



The State of Large-Customer Self-Direct Options

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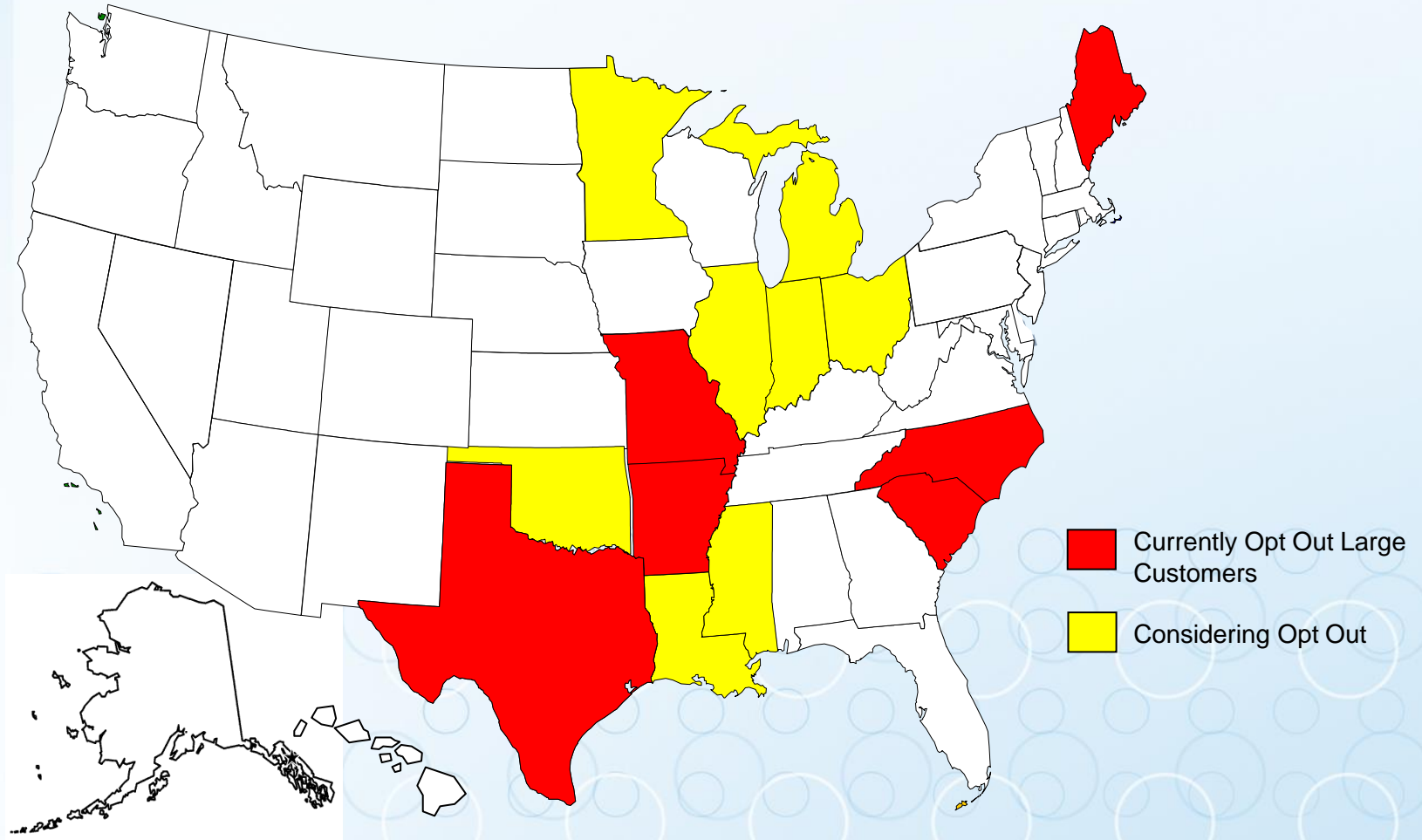
American Council for an Energy-Efficient Economy

Washington, DC

State of Play

- EE programs that effectively include large customers tend to have lower cost of saved energy
- Some large-customer EE programs are not being responsive to customer needs
- Coordinated push to opt out large consumers from participation in energy efficiency programs and in many cases lost revenue recovery—increases prices for other customers
- A self-direct option keeps large customers in the EE savings portfolio but allows flexibility

States with Opt Out or Under Treat



Framing the Self-Direct Option

- Self-direct option should complement a robust large-customer energy efficiency program
- Self-direct options should be viewed as:
 - A pressure relief valve for customers who find existing programs non-responsive
 - Offering increased flexibility for customers interested in going beyond EE program offerings

Components of a Self-Direct Option

Typical self-direct options:

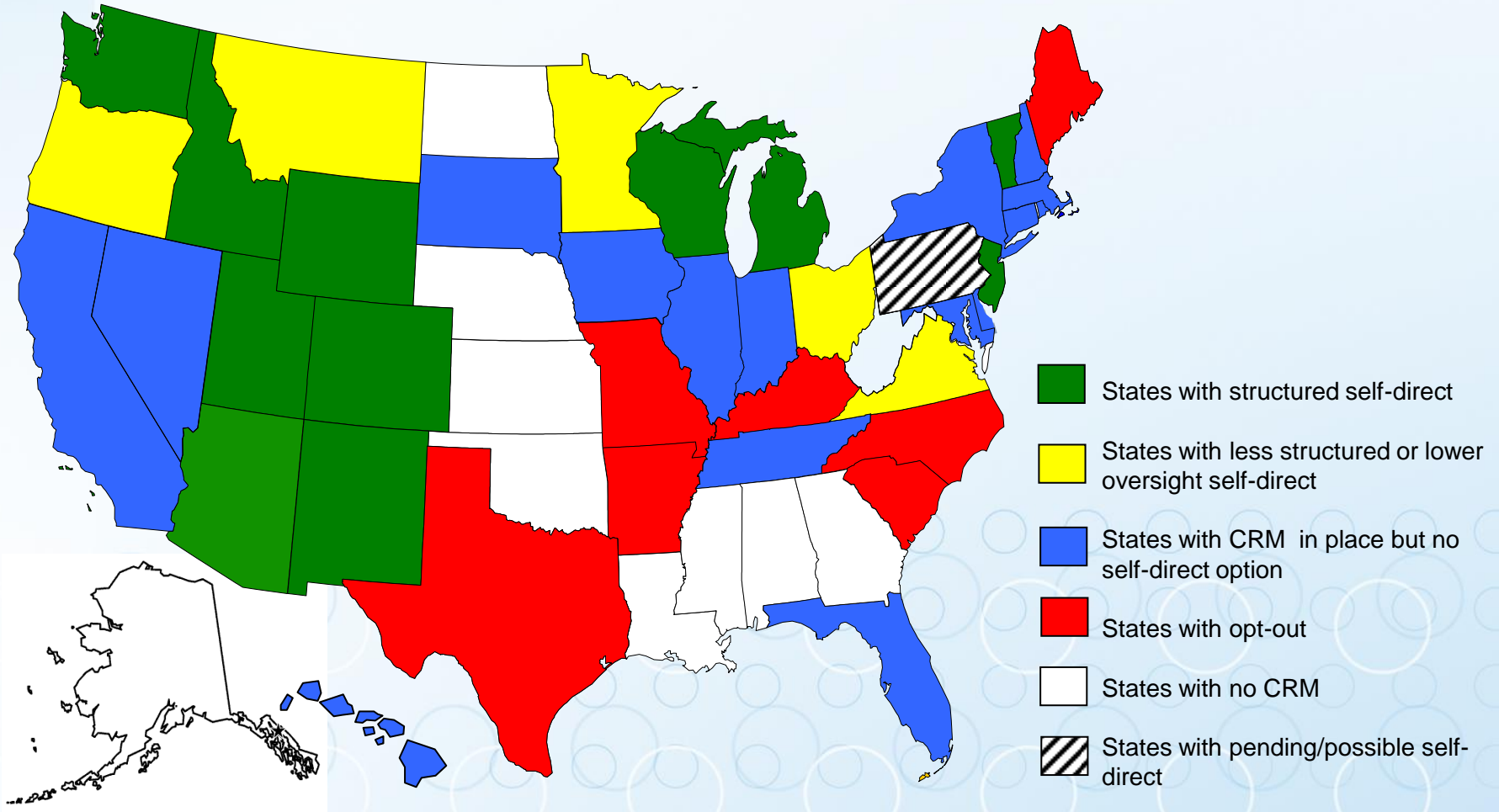
- Define some type of eligible customer, via size threshold (MW, MWh, MCF)
- Offer some type of rebate against, personal escrow of, credit to or exemption from program fees or riders
- May be administered by utility, state regulatory authority or state agency
- Assume, request or require customer to use saved funds for energy efficiency projects

Self-Direct & Opt-Out Continuum

Public Benefit Maximization

Program Type	CRM Payment	M&V of Savings	Use of Funds	Follow Up	Examples
Opt-out	None	None	Co. uses retained cash for EE	None	NC, KY
Less structured self-direct	None	Minimal; self-reported	Co. uses retained cash for EE	None to minimal	MN, OH
More structured, lower oversight self-direct	Fully or partially paid on bill	Minimal; self-reported	Rate credit or project rebate	Minimal	MT, OR
More structured, higher oversight self-direct	Fully or partially paid on bill	Robust; similar to CRM-funded programs	Personal escrow, rate credit or project rebate	Minimal to substantial	WA, CO

Today's Self-Direct Programs



How to Develop a Self-Direct Option

- Engage all stakeholders
- Understand each groups concerns
- Seek the best compromise you can achieve—understand that the result may not be “best practice”
- Understand what is needed for a workable solution
- Make the value proposition for energy efficiency

Elements of a Successful Self-Direct Option:

- Run it as a resource acquisition program
- Produce cost-effective energy savings equal to or greater than what *would have* been acquired in a CRM-funded program
- Leverage inherent flexibility
- Offer tools to entice C-suite buy-in
- Develop effective carrots & sticks
- Collect data—you can never have too much data

Self-Direction Value Proposition

- Ensures value from utility EE charge. Funds paid by large customers available to fund projects in their own facilities & can be prioritized to meet strategic company needs. Allows customers fund projects previously ignored or not prioritized.
- The funds reserved for the customer, so concerns about subsidization of competitors or other customer classes addressed.
- The firm responsible for choosing most important projects themselves, addressing concern about responsiveness & cost-effectiveness of programs for large customers.

Value Proposition for All Customers

- Large-customer EE savings lowest cost—keeps program costs down
- Industrial EE investments enhance competitiveness & profitability of custom, creating/retaining local jobs
- EE savings suppresses future energy prices—saves all customers money in the long run providing universal benefits
- All customers benefit from EE, so all contribute

The Self-Direct Opportunity Cost

Threat of opt out—time is of the essence!

- Once legislation or regulation established, it is difficult to change
- Once customers opt-out, they get pretty used to opting opt
- Opt-out expanding into other sectors—even donuts ...

Thank you!

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