



# Implementing Industrial Self-Direct Provisions

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# Background

## Publicly Funded Programs/Ratepayer\* (PBF)

- Mechanism by which most states with substantial energy efficiency programs fund programs
- Subject to state-level regulation to ensure funds are used in a manner that is fair and cost-effective
- Typically separate different types of rate-paying classes into different groups

# Background

What are self-direct programs?

- Give customer ability to not pay some or all of the PBF fees it would otherwise be subject to
- Sometimes referred to as “opt out”
- Two main types:
  - Structured
  - Unstructured
- Generally developed when state develops efficiency funding goals/funding mechanisms

# Background

What's causing an increase in self-direct programs?

- Increasing goals for efficiency; increasing role of industrial sector in these savings projections
- Increased lobbying by large industrials in response to proposed expanded programs
- Little clarity on issue, easier to establish self-direct provision and move on

# What's at Stake?

<i>National Electric Sales</i>	<b>2007 Retails Sales (MWh)</b>	<b>% Sales Total</b>
Residential	1,392,240,996	37.06%
Commercial	1,336,315,196	35.57%
<b>Industrial</b>	1,027,831,925	<b>27.36%</b>
<b>Total</b>	<b>3,756,388,117</b>	<b>100.00%</b>

<i>National Natural Gas Sales*</i>	<b>2008 Retails Sales (M cubic feet)</b>	<b>% Sales Total</b>
Residential	4,865,691	33.30%
Commercial	3,121,823	21.36%
<b>Industrial</b>	6,625,615	<b>45.34%</b>
<b>Total</b>	<b>14,613,129</b>	<b>100.00%</b>

\*Note this does not include sales to electric power producers

Source: EIA

# Stakeholder Concerns

## Large Industrial Customers:

- PBF programs don't meet their needs
- Decision-makers within firm are best equipped to decide whether or not to make efficiency investments
- Industrial firms will always make all cost-effective efficiency investments anyway
- Efficiency investments made through PBF funds cost more/higher cost of capital

# Stakeholder Concerns

## Utility Sector Concerns:

- Plans for new generation dependent upon forecasted savings; readjustment of savings goals likely
- Taking large industrial customers out will reduce learning experience/understanding of technology applications
- Loss of revenue/resources; must adjust

# Stakeholder Concerns

## Society at Large:

- PBF funds low-income, weatherization assistance, education and outreach
- Efficiency benefits everyone:
  - Reduced energy prices
  - Reduced harmful emissions
- PBF funds may support projects that have additional education or environmental benefits sponsored by the utility or state

# Existing Program Structures

## Unstructured Self-Direct Programs:

- Firms that self-direct cannot use any of the PBF funds/programs
- Little to no follow up to determine if savings have been made
- No follow up after multiple years to determine if company would be better served by joining PBF program

# Existing Program Structures

## Unstructured Self-Direct Programs:

- Idaho
  - PUC assumes firms will make all cost-effective efficiency investments. No M&V. Special contract customers only
- Minnesota
  - Customers over 20 MW can petition to opt out. Must prove hardship, but no M&V. Some planned follow up 5 years later, no evidence it's happening
- Maine
  - Transmission and sub-transmission customers forced out of Efficiency Maine in 2007. No M&V of savings required. Evidence some customers would like to be let back in

# Existing Program Structures

## Structured Self-Direct Programs:

- Establish clearer guidelines for benefits to self-directing, assist in making decisions
- Often have firms pay PBF, then apply for a credit based upon proven projects
- Use creative ways to incent efficiency
- More substantial M&V
- Firms often can use certain PBF programs if applicable/useful for needs

# Existing Program Structures

## Structured Self-Direct Programs:

- Washington
  - (Puget Sound Energy) Requires same cost-effectiveness standards
  - Customers pay into personal PBF pool, have 2.5 years to use
  - After 2.5 years, PSE aggregates moneys, issues RFP for remaining funds
- Oregon
  - Customers can get credit up to 57% of PBF provided projects/site are certified by Oregon Department of Energy
  - Still must pay for low-income and schools portion
  - Can get up to 54% of PBF back if prove no cost-effective projects
- Utah
  - Customers pay PBF up front
  - Up to 80% of project cost as credit
  - Up to 50% of PBF funds credit if prove no cost-effective projects

State	Self Direct	Min Usage	Description	How many/what kind of cos opt out?
California	No			
Colorado	Yes	10GW annual and 2MWh demand	Customers of Xcel energy can apply to self-direct a portion of their PBF fund. A cash rebate is offered for proven savings based on kW and kWh; projects must pass TRC test	A "few" customers have applied.
Connecticut	No		Only allowed if they begin to self-generate	
Delaware	n/a			
District of Columbia	n/a			
Florida	No			
Idaho	Yes	Special contracts only	Assume that companies will make EE investments; Commission doesn't require that they prove what the investments were. No M&V.	Avista has one customer; Rocky Mountain Power has a few
Illinois	No		Not for electric. Current bill being considered would offer for gas	
Iowa	n/a			
Maine	Yes		Large industrials dropped from Efficiency Maine in 2007 - transmission and sub-transmission customers. No M&V	All transmission and sub-transmission customers
Maryland	No		Very new. Not all EmPower Maryland programs are yet approved, no opt out provision yet	
Massachusetts	No		Large users are deciding whether to participate in SBC?	One
Michigan	Yes		Too new to assess	
Minnesota	Yes	20MW	Customers bear burden: must have internal EE program in place, capture equivalent amount, demonstrate hardship due to competitiveness issues. No M&V, though they follow up about five years later to check that they still fit all requirements to opt out. Once opt out of electric, automatically opt out of gas	8 or 9 companies

State	Self Direct	Min Usage	Description	How many/what kind of cos opt out?
Montana	Yes	1aMW	Pay charge, then get reimbursed. Utility doesn't vet programs, but they do have to file reports with PSC. Since customers pay anyway, gets corporate's attention. "Would probably never have done EE, but now it's in their faces"	55 of 56 customers are eligible, almost all took it.
Nevada	No	1MW	No SBC but line-item charges to fund RE and EE programs across all classes. Can only opt out if you self-generate, though: just treated as regular generator	
New Hampshire	No			
New Jersey	No		Complaints from large industrials that they don't get benefits they should for what they pay. Possible future action?	
New Mexico	Yes		Can have independent program evaluator, can get credit toward PBF, also allow for credit of previously done EE, or credit if no EE can be done. Unclear M&V structure	
New York	Yes		Yes, have to meet some targets/burdens of proof. No real structured program, though	
North Carolina	Yes		No DSM charges or EE program charges can "be assigned to any industrial customer that notifies" the utility that they've "implemented at any time in the past or, in accordance with stated, quantified goals for DSM mgmt and EE, will implement alternative DSM and EE measures" and wants to opt out. Too new to assess, applies to commercial customers as well	

State	Self Direct	Min Usage	Description	How many/what kind of cos opt out?
Ohio	Yes		Too new to assess	
Oregon	Yes	8760 MWh (1aMW)	Must be pre-certified by Ore. Dept. of Energy. May use up to 57% of their "related portions of PPC" on new EE measures. Customers have to be metered through single meter, or be aggregated onsite.	
Rhode Island	Yes		Manufacturing gas can opt out	
Texas	No			
Utah	Yes	1MW peak / annual 5,000 mWh	Can get up to 80% of project cost as a credit toward PBF on bill. Can get 50% of PBF credited if demonstrate they've done all work. 1-5 year simple payback required.	Good number of participants in 80%, no participants in 50% credit.
Vermont	No		Being considered by regulators	
Virginia	Yes		Too new to assess	
Washington	Yes		Self-directing customers pay into a dedicated pot, minus 10% admin. fee. 2.5 yrs to use up funds. After that, all funds combined, and companies compete via RFP for remaining funds.	About 30 customers
Wisconsin	Yes	1MW / 10,000 Dth of gas	Option presented by PSC. Several industrials asked for that ability, but no company has taken advantage of it yet. Not scrutinized for free ridership issues like Focus.	None; one considered
Wyoming	Yes	1MW peak / annual 5,000 mWh	Can get up to 80% of project cost as a credit toward PBF on bill. Can get 50% of PBF credited if demonstrate they've done all work. 1-5 year simple payback required. DSM program began 1/09. Too new	

# What We've Learned

- Self direct programs can be effective and fair
- Succumbing to the demands of large industrial customers without considering implications is ineffective at encouraging industrial efficiency
- Collaboration in the design of self-direct programs is critical
- Not a question of “yes” or “no”

# Suggested Next Steps

- Existing PBF firms work to better understand needs of industrial customers
- Work to maximize flexibility in programs
- Avoid “knee-jerk” response to intense lobbying by large industrial firms during establishment or expansion of PBF programs
- Fully measure quantitative impacts

# Thank you!

## Questions?

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