

Ramping up Energy Efficiency: Three Issues along the Way

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About the Regulatory Assistance Project

- RAP is a non-profit organization providing technical and educational assistance to government officials on energy and environmental issues. RAP Principals all have extensive utility regulatory experience.
 - Richard Sedano was commissioner of the Vermont Department of Public Service and NECPUC member from 1991-2001 and is an engineer.
- Funded by foundations, the US Department Of Energy & Environmental Protection Agency. We have worked in nearly every state and 16 nations.
- Also provides educational assistance to stakeholders, utilities, advocates.



Topics for Today: Three Issues on the Horizon

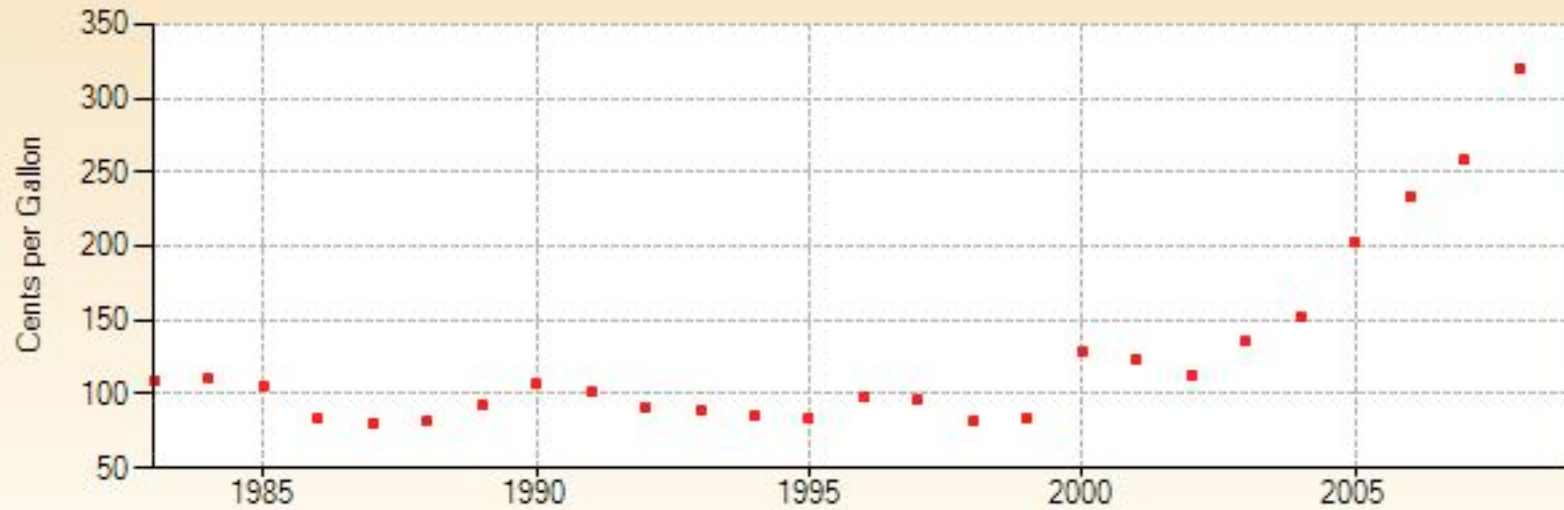
- Don't stop at the border: energy efficiency for unregulated end uses and the whole building concept
- Utility Business Incentives
- Attribution of Savings and the Public Interest



All-Fuels Energy Efficiency

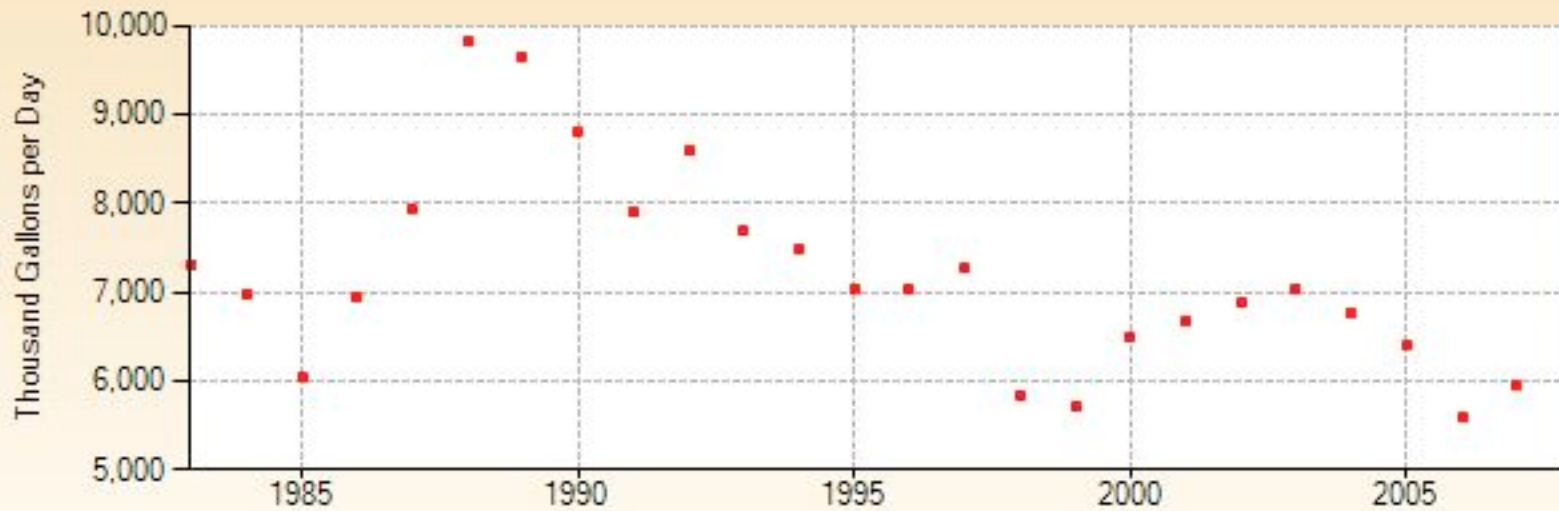
- New England characterized by significant use of fuel oil and propane
- Electric EE Programs can promote cream skimming – is that bad?
 - It can be if it makes remaining cost effective energy efficiency less likely
 - Imagine “whole house” programs that address water heating but not space heating

Annual New England (PADD 1A) No 2 Distillate Residential Price by All Sellers



Source: U.S. Energy Information Administration

Annual New England (PADD 1A) No. 2 Fuel Oil All Sales/Deliveries by Prime Supplier



Source: U.S. Energy Information Administration



Some Possible Initiatives

- Expand Weatherization service
 - Reduce/eliminate unserved eligibles
 - Expand eligibility
- Extend energy efficiency services to all end uses
- Assure high quality new buildings



Policies and Funding

- Task energy efficiency administrators to secure all cost-effective energy efficiency regardless of fuel: **whole building focus**
 - Make use of concentrated expertise
 - Public interest task needs funding
 - Assessment from fuel oil/propane customers
 - RGGI auction revenue
 - Capacity market revenue from energy efficiency
- Current Building Codes



Utility Business Incentives

- Cost Recovery
- Solving the Throughput Incentive
- Performance Incentives

- Pricing can reinforce energy efficiency goals



If there are requirements, why do we need incentives?

- Should regulation rely on enforcement to get results?
 - Or do Structural Incentives offer a better way?
- Regulation will always have enforcement, but reliance on it alone invites unnecessary conflict if incentives are at cross purposes
- Climate imperative (and no supply answer) has changed the national mood in favor

Attribution:

What's More Important?



Assuring that Performance of Consumer Funded Energy Efficiency Programs be Quantified

- Make sure consumer funds are spent well
- Count savings forward resource standards or performance standards
- It matters who did it

Achieving Maximum Energy Efficiency Results throughout the Economy

- Reduce overall cost of energy to society
- Reduce overall pollution burden from energy use on society
- It matters that it get done



Attribution: Distinct Objectives

- Of course attribution is important in markets like day ahead energy and ISO capacity
- But what about for cost recovery and performance incentives?
 - Should we encourage administrator to acquire only savings that score to their credit?
 - Should we encourage administrator to enable savings **wherever** by **whomever** makes sense?



Market Transformation and Performance

- Measuring market transformation often a challenge
 - Measuring Energy Star product penetration ✓
 - Measuring behavior changes based on multiple messages from many sources ???
- Should we credit administrator for contribution to overall efficiency goals?
 - “We all did it!” (thanks to Fred Gordon, Oregon)



Multiple Helpers: Who is responsible?

- Local communities with climate change action plans – utilities can lend a hand
- Federal initiatives (Energy Star)
- State messages
- Other regional utilities
- Private sector/business support
- Media



Suggestion

- Metrics for program performance, which we already use, can be augmented by metrics for improved energy performance in the general economy
 - Trend for Energy per GSP
 - Trend for overall Sales
- Motivating administrator to engage with every influencer/helper to promote EE



Three ideas

- Get all the efficiency out there
- Get incentives aligned
- Get every influencer on the same page doing what they can to acquire energy efficiency



Thanks for your attention

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- RAP Mission: *RAP is committed to fostering regulatory policies for the electric industry that encourage economic efficiency, protect environmental quality, assure system reliability, and allocate system benefits fairly to all customers.*



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