



March 30, 2022

Building Energy Performance Standards (BEPS) in Montgomery County- Summary of Stakeholder Feedback Sessions on Allowance for Renewable Energy



Learn more at <https://www.montgomerycountymd.gov/green/energy/beps.html>

Meeting Objectives

1. Summarize stakeholder input on the BEPS “credit” (or “allowance”) for renewable energy, emphasizing areas of:
 - *A. Stakeholder consensus on policy objectives of an allowance*
 - *B. Strong stakeholder interest, but no consensus on policy objectives*
2. Identify where there was and was not stakeholder consensus on how to connect policy objectives to options for defining the allowance for renewable energy
3. Characterize general strategies for the allowance aligned with consensus stakeholder views

Overall Goal: ensuring that stakeholders’ voices are clearly heard on this topic in the BEPS policy development process

Agenda

1. Introduction and Background (10 minutes)

- Overview of stakeholder process
- Background on BEPS and proposed allowance for renewable energy

2. Read-out from February and early March stakeholder sessions (35 minutes)

- Policy objectives: areas with and without stakeholder consensus
- Connecting policy to allowance options: areas with and without stakeholder consensus
- General strategies aligned with consensus

3. Gauge how well this read-out captures stakeholder views (15 minutes)

- Poll
- Q&A

BEPS Allowance for Renewable Energy: Stakeholder Process

There were **three types of stakeholder sessions**, all conducted virtually. The purpose of the sessions was to collect and summarize views of wide-ranging groups of stakeholders to inform the BEPS policymaking process.

- **First Session (December 16, 2021)**
 - Refresh on general role of renewable energy within BEPS
 - Review potential options/considerations for renewable energy allowance
 - Describe stakeholder process
- **Second Sessions (February and early March 2022)**
 - Smaller group discussions (9 total discussions)
- **Third Session (This meeting, March 30, 2022)**
 - Share small focus group discussion feedback
- **Stakeholder-Informed Report (Spring 2022)**

Consistent with our stakeholder ground rules, nothing we convey about the second sessions during this March 30th webinar will be attributed to any person or organization

No policy decisions are being made in this third session; it is focused on accurately summarizing stakeholder views in advance of final County policymaking

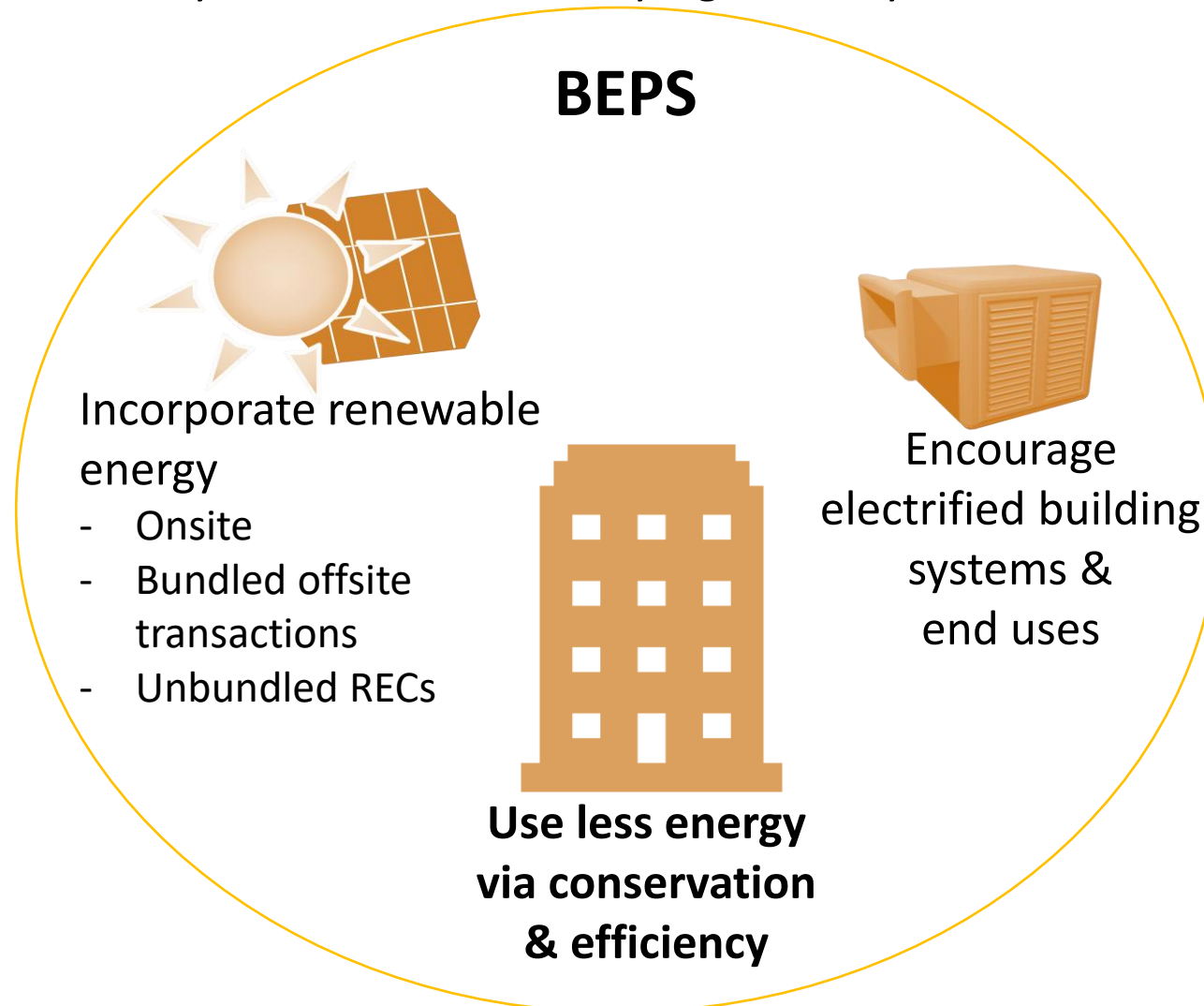
BEPS Allowance for Renewable Energy: Small Stakeholder Sessions

In February and early March 2022, we held nine small group discussions with a diverse set of stakeholders, including with the following:

- Private, for-profit building owners
- Not-for-profit building owners
- Environmental advocates
- Clean energy policy experts
- Building operators
- Utilities

Buildings and Climate

- Building emissions can be reduced or offset in several ways
- Costs, impacts, and suitability of measures can vary significantly between buildings



BEPS: Overall Background

Long-term performance standards balance (i) the need to address the climate emergency with immediate action with (ii) building owners' need for certainty and flexibility in how they manage their buildings.

- Each covered building's baseline will be based on average historical energy use
- Buildings receive a long-term site energy use intensity (EUI) target based on their property type
- Data is reported annually via ENERGY STAR Portfolio Manager, already required by the Montgomery County Benchmarking Law
- Properties are evaluated for compliance at interim targets (to be defined in regulation)
- Currently exploring renewable energy options as a credit (or allowance) towards meeting the BEPS target

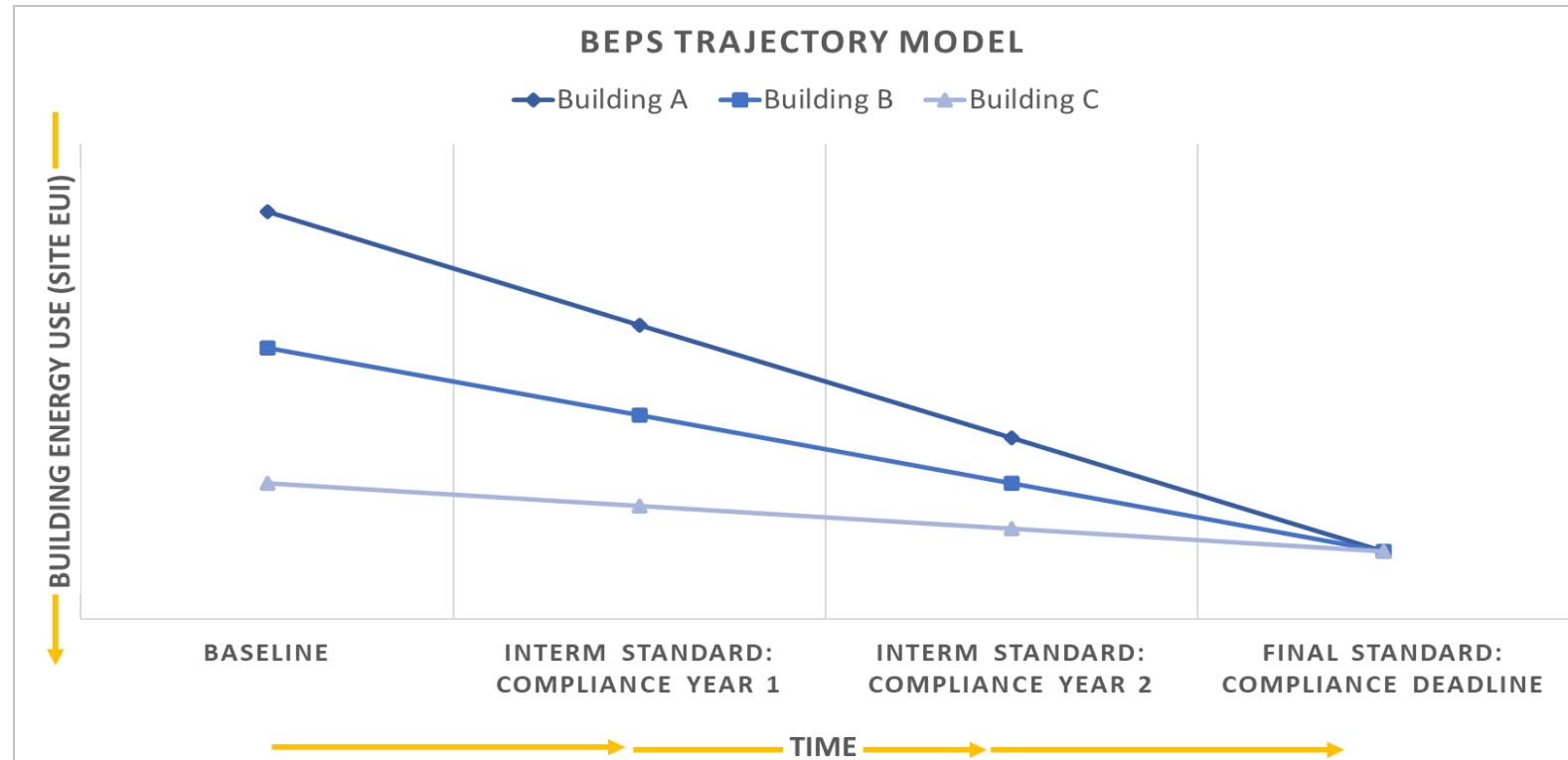
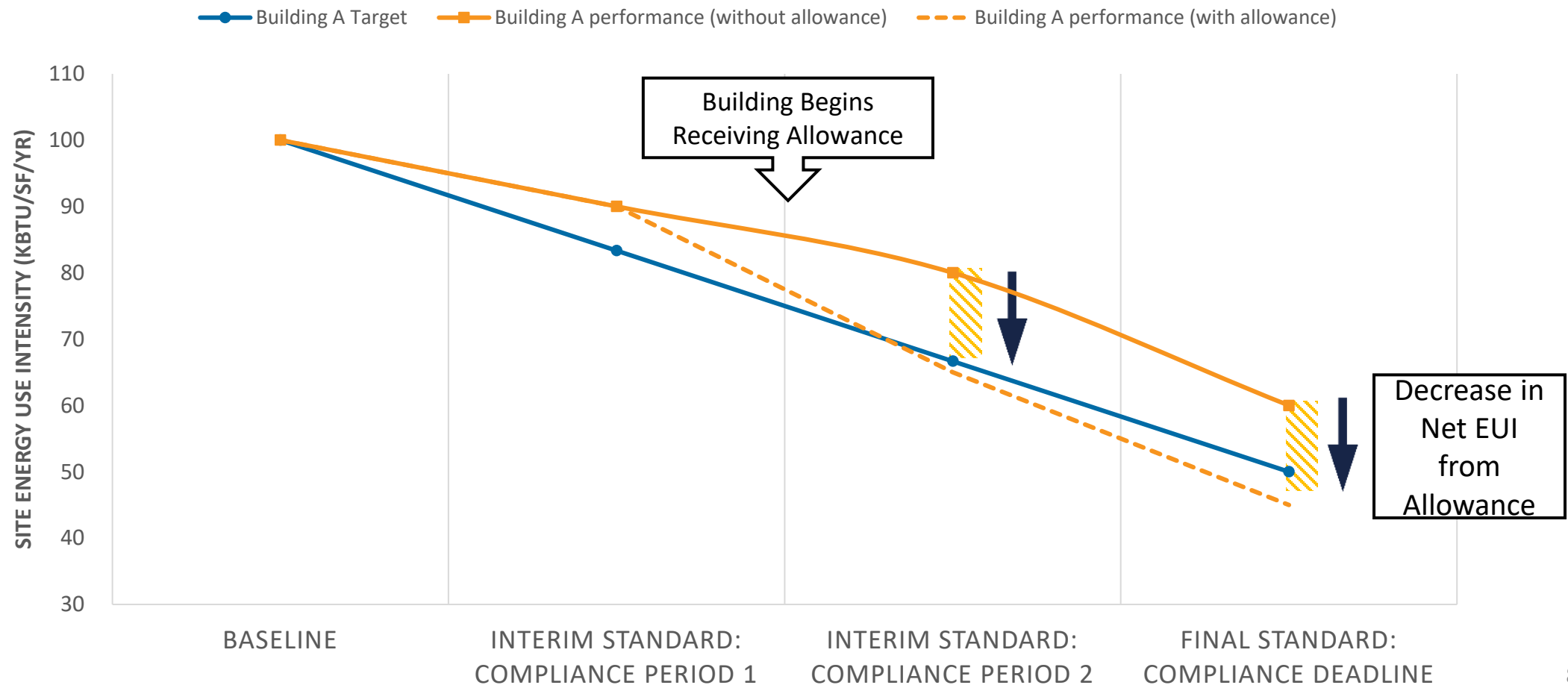


Illustration of how Allowance for Renewable Energy can affect BEPS Compliance

BEPS is built on **Weather-Normalized EUI**; allowance for renewable energy will likely be in the same metric

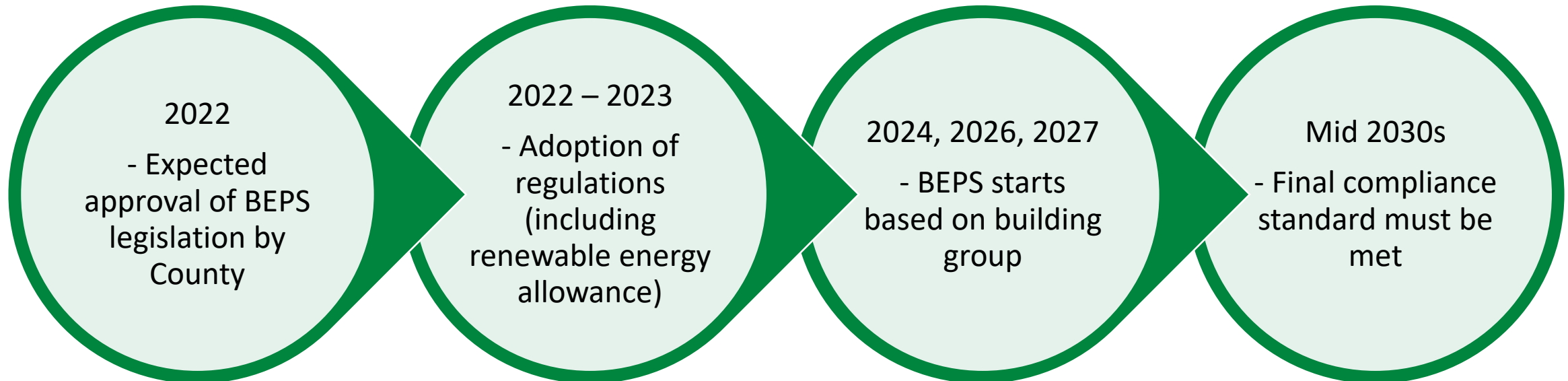
$$\text{Net Site EUI} = (\text{Weather-Normalized Site Energy Use} - \text{Reduction from Allowance}) / \text{gross square feet}$$

ALLOWANCE FOR RENEWABLE ENERGY: IMPACT ON BEPS



BEPS: Expected Timeline (Under Proposed Legislation)

- **Anticipate approval of BEPS legislation in 2022**
- Regulations and initial baselines will be created pending passage of BEPS legislation (Bill 16-21)
 - Allowance for renewable energy **will be included in regulations**
- Compliance may start for some buildings as early as 2024, with **compliance to the final standard starting in the mid 2030s**



Discussion Summary from Small Group Sessions

Sample of Questions Explored in Small-Group Stakeholder Sessions

1. Which benefits and considerations should the County prioritize?
2. What should be considered a qualified renewable energy source?
3. How should existing renewable energy systems be considered by the allowance?
4. If/how should the BEPS allowance account for the ownership of renewable energy credits (RECs)?
 - Should different REC treatments mean partial credit?
5. Should offsite renewable energy projects (supplying buildings to be covered by BEPS) receive an allowance?
 - If so, should it be a full or partial credit?
 - What type(s) of offsite renewable energy supply agreements qualify?
6. If/how should net metering impact a BEPS allowance?

Discussion Summary from Small Group Sessions:

Policy Objectives

Policy Objectives with Stakeholder Consensus (slide 1 of 4)

- **BEPS is, at its core, about building performance:**
BEPS policies and regulations should incent building improvements irrespective of the renewable energy allowance

First and foremost, the priority is energy efficiency; we are just seeking to fill in gaps with renewable energy.

Driving building efficiency projects is the main goal of the BEPS program.

Policy Objectives with Stakeholder Consensus (slide 2 of 4)

- **Encourage more renewables in the County to promote local benefits**

(though there was not consensus on how this policy objective should be reflected in allowance options)

Local job creation and benefits should also be taken into account.

The closer to Montgomery County, the more direct the benefits.

Directly adding renewables within the County [provides] additional positive externalities, such as air quality benefits, etc., that would make the process more beneficial to the County.

Policy Objectives with Stakeholder Consensus (slide 3 of 4)

- **Make BEPS compliance requirements for an allowance as simple as possible** (which stakeholders acknowledge may be challenging)

I appreciate how RECs create an administrative burden; the simpler the better.

Streamlining the documentation is going to be very important so as not to dissuade people from pursuing renewable projects.

Policy Objectives with Stakeholder Consensus (slide 4 of 4)

- **To ensure equitable outcomes, and mitigate unintended inequitable consequences, provide additional support for under-resourced buildings**

There should be a compliance pathway for buildings that can prove there is nothing they can do right now, without undue economic harm, to increase efficiency/electrify onsite.

We would want [penalties] ... in non-compliance buildings to be put back into the [BEPS] program to continue to fund projects to get other projects into compliance.

For [under-resourced buildings], the County should take the broadest interpretation of renewable energy as possible.

Policy Objectives without Stakeholder Consensus (slide 1 of 2)

- **The renewable energy allowance should align with County building codes**
(While multiple people expressed this, not everyone voiced this as a priority)

Looking at owners and developers, compliance with building codes is also going to be important with keeping up with building regulations moving forward.

For individuals in apartments/multi-family housing, the most important benefits are probably additional options for compliance, building energy performance, and alignment with existing building codes.

Policy Objectives without Stakeholder Consensus (slide 1 of 2)

- **Benefits that onsite renewables can offer to the local electric grid should be an important BEPS policy consideration**
(While many felt this way, a few individuals felt differently, as exemplified by the quote below)

If the goal is a reduction in carbon pollution, what difference does it make that the renewable is onsite, within the service area, etc.? Why would the carbon offset be more valuable if it is on property or somewhere else if reduction of carbon would be the same?

Discussion Summary from Small Group Sessions:

Connecting Policy to Allowance Options

Allowance Options: Areas with Stakeholder Consensus (slide 1 of 2)

- **Provide full allowance for any new, onsite renewable projects, irrespective of renewable energy credit (REC) retention or net metering exports by building owner**

For onsite solar, hopefully, the building owner would get as close to full credit as possible even if they don't own the RECs.

There is a pretty strong consensus that onsite should be credited regardless of REC treatment.

Allowance Options: Areas with Stakeholder Consensus (slide 2 of 2)

- **Unbundled RECs are of limited value in reducing GHGs and achieving other desirable environmental and economic outcomes**

If the whole purpose of BEPS is to reduce energy use in the County, RECs don't work toward that goal. It makes perfect sense from the sustainability and the County's point of view to not give credit from RECs.

I am mostly concerned about onsite RECs and renewable generation rather than offsite RECs. It will be hard to implement offsite [RECs] to a standard that people can easily access.

Allowance Options: Areas without Stakeholder Consensus (slide 1 of 3)

- **Provide lower allowance (i.e., only partial credit) for offsite renewable projects than onsite projects**

A tiered system could work but be cumbersome. Onsite should be prioritized.

Allowance Options: Areas without Stakeholder Consensus (slide 2 of 3)

- **Make the allowance lower the further away the renewable project serving the building is from Montgomery County**

For example, in-County is best, in-State is second-best, in a PJM market state other than Maryland is third-best, outside of PJM is worst or has no allowance value.

The location and distance should not matter: an electron of renewable energy is the same no matter where it is. We are addressing a global issue.

Allowance Options: Areas without Stakeholder Consensus (slide 3 of 3)

- **Qualified renewable energy sources should not include combustion technologies (e.g., burning of biomass, biogas)**

Clarify the definition of renewables...remove burn technologies.

Renewable natural gas plays an important role as a bridge technology for larger buildings/energy consumers to use. In particular, those for which electrification is not feasible without the utility making grid upgrades.

Discussion Summary from Small Group Sessions:

General Strategies Aligned with Consensus

General Renewable Energy Strategies Aligned with Stakeholder Consensus

- Offer a flexible, tiered approach
- Consider capping the allowance for renewable energy so that building energy performance improvements will have to be pursued. Over time, the County can reduce that cap.
- Make sure that allowance compliance is not unduly complicated (by REC retention, net metering, County building code, too many offsite renewable permutations)
 - *This includes consideration for how the regulation will allow for changes over time to adapt to future conditions*

Poll Questions:

**How well did this Summary Capture
Small Group Stakeholder Views?**

Poll Question #1

1. The overall summary presented today was reflective of your small group discussions.

Rating scale:

5 = Strongly agree

4 = Agree

3 = Neither agree nor disagree

2 = Disagree

1 = Strongly Disagree

Poll Question #2

2. Were the consensus ideas presented today reflective of your discussion?

- A. BEPS should incent building improvements irrespective of renewable energy allowance
- B. Encourage more renewables in the County to promote local benefits
- C. Ensure that allowance compliance is not unduly complicated
- D. Offer a flexible, tiered approach
- E. Provide additional support for under-resourced buildings
- F. Provide full allowance for any new, onsite renewable projects
- G. Unbundled RECs are of limited value in reducing GHGs and achieving other desirable environmental and economic outcomes

Rating scale:

- “Highly reflective of small group”
- “Somewhat reflective of small group”
- “Not reflective of small group”

Q&A and Conclusion

Thank you for your time today and throughout this engagement!

As a next step, we'll be publicly releasing a report containing stakeholder-informed policy considerations and recommended options this Spring

Final decisions on Montgomery County's BEPS allowance for renewable energy will be determined through the County's policymaking and regulatory processes

Learn more about overall BEPS issues at:

<https://www.montgomerycountymd.gov/green/energy/beps.html>

Additional Thoughts? Please email ICF, Inc. (Montgomery County's consultant for the BEPS allowance for renewable energy) at: Craig.schultz@icf.com or Montgomery County at the BEPS website above.