COST EFFECTIVENESS: CUTTING EDGE ISSUES

Moderator: Ralph Prahl, Prahl & Associates

PAPERS:

The Sensitive Side of Cost Effectiveness
Christine Hungeling, Itron
Jean Shelton PhD, Itron

Modifying California's Traditional Resource Acquisition Benefit-Cost Analysis to Accommodate Market Transformation Programs
Richard Ridge, Ridge & Associates
Brian Arthur Smith, Pacific Gas and Electric Company
Julie Colvin, Pacific Gas and Electric Company
Luke Nickerman, Pacific Gas and Electric Company

Focusing Some Light on Two Specific Issues for Cost Effectiveness Testing
Seth E. Craigo-Snell, CLEAResult, Inc.

SESSION SUMMARY:

This session explores several advanced issues in cost-effectiveness analysis, including: performing and interpreting the results of sensitivity analyses; adapting traditional benefit-cost frameworks to better accommodate market transformation initiatives; and handling subtleties regarding the treatment of incremental costs and incentive payments.

Hungeling and Shelton describe a scenario analysis of TRC results for California's 2010-2012 program portfolio, examining the sensitivity of the results to variations in a wide range of inputs. Their paper is intended to provide utilities, regulators, and evaluators the information they need to interpret the sensitivity of the TRC and help to focus evaluations, policy decisions, and program planning on the inputs which are most influential.

Ridge and coauthors present a case study on how to adapt a benefit-cost (B-C) policy framework that is primarily oriented to resource acquisition programs in order to more fairly and consistently assess the efficacy of market transformation programs. Many jurisdictions with B-C policy frameworks similar to California's have yet to address these issues, and could therefore benefit from the results of this case study.

Finally, Craigo-Snell challenges two common practices in cost-effectiveness analysis. First, he argues that in cases (notably, LEDs) where the efficient measure has a longer lifetime than the standard one, assumptions regarding incremental costs should take this fact into account. Second, he argues that incentive payments to free riders should not be treated solely as a program cost, as is done in some states.