SESSION 3E

Portfolio-level Evaluation

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PANELISTS

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SUMMARY DESCRIPTION

What role can and should program evaluation play in supporting the long-term optimization of energy efficiency program *portfolios*?

Energy Efficiency programs are typically bundled into portfolios of programs that are intended to have a combined effect. Investment theory suggests that such portfolios are constructed in a manner that balances risk tolerances and long-term investment objectives. In our industry, the long-term objective is typically the attainment of specific kWh and kW reductions, shaving load growth, and meeting a portion of new resource needs. Some programs contribute to these objectives with little or not risk; savings are relatively certain and measureable, and markets are well understood. Other programs pose significantly greater risk; savings are far from certain and fraught with measurement issues, and markets are decidedly *not* well understood. Often, those investments that are perceived to have the greatest risks are also those that have potential to provide substantially greater savings. While the reality is that such portfolio-allocation decisions involve substantial non-economic objectives (e.g., political, equity), a balanced portfolio would, in theory, take these risks into account and allocate scarce investment dollars for energy efficiency accordingly.

Program evaluations often focus on meeting the needs of program management and meeting regulatory filing requirements. Information is used to validate first-year savings claims at various measure and measure-grouping levels, and information is provided to optimize program implementation. But do these evaluations truly provide what is necessary to inform portfolio-level program investment decisions? Such decisions might involve a different set of research questions:

- How much should be *invested* in this program?
- Are we investing the *optimal* amount in this program given our objectives?
- Do we understand the *relative* levels of risk associated with each program?
- What is the *certainty* of the impact from this program, or group of programs, upon the overall system load and load shape?
- What is the *probability* that we will attain our long-term efficiency goals?
- What *market dynamics* pose the greatest threat to our overall success or, conversely, contribute most significantly to the attainment of our success?
- How much *certainty* do we have around the cost of our energy efficiency investment?
- What portion of *technical potential* is captured through our programs?

This panel will focus on these and other questions and, fundamentally, explore whether or not our current approach to program-level evaluation in fact meets the over-arching needs of portfolio-level evaluation.