

2003 Market Transformation Symposium

Taking Up the Slack: The Need for State Leadership on Energy Efficiency Policy

Presentation by

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Government and Markets

Government helps ensure

- Public health and safety, and consumer protection
 - > ensure that the operation of private markets does not endanger or put in jeopardy the public good
 - ~ root-out discriminatory behaviors
 - ~ see that costs of goods and services better reflect full-cost accounting (true costs)
 - > provide objective data and information to consumers and market participants

Goals and Expectations

Goals need to be clear, shared, measurable, and attainable

- Policies are supported by critical State-level analysis and needs
- Government should lead by example and articulate the benefits to constituents of selected policies
- Government has many “tools” available to effectuate change, including legislation, policy, regulation, and financial and technical assistance, & collaborations

Why State Leadership?

States are in a unique position to lead the nation in supporting and framing energy policy and programs

- State’s know their constituents well and consensus is easier to reach
- Cause and effect is more easily identified
 - > implementation and monitoring and outcomes and impact measurements are more manageable
- States can learn from one another, and the federal government can learn from the States’ experiences

New York's Policy Leadership

Policy leadership requires an articulation of priorities, ends and means, and a commitment of resources

- New York's energy policy (& ends) articulated in
 - > State Energy Plan
- Means and commitment of resources through
 - > Public Benefits Program
 - Greenhouse Gas "action plan"
 - > Legislation and Executive Order(s)

New York State Energy Plan

Coordinates energy, economic, environmental, and transportation policy, through a very open public process

- Latest State Energy Plan released in 2002
 - > Including initiatives and goals for energy efficiency
 - ~ renewable energy resource development
 - ~ CO₂ reductions
 - > Targets economic development and more efficient transportation vehicles and infrastructure

Energy Plan Goals

- Support safe, secure, and reliable operation of State's energy and transportation infrastructures
- Stimulate sustainable economic growth, spur technological innovation & jobs through market forces
- Increase energy diversity in the State's economy
- Promote and achieve a cleaner and healthier environment
- Ensure fairness, equity, and consumer protection in competitive market

Selected Energy Plan Recommendations

- Energy efficiency target (25% reduction below 1990 primary energy use/unit of Gross State Product by 2010)
- Increase share of renewable energy 50%, from 10% of primary energy use to 15% by 2020
- Support continued operation of existing generation
- Become a national leader in use of distributed generation
- Create a bio-fuels industry in New York

Greenhouse Gas Action Plan

CO₂ reduction goals adopted in the State Energy Plan

- > 5% CO₂ reduction below 1990 level by 2010 and 10% below by 2020
- > Specific sector actions with CO₂ reduction potential considered in policy and program actions
 - ~ buildings
 - ~ electricity generation
 - ~ transportation

Greenhouse Gas Action Plan

Specific GHG Task Force recommendations include

- Extending public benefits program
- Implementing a renewable portfolio standard (RPS) for electricity generation
- CO₂ cap for electricity generation
- Annual inventory of major sources (& projections)
- Funding R&D for new technology solutions

New York's Public Benefits Program

- Eight-year public benefits program at \$932.1 million through a System Benefits Charge (SBC) – thru 2006
 - > NYSERDA's **New York Energy \$martSM** program
 - ~ Began as a three-year program in July 1998 at \$234 million
- State Authorities spending \$130 million per year
- Statewide total approximately \$280 million annually
 - > Three State authorities cooperate and jointly offer programs

Public Benefits Focus

- NYSERDA's **New York Energy \$martSM** program
- Energy efficiency, low-income services, research and development (R&D), and environmental protection
 - Key public policy goals with several objectives
 - ~ achieving greater efficiency through market transformation and R&D
 - ~ develop markets for efficiency, load management services and technology, and renewable energy

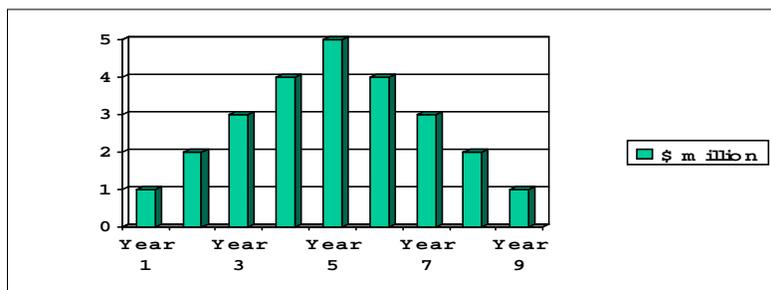
Public Benefits Funding

Funding is collected annually from utilities as a separate assessment on utility bills ...

- 0.1 to 0.2 cents per KWh or (up to 2 mills), representing between 1 to 2% of customer bills
 - > \$1.00 per month for average residential customer
 - > \$18.0 per month for a typical commercial customer
 - > \$1,400 per month for a typical industrial customer
- SBC funds distributed by area in proportion to utility payment

Green Buildings Tax Credit

- \$25 million in income tax credits available
- Nine year program with credits spread out over 5 years
- “High but commercially reasonable standards”



Eligible "Green" Buildings

- Multiple dwelling (permanent and transient occupancy, seniors, adult residential care)
- Businesses
- Mercantile (display and sale of goods, wares, merchandise)
- Public assembly (amusement, civic, dining, patriotic, political, religious, social, sports)
- Institutional

"Green" Buildings Status

- Regulations promulgated May 22, 2002
- Applications accepted beginning September 30, 2002
- \$25 million fully committed
- Regulations for energy, appliances, and materials reviewed and updated every two years
- Recommendation regarding establishment of permanent Green Building Tax Credit

Executive Order No. 111

Order Issued on June 10, 2001

- Affects over 200 agencies, departments, authorities, commissions and other offices where the Governor has Executive Authority
 - > Approximately 20,000 buildings with over 40 million square feet of space

EO 111 Key Features

- 35% Energy reduction by 2010
- 10% renewable power by 2005 up to 20% by 2010
- New buildings and rehabs must be “green buildings”
- Peak load reduction capability (short-term curtailment) and long-term load reduction goals
- 50% of new vehicle purchases must be AFV’s by 2005, increasing to 100% by 2010
- Procurement of energy-efficient products

Staying the Course

- SBC public benefits funding is not in jeopardy
- State Power Authorities directed to increase and extend funding (incl. for renewable energy purchases)
- Agencies expected to comply with EO111 in spite of difficult financial times (plans already submitted)
- R&D support continues
- RPS is being developed in a Public Service Commission proceeding