?
- How should the Climate Action Plan/Energy Plan Recommendations be taken into consideration?
- How should we manage different processes and timelines for regulated vs. non-regulated PAs?



# Thank you. Questions?

