



LARGE CUSTOMER OPT-OUT OF EFFICIENCY PROGRAMS WOULD HARM ALL CUSTOMERS, LEAD TO MORE WASTED ENERGY FOR PENNSYLVANIANS

FACTSHEET – Northeast Energy Efficiency Partnerships, Nov. 2015

The energy efficiency programs offered by the Electric Distribution Companies (EDCs) per Pennsylvania Act 129¹ have been delivering cost-effective energy savings for all Pennsylvania customer classes since 2009. The programs are allowing the EDCs to offer a range of energy solutions for their customers, helping businesses, communities and residents to wring out waste and have more money to invest in other goods and services.

Energy efficiency is a least-cost system resource — much cheaper and cleaner than building new power plants or transmission and distribution infrastructure. When a state or region directs more of its energy dollars towards efficiency instead of new generation, energy costs are driven down for all customers, through the Demand Reduction Induced Price Effect, or “DRIPE.”²

So, energy efficiency helps not only the program participants – ***efficiency is an essential, first-order energy resource that helps keep costs low for all***. It helps states meet environmental, public health and job-creation goals, and reduces the need for future costly infrastructure investments.

Large commercial and industrial (C&I) efficiency programs are among the most cost-effective, meeting demand for as little as 3 ¢/kwh.³ Maintaining robust, well-funded programs has been demonstrated to deliver ongoing savings.

[SB 805](#) would allow the largest electric customers to “opt out” of Pennsylvania’s highly successful efficiency programs, under the premise that these customers have done all the efficiency that they can or they know how to better conduct efficiency projects on their own.

Yet even among nation-leading efficiency programs, new technologies and strategies including controls, process improvement and Strategic Energy Management⁴ help customers find ways to ferret more waste out of buildings and industrial facilities. Professional efficiency program managers use technical expertise, relationships, data

ABOUT NEEP

Northeast Energy Efficiency Partnerships (NEEP) is a non-profit serving the Northeast and Mid-Atlantic states to accelerate energy efficiency in buildings and industry through public policy, program strategies and education. NEEP is one of six Regional Energy Efficiency Organizations (REEOs), as designated by the U.S. Department of Energy, to provide technical guidance and support to states.

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This information is compiled by NEEP staff and does not necessarily reflect the opinions of our board or funders.

¹ http://www.puc.pa.gov/General/consumer_ed/pdf/EEC_Business-FS.pdf;

http://www.puc.pa.gov/General/consumer_ed/pdf/EEC_Home-FS.pdf

² <http://www.raponline.org/event/webinar-the-value-of-demand-reduction-induced-price-effects>

³ <http://aceee.org/press/2014/03/new-report-finds-energy-efficiency-a>

⁴ <http://energy.gov/eere/slsc/data-driven-strategic-energy-management>



monitoring and custom incentives to help customers learn and do much more than if they were to go it alone.

As work continues on Phase III of Act 129,⁵ NEEP encourages the General Assembly to carefully consider any changes to the commercial and industrial programs that may weaken program delivery structure and funding for all customers, and would shrink the amount of energy efficiency being captured and quantified as a system resource through rigorous evaluation, measurement and verification.

Allowing the largest commercial and industrial users to opt out of efficiency programs would increase the program costs for all other C&I customers that remain in the program. This would present additional burdens on the businesses faced with conducting their own efficiency, as well as harm those that do not have the option of special treatment. SB 805 would be a step in the wrong direction for Pennsylvania.

OPT-OUT HAS HURT IN A LEADING STATE: MASSACHUSETTS

Massachusetts is concluding a three-year pilot to allow for “accelerated rebates,” a type of opt-out for the largest five customers of each electric and gas utility that has tied up hundreds of thousands of dollars that may not in the end go towards efficiency at all.⁶

According to utility program administrators, far less energy has been saved by these very large electric and gas customers than they would have had they stayed in the statewide energy efficiency programs, MassSave®. Further, those who chose to opt out of the programs and run their own projects were still heavily reliant on the technical support of the utility program administrators, drawing resources away from other customers while the overall pool of funding was reduced.

When faced with the choice, many of these largest customers decided there is far greater value in staying in the Mass Save® programs, having the guidance of the program administrators, and avoiding the complexities and uncertainties of running their own programs. As one Massachusetts utility efficiency program employee stated:

“In all cases, without exception, our teams have been in there doing a lot of hand-holding. This is not self-directed. This didn’t spur more energy efficiency activity; in fact there is evidence that it hindered it.”

NATIONAL BEST-PRACTICES IN PROGRAM DESIGN

Designing effective programs that are responsive to the needs of customers ensures that they are well-served and feel satisfied in the value that they derive from the programs. Such programs help states and efficiency program managers meet their energy-saving and clean power goals, manage energy demand particularly at expensive peak times, and integrate efficiency with other energy solutions such as distributed renewables and

⁵http://www.puc.pa.gov/filing_resources/issues_laws_regulations/act_129_information/energy_efficiency_and_conservation_ee_c_program.aspx

⁶<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleII/Chapter25/Section19>. Contact NEEP for details.



energy storage. While the Pennsylvania EDCs have implemented many successful strategies, there are always opportunities to learn from other states. Following are a few examples from Connecticut and Vermont:

Connecticut's approach to customer market segmentation and tailored marketing and delivery of program is nation-leading.⁷ Understanding and addressing the barriers for businesses and manufacturers to participate in programs is key to their success. The programs have built in flexibility around fiscal calendars and worked with customers to take systematic, multi-year approaches to energy savings.

Putting Strategic Energy Management (SEM)⁸ to work and eliminating the previous \$2 million incentive cap for the largest accounts when they enter into agreements Customized Solutions Partnerships (CSPs) or Memorandums of Understanding (MOUs) has empowered large users to make long-term investments to drive down energy intensity of their facilities on an on-going basis.⁹

Vermont is another state that has been a leader in efficiency programs offered for commercial and industrial customers. Efficiency Vermont's innovative and responsive programs¹⁰ help customers realize continuous energy improvement through building relationships and trust, understanding the issues and concerns unique to plant managers, and developing flexibility and responsiveness to companies' fiscal limitations and cycles.

Efficiency Vermont account managers and technical staff work with customers to develop a deep understanding of industrial processes. Through state-of-the-art, real-time energy monitoring via its Energy Management Information System, Efficiency Vermont helps customers understand how and when energy is being used in order to identify patterns and opportunities. Time and again, the programs have helped customers find deeper savings, even when they believed they had captured it all.¹¹

NEEP is available to connect policymakers and efficiency program administrators with peers in other states to learn about experiences and share insights. Lastly, these resources from the State and Local Energy Efficiency Action Network ([SEE Action](#))¹² may be of particular interest:

- [Industrial Energy Efficiency: Designing Effective State Programs for the Industrial Sector](#)
- [Sustained Energy Savings Achieved through Successful Industrial Customer Interaction with Ratepayer Programs: Case Studies](#)

Please do not hesitate to contact our organization if we can be of assistance.

⁷ Much of this innovative work is being done by Eversource, an electric and natural gas utility which also operates in Massachusetts and New Hampshire and is implementing similar market strategies in those states.

⁸ <http://energy.gov/eere/slsc/data-driven-strategic-energy-management>

⁹ http://www.ct.gov/deep/lib/deep/energy/conserloadmgmt/2016_2018_CLM_PLAN_FINAL.pdf, pg. 323

¹⁰ <https://www.energycvermont.com/For-My-Business/CEI>

¹¹ http://aceee.org/sites/default/files/pdf/conferences/eeer/2015/Tim_Perrin_Greg_Baker_Session5A_EER15_9.22.15.pdf

¹² SEE Action is a project of the U.S. Department of Energy (DOE) that advances state and local investment in energy efficiency. Topical working groups include stakeholders and experts from across the country representing state and local governments, associations, business leaders, non-government organizations, and others.