



RAP

Energy solutions
for a changing world

Energy Efficiency Administration: Principles and Models in the US

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August 14, 2012

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Introducing RAP and Rich

- 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 directs RAP's US Program. He was commissioner of the Vermont Department of Public Service from 1991-2001 and is an engineer.

Who Should Deliver Ratepayer Funded Energy Efficiency?

- Whichever entity is most effective
 - States differ in circumstances, history
 - Utilities differ in EE performance and commitment

Cornerstones of an Effective EE Administrator

- **Clarity** – especially about the mission
- **Consistency** – market strategies develop and evolve over time
- **Consensus** – around the mission and the process

Leadership and **commitment** from political authorities and **public acceptance** are important

Goals of EE Programs

- **Resource Acquisition** including **reliability** – avoid G&T&D and other investment that costs more than EE
- **Market Transformation** – change the way people make choices
- **Environmental Compliance and Quality**
- **Economic Development**

Other Important Features

- Transparency – How are decisions made?
 - Programs (screening, targets, strategy, etc.)
 - Evaluation
 - Innovation
- Funding – How is money collected?

Options for EE Administration

- Independent, non-government, third-party (statewide) organization
- Utility administration (ownership by investors, cooperative, public)
- Government administration at both state and local level
- Hybrid – responsibility divided between or among multiple administrators

So which is better?

- There is no study that thoroughly evaluates
- We have many observations across the US that we can assess
- What to look for (detailed slides follow):
 - Compatibility with Broader Public Policy Goals
 - Accountability and Oversight
 - Administrative Effectiveness
 - Transition Issues

Who Should Deliver Ratepayer Funded Energy Efficiency?

- Whichever entity is most effective
 - States differ in circumstances, history
 - Utilities differ in EE performance and commitment
- The right formula in a state depends on
 - Track record of utility, utility – regulator
 - Is there consensus that utility **can/can't** succeed
 - Public objectives

Compatibility with Broader Public Policy Goals

- Harmony of financial interests
- Integrated resource portfolio
- Resource acquisition
- Strategic deployment
- Environmental improvement
- Economic development
- Market transformation
- Sustainability of effort over time
- Funding stability
- Institutional stability

Accountability and Oversight

- How is budget set?
- Who participates in program development (opportunity for public participation)?
- Are measurement and evaluation metrics an integral part of program design?
- Program evaluation
- Process evaluation
- How are results verified?
- Frequency of reporting
- Protocols and capabilities for periodic program review
- Can the effort be successfully managed and overseen at large scale?

Administrative Effectiveness

- Efficient, non-redundant administrative costs
- Budget competency
- Ability to acquire and retain high quality staff, experts and contractors
- Flexibility to adapt programs to evolving market conditions/opportunities
- Ability to target funds geographically
- Local options for program design
- Ability to facilitate timely payment of incentives to customers and trade allies

Transition Issues

(if a change is contemplated)

- Start-up costs of new organization covered
- Smooth transfer of program responsibility
- Preserving structure and potential transfer of data to facilitate subsequent program evaluations

What does experience tell us?

- Most states use utilities to deliver consumer-funded energy efficiency
- Some states chose something else
 - Some third-party systems working very well
- A few divided responsibilities, with the utilities doing part

The ones that seem to be working best show well against the criteria here

Utility Administration

- Most utilities want to maintain control of energy efficiency programs
 - Connection to resource planning and invest
 - Relationship with customers
- Financial (profits, lost margins)
- Corporate outlook – enterprise-wide?
- Oversight can address many concerns, as with the formal panels in CT and MA or with standing collaboratives elsewhere

IOU Synthesis

- Business model solutions exist in use, challenge is gaining consensus on choices
- Engagement with system planning, strategic deployment is happening, but generators (incl. IOUs) resist
- Hybrid models are tricky: challenge to find the right interface of responsibility and encourage cooperation, **customer focus**

Independent Administration

- Purpose-built organization for energy efficiency
 - Statewide brand, scale
- Put to rest concerns about irredeemable conflict between energy efficiency and sales incentives or other complaints

Independent Structures

- Wisconsin Focus on Energy
- Hawaii Energy
- Efficiency Maine Trust
- Efficiency Vermont
- Energy Trust of Oregon
- Efficiency United (Michigan)
- Indiana entity in development

Consumer-owned Utilities

- G&T, Municipal Association, Federals can aggregate services for members/allotees
 - Great River Energy, a G&T in Minnesota
 - American Municipal Power (AMP) around OH
 - Bonneville Power Administration
 - Tennessee Valley Authority

Government Structures

- NYSERDA (Energy \$mart)
- DC Sustainable Energy Utility*
- Delaware SEU
- New Jersey Office of Clean Energy

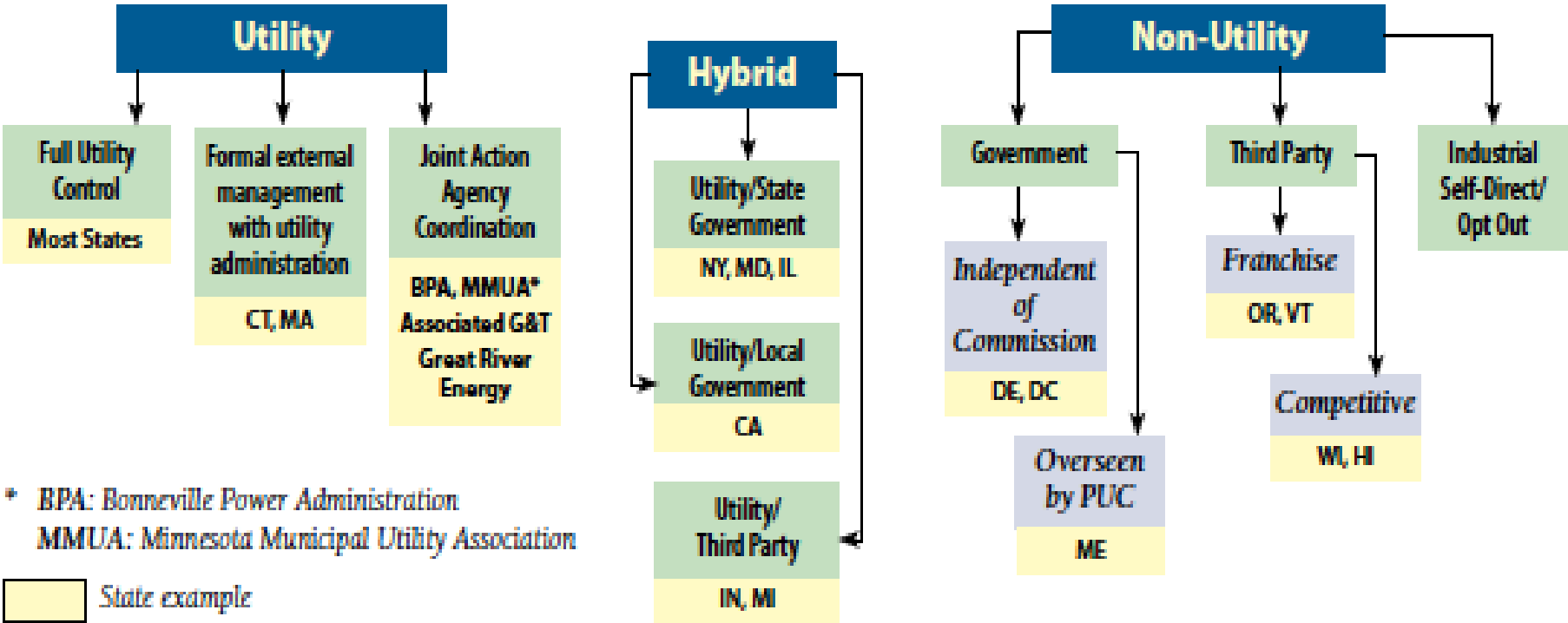
- Targeted markets for energy offices in Maryland and Illinois
- Some governments have exited (WI, ME)

Exceptions

- Industrial opt out essentially gives qualifying customers the right to administer their own programs
- Some advocate to allocate ratepayer dollars directly to private entities (retailers, ESCOs, others) who commit to delivering savings

See <http://www.raponline.org/document/download/id/4707>

Types of Energy Efficiency Administrative Structures With State Examples

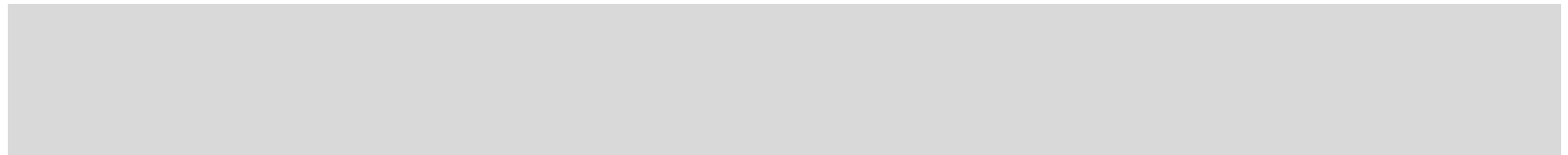


About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raonline.org



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