



Review of the Massachusetts Performance Incentive Mechanism

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The MA Performance Incentive: Two Components

Performance incentives in MA have focused on achieving the two main goals:

1. Achieving **Savings (\$)** while achieving all cost-effective energy efficiency
 - **Benefits** over the life of installed measures relating to electric energy, capacity, natural gas, oil, propane, water, NEIs expressed in Net Present Value monetary benefits
2. Achieving **Value (\$)** through investment in energy efficiency
 - **Net benefits** (Benefits minus the customer + utility costs associated with the programs)

The MA Performance Incentive: Two Components

Savings Component

Goal: Maximize savings (total benefits in \$NPV)

Rewards PAs for acquiring additional lifetime primary energy and demand savings as well as other energy and non-energy benefits

= 61.5% of total planned performance incentive pool based on the total dollar amount of benefits

Value Component

Goal: Maximize the value of the programs (total lifetime benefits minus total lifetime costs)

Rewards PAs for achieving energy and non-energy benefits while minimizing unnecessary utility and customer expenditures

= 38.5% of total planned performance incentive pool based on the total dollar amount of net benefits

The MA Performance Incentive: Design

PI Pool

- The statewide design level PI pool is determined during the planning process
- 2016-2018: PI was 6% of total electric & 4% of total gas PA program budgets
- These amounts are pre-tax

PA Allocation

- During planning, the PI pool is divided among PAs according to each PA's proportion of planned statewide benefits and net benefits
- During reporting, PI is earned by each PA based on its performance compared to *its own* planned benefits and net benefits

Earned PI

- Earned at the portfolio level (shortfall in one sector can be made up by another)
- Earned over the three year period (shortfall in one year can be made up in another)
- Threshold = 75% of planned benefits and Portfolio B/C > 1.0
- Max PI = 125% planned benefits