**THIS VERSION INCLUDES EAR TEAM NOTES AND REDLINES/NOTES CREATED DURING THE T2WG MEETING #3. WE DID NOT ADD NOTES OR MAKE REVISIONS TO THIS DOCUMENT DURING MEETING 4.**

**Proposal for consideration in the T2WG (version 9) 2017/06/20**

**Standard Practice Baseline**

**Background**:

The Standard Practice Baseline is synonymous with a “code” baseline and is generally[[1]](#endnote-1) used as the single baseline for Normal Replacement (including New Load and New Construction) measures as well as the second baseline[[2]](#endnote-2) for Accelerated Replacement (AR) measures. This document only details the baseline selection process; it does not discuss eligibility or the review and verification of the selected baseline.

**Definition**:

The Standard Practice Baseline is an estimate of the activity or installation that would take place absent the energy efficiency program as required by code, regulation, or law, or as expected to occur as standard practice. The Standard Practice Baseline activity or installation must meet the anticipated functional, technical, and economic needs[[3]](#endnote-3) of the customer, building, or process and provide a comparable level of service as the EE measure.[[4]](#endnote-4)

**Selection Process**:

Step 1. Consider and apply any applicable and current CPUC published Standard Practice documents relevant to the anticipated functional, technical, and economic needs of the customer, building, or process. Such documents, which may include ISP study reports, DEER baseline values, or CPUC-issued memoranda or dispositions, will be publically available on a single website with a date of issuance and effective dates.[[5]](#endnote-5) If applicable baseline information within these documents is found, apply it and stop here. If applicable information is not found, review and follow the ISP Guidance Document.[[6]](#endnote-6) When appropriate, proceed to Step 2.

Step 2. Identify the options presented by the project developer, or that the customer considers functionally, technically, and economically feasible to implement, including any known options that are presently and commonly implemented. Options must comply with all codes, standards, and other requirements, with consideration for:

A. Applicable minimum building energy efficiency requirements, e.g. California Building Energy Efficiency Standards (Title 24 – Part 6) or ASHRAE Standard 90.1, and

B. Other applicable federal, state, and local regulations or requirements,[[7]](#endnote-7) e.g. Title 20, CARB Regulations, Federal Appliance Standards, and

C. Providing a comparable level of service as the EE measure for the EUL of the EE measure.

Functional, technical, and economic feasibility is perceived and defined by the customer, but should take into account the need for performance and reliability, as well as any relevant operational, maintenance, and energy[[8]](#endnote-8) costs. The customer must consider any options considered under this step as reasonable to implement.

Step 3. If Step 2 yields only one feasible option, that option establishes the standard practice baseline.[[9]](#endnote-9) If Step 2 yields two or more feasible options, the option that is the lowest first-year cost[[10]](#endnote-10) to implement establishes the standard practice baseline. Costs included in this process may be estimates, but their basis must be substantiated.

**MEETING 3 DISCUSSION**

See Staff concerns in the document comments.

* Cost Review – Staff concerned that costs must represent full picture, e.g., include O&M costs where they might be influential; stakeholders concerns about providing clear guidance and avoiding vague language that makes review subjective and unpredictable.
  + Jesse/Cascade – proposed new language: “Include operation and maintenance costs, if relevant and easily-definable.”
  + Paden – costs should also include lost revenue if that impacts the cost discussion for the customer; lost revenue for equipment being down needs to be incremental to baseline.
* Staff objects to part of Step 2 language that says “Determine at least one viable option the customer has”. General disagreement on how many viable options to include.

Staff made it clear that “at least one viable option” is not acceptable.

* + Staff confirmed that viable is from the customer perspective.
  + Suggestions that for step 2, instead of at-least one viable option, identify all the commonly installed viable options available to meet the anticipated technical, functional and economic needs of the customer, building, or process; stakeholders thought this was too subjective – need clarify and rules on how many is enough.
  + Kay suggested adding the term “reasonable”
* Rob Guajardo requested edit to include new load and new construction as types of NR; some disagreed since new load doesn’t have existing baseline; edit is in the current version
* Reggie – we should being doing market studies instead of ad-hoc ISPs.
* Baseline is selected in the project development stage; whether EAR agrees with that baseline selection is an issue (address this with Task 5)

### **Agreements**

* Staff generally agrees with steps; what’s missing is how to incorporate the steps in the project development.
* Include sentence provided by Rich to include processes in the definition (in addition to measures); removed reference to industrial market.

### **Remaining Items / Action Items**

* Revise the language to include the O&M costs when needed. The intent is not to always include theses costs (include it when the operational savings outweigh the energy savings and when there are publicly available cost studies); Include all “relevant” costs (e.g., first cost, O&M, lost revenue) [ACTION] (Ryan/Halley)
* Propose alternative language for Step 2 to address staff objection to “at least one viable option” [ACTION] (Ryan/Halley)
* Revise the language to include like-for-like and regressive baseline [ACTION] (Ryan/Halley)
* Need to resolve aspects of Task 5 before we can complete Task 1. [ACTION] Convene Task 5 subgroup (Cadmus)
* Define when it makes sense to hold the project for ISP. PGE thinks that’s covered in Step 1; others suggested this should be addressed in the Task 5 guidance.
* Minimize subjective language so process and expectations are clear; consider adding examples of projects in the definition

1. For example, the baseline used for energy efficiency savings reporting and incentives shall not regress to a lower efficiency than the existing equipment. [↑](#endnote-ref-1)
2. The second baseline applies to the time period from the end of the remaining useful life (RUL) of replaced equipment to estimated useful life (EUL) of the measure. [↑](#endnote-ref-2)
3. The phrase “economic needs” does not necessarily mean “the most economical option.” The Standard Practice Baseline must be an option that the customer considers economically reasonable. The baseline is supposed to represent what would happen in absence of the program. [↑](#endnote-ref-3)
4. Savings claims shall be generated based on equipment choices that operate at a comparable level of service as the EE measure. If the EE measure provides an enhanced level of service (e.g. a new load project that allows for increased production), savings must be normalized to comparable levels of service. [↑](#endnote-ref-4)
5. For example, the CPUC Ex Ante Review Custom Process Guidance Documents page at: <http://www.cpuc.ca.gov/General.aspx?id=4133>. [↑](#endnote-ref-5)
6. This process does not circumvent the need for a market-based ISP study when applicable and necessary, as will be defined in the ISP Guidance Document, scheduled to be updated under Task 5 of the Track 2 Working Group as directed in D.16-08-019. The ISP Guidance Document must specify the triggers for conducting a market-based ISP study and must also specify the conditions and procedures for which a measure may be paused until a market-based ISP study has completed. [↑](#endnote-ref-6)
7. This does not include communities with “reach” building codes. Per D.09-05-037 OP 4: “…incentives and savings in communities with “reach” building codes or similar efficiency requirements shall be no different from those in other communities, and shall not be treated as free riders.” [↑](#endnote-ref-7)
8. As indicated in endnote 3 – energy costs must be taken into consideration when assessing the customer’s feasible options. If a particular option is functionally and technically feasible, but the energy costs are so high that the customer would never consider it, then that option shall not be used as the Standard Practice Baseline. If an option has higher energy costs than an alternative but is still considered reasonable by the customer (e.g. due to familiarity with incumbent technologies), that option may be considered for the Standard Practice Baseline. [↑](#endnote-ref-8)
9. In this case, the measure is ineligible for Normal Replacement, and there is no second baseline savings for Accelerated Replacement. [↑](#endnote-ref-9)
10. Energy efficiency options have always been required to use less energy and cost more than baseline options. First costs should include: “…the cost of any equipment or materials purchased, including sales tax and installation; any ongoing operation and maintenance costs; any removal costs (less salvage value); and the value of the customer's time in arranging for the installation of the measure, if significant,” per Standard Practice Manual. [↑](#endnote-ref-10)