RAP | Energy solutions for a changing world

Supplier Obligations in the US

Assessing the costs

Presented by Edith Pike-Biegunska

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The Regulatory Assistance Project

48 Rue de Stassart
Building C, BE-1050
Brussels, Belgium

Phone: +32 2-894-9300
web: www.raponline.org

Costs and who pays

- US electric + Gas EE program budgets: **26 states, $6.6 bil in 2010**
  - Cost of "negawatt" between 1.6 – 3.3 cents/kWh
- Budgets supported mainly through **wires charges**. Also, carbon auction revenues, FCM payments, federal recovery act.
- Cost to customers (wires charge): approx. **0.25¢ - 0.6¢/kWh**
- Public funding 25-30%; private finance 70-75%

In more detail:
Costs of EE programs in MA 2003-2005 ($mil)

Category	Cumulative Costs 2003-2005	% of Total Costs
Customer Incentives	$217	43%
Administration	$33	7%
Technical Assistance	$65	13%
Advertising	$18	4%
Shareholder Incentives	$28	6%
Evaluation	$11	2%
Participant Costs	$132	26%
Total	$504	100%

From: *Saving Energy Cost-effectively: A National Review of the Cost of Energy Saved through Utility-Sector Energy Efficiency Programs,* ACEEE 2009

Ensuring a cost-effective scheme

- **Oversight of EE plans, and evaluation of spending and savings**
  - MA utilities submit 3-year plans to regulator for approval based on cost-effectiveness and extent to which administrators use competitive procurement for EE products and services. Each program must be cost-effective with benefit-cost ratio > 1 on both a program and a sector basis
- **Focus on savings**, not spending
- **Shareholder incentives** for meeting targets within approved budget

Cost recovery

- Wires charge covers utility costs
- Decoupling revenues from sales stabilizes utility revenues
- Shareholder incentives give further motivation to meet goals

About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

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