

# ENERGY EFFICIENCY PROGRAMS

PRESENTED TO

**NARUC**

**Ears to the Nation Panel**

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CHICAGO, ILLINOIS



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# BACKGROUND

## ELECTRIC EFFICIENCY PROGRAMS

- **Policy Drivers**
  - Clear Air Act
  - Continuation of Energy Efficiency in Competitive Environment
- **Policy Implementation**
  - State Statute
  - Public Utility Regulation



## BACKGROUND

# ELECTRIC EFFICIENCY PROGRAMS

- Retail competition in ERCOT began January 1, 2002 for investor-owned utilities (Senate Bill 7 – 1999 session)
- SB 7 also required utilities to conduct energy-efficiency programs
- Competition delayed in other areas
- Adequate supply of generating capacity



## ENERGY EFFICIENCY PROGRAMS

- Senate Bill 7 (1999 session) required utilities to conduct energy-efficiency programs
- Senate Bill 5 (2001 session) required PUC to conduct energy-efficiency grant program
- SB 5 required calculation of reduction in air emissions from SB 5 and SB 7 programs



# SENATE BILL 7

## ENERGY EFFICIENCY PROGRAM

- Utilities required to meet 5% of growth in demand through energy-efficiency programs by January 1, 2003 and 10% of growth in demand by January 1, 2004 - five year rolling average of historical peak average of year preceding the goal year
- Standard offer and market transformation programs
- Funded by Transmission & Distribution Rate
- Objective to obtain cost-effective energy-efficiency programs from third parties



## DESIGN ISSUES

### §25.181 Energy Efficiency Goal

- **Eligible Sectors**

all customers, in all customer classes, have a choice of and access to energy efficiency alternatives that allow each customer to reduce energy consumption and energy costs

- **Incentive Levels Set as a Percentage of Avoided Cost**

- 100% for hard-to-reach customers
- 50% for residential and small commercial customers
- 35% for large commercial and industrial customers
- 25% for load management programs  
constrained areas commercial and industrial 35%;  
residential 55%



# DESIGN ISSUES

## §25.181 Energy Efficiency Goal

- **Inspection, Measurement and Verification (M&V)**
  - Deemed savings or IPMVP

- **Independent M&V Expert**

January 2006

- PUC selected an independent M&V expert
  - verify the energy and peak demand savings
  - review deemed savings
  - limited process evaluation

September 2006

- M&V expert Summit Blue completed review



# ADDITIONAL RESOURCE NEEDS

## §25.181 Energy Efficiency Goal

- **Foster Development of Energy Efficiency Sector in Economy**
  - a utility may shall not be involved in directly providing customers any energy efficiency services
  - a utility may provide a list of Energy Efficiency Service Providers (EESP) participating in the utility's energy efficiency programs
  - the utility may not endorse or favor any EESP
  - the utility shall compensate EESP for energy efficiency projects in accordance with the contract and the requirements of this section
  - an individual energy efficiency service provider may not receive more than 20% of the total incentive payments available



## Useful Tips for Success

### §25.181 Energy Efficiency Goal

- **Established Realistic Timeframe - Three Year Transition**
  - Pilot Program, Transition Year, Goal Year
    - 2001 Pilot Program
    - 2002 Programs to Achieve 5% Goal
    - 2003 Programs to Achieve 10% Goal
  
- **Considered the Existing Energy Efficiency Market**
  - Time Required to Adjust to Utility's Requirement
    - Marketing Adjustments
    - Adjust Business Plans to Meet Incremental Goals





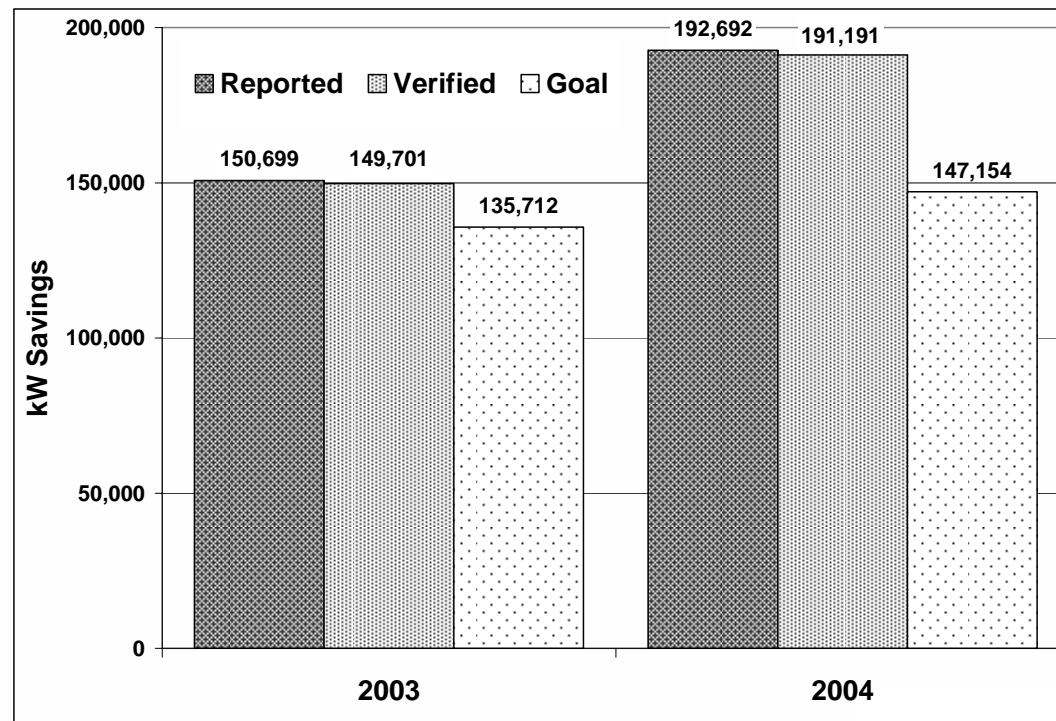
# Independent Measurement & Verification by Summit Blue



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The audit completed in 2006 verified approximately 99% of the 2003 and 2004 reported savings and found the demand savings exceeded statewide goals.

- goal + 10% in 2003
- goal + 30% in 2004
- goal + 27% (2005 non-audited)



## Efficiency Program Results



- **2003**
  - 370,000 MWh
  - 150 MW
  - goal + 10%
- **2004**
  - 435,000 MWh
  - 192 MW
  - goal + 30%
- **2005**
  - 496,900 MWh
  - 181 MW
  - goal + 27%



- Achieved results advertised at a relatively low cost

- Standardization of estimating energy and demand savings using primarily deemed savings
- Growing the competitive energy efficiency sector through standard offers which allow energy efficiency service providers (EESPs) creativity in structuring programs for customers
- standardizing contract documents
- synergies achieved by utilities using the same energy efficiency consultant for development of programs and database for recording and reporting savings



# For More Information

- **PUC website**
  - **Statute—PURA 2005 §39.904**
    - [www.puc.state.tx.us/rules/statutes/index.cfm](http://www.puc.state.tx.us/rules/statutes/index.cfm)
  - **Regulations—Subst. Rules 25.181, 25.184**
    - [www.puc.state.tx.us/rules/index.cfm](http://www.puc.state.tx.us/rules/index.cfm)

