

ACT

Alliance for a Clean Texas

Energy Efficiency:

Raise the Goal for Utility-funded Incentive Programs to 1.0 Percent of Peak Demand and Energy Use by 2015

Energy efficiency is the cheapest, quickest as well as the most inexpensive and environmentally clean way for Texas to meet its power needs, especially when combined with demand response (controlling and lowering the demand of customers). Texas established a unique market-based energy efficiency program in 1999 as part of electric deregulation. All customers served in the investor-owned utility market pay extra transmission and distribution utility charges that pay for the program. Using these funds, the utilities contract out programs to meet part of their demand through energy efficiency, including programs such as programmable thermostats, energy audits, lighting efficiencies, air conditioning tune-ups, and rebates for developers to build Energy Star homes. In 2004, the utilities spent only \$80 million dollars, or 0.4 percent of their revenue, to lower peak demand by 181 MWs, surpassing the statutory 10 percent goal. At approximately 3.5 cents per kilowatt hour, the programs are also much more inexpensive than any other option on the market.

In 2007, the Legislature unanimously passed HB 3693, which increased the 10 percent requirement to 20 percent of load growth by 2009. The legislation also required a study examining the potential to increase the energy efficiency programs to 30 percent of growth by 2010 and 50 percent by 2015. The results of the study support the move to 50 percent of load growth by 2015, and further recommend changing the metric from load growth to percentage of peak demand or of energy use to more effectively drive energy efficiency programs. Thus, the report suggests that by 2015, investor-owned utilities can reduce peak demand by 0.7 percent, or about 450 MWs, which is equivalent to 50 percent of load growth. The report only considered energy efficiency and not demand response, meaning that by including these programs, utilities could easily meet one percent of peak demand by 2015.

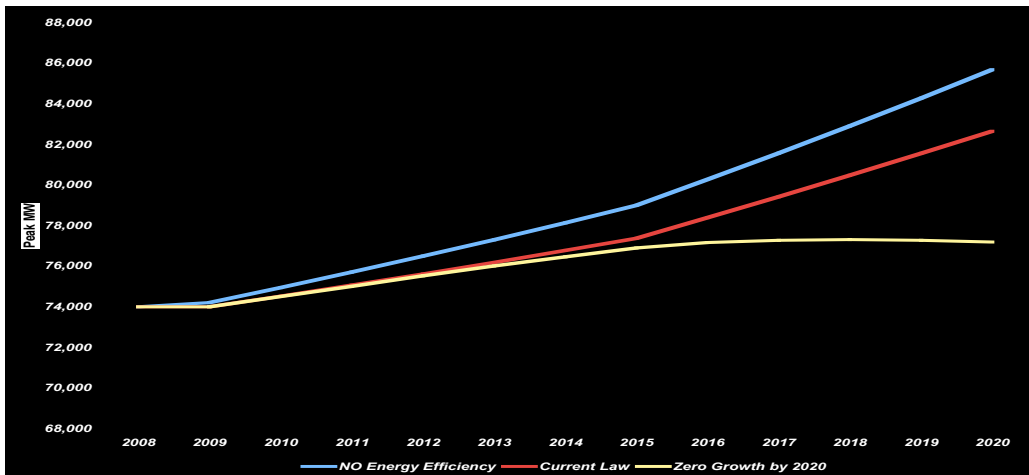
Massachusetts, Connecticut and Rhode Island spend more than 3 percent of electric utility revenues on efficiency, while Vermont will increase spending to almost 5 percent of total revenues (\$700 million per year) on energy efficiency and plans to lower total use by 2 percent each year. Recently, Pennsylvania approved legislation to force utilities to lower electricity sales by 3 percent by 2013, while Ohio has adopted similar goals of getting to two percent sales reduction in the coming years.

Texas must set a long-term goal of significantly LOWERING peak demand as well as total energy sales through a significant investment in such energy efficiency programs. A series of studies of the Texas electricity market concluded that Texas could meet virtually all of its projected increase in energy demand through energy efficiency, demand response and on-site renewables.

2009 ACT Recommendation: The Legislature should raise the goal to 1.0 percent of peak demand and energy use by 2015 (equivalent to 50 percent load growth by 2015).

For more information, contact Cyrus Reed, Sierra Club. Lone Star Chapter (cyrus.reed@sierraclub.org)

Energy Efficiency Options for Texas



H.B. 280 – Representative Anchia

Relating to electric utility efficiency goals.

The bill's purpose is to provide energy efficient programs to all customer classes to help reduce consumption, peak demand, and energy costs. The bill proposes that utilities meet 30 % of their growth in demand by 2010 and 50% of the electric utility's annual growth in demand by 2015 through these programs. The overall goal is to reduce annual energy consumption by 2% each year beginning in 2016.

S.B. 546 – Senator Fraser

Relating to electric utility efficiency goals.

The bill's purpose is to provide energy efficient programs to all customer classes to help reduce consumption, peak demand, and energy costs. The bill proposes that utilities meet 30 % of their growth in demand by 2010 and 50% of the electric utility's annual growth in demand by 2015 through these programs. The bill does not include a provision to reduce annual energy consumption.

S.B. 601 – Senator Van De Putte

Relating to the state goal for energy efficiency.

Electric utilities will help build infrastructure of energy services providers in order to allow all customer classes access to energy efficiency, including demand-side systems. It also requires that electric utilities provide programs to meet 0.5% of peak demand by 2012 and 1.0 % of peak demand by 2015 that will be funded by 1% of the utility's revenue by 2015. It also establishes a state-wide program to achieve 200 MW of demand-side renewable systems by 2015.

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