



An Energy Efficiency Resource Standard for Ohio

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An important component of any comprehensive energy plan is the ability to reduce consumption while securing cleaner energy resources. The Office of the Ohio Consumers' Counsel's long-term energy proposal, called a Diversified Energy Portfolio, calls for the adoption of an energy efficiency resource standard as part of the solution to lower systemwide electricity costs, reduce customers' electricity bills and improve reliability.

An energy efficiency resource standard requires energy providers to meet quantitative targets for energy savings. State regulators would specify explicit numerical goals that regulated utilities and others are required to meet on an annual and cumulative basis.

Currently, there are few energy efficiency programs offered by Ohio's public utilities aside from low-income weatherization programs. An energy efficiency standard is necessary because utility companies have a disincentive to promote energy efficiency. Under existing rates, the more electricity that is sold, the more distribution charges that can be collected. If customers use less energy, utility companies will not receive the same level of revenue.

With an energy efficiency standard in place, utilities would institute programs like:

- ▶ In-home energy audits
- ▶ Providing incentives for purchasing energy-efficient air conditioners, heat pumps and added home insulation
- ▶ Offering voluntary programs that would give utility companies brief control of an air

conditioner compressor during periods of high demand and at the same time compensate the customer

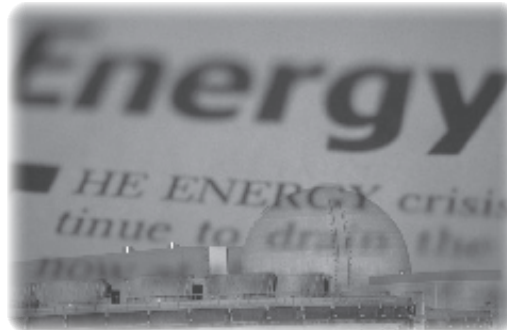
These types of programs cost significantly less than generating an equivalent amount of electricity and can help reduce the reliance on fossil fuels, delay the construction of new power plants, give customers more control over their usage and promote local economic development and job creation. The reduction in electricity use can drive prices down and improve reliability, especially during hot summer days when demand is high. An energy efficiency resource standard also reduces pollution and greenhouse gases in a low cost manner.

The implementation of an energy efficiency resource standard will also break down the market barriers of electric customers adopting measures on their own. A standard can increase awareness, increase the amount of energy-efficient products available and promote energy efficiency measures that are cost effective.

What should Ohio's standard look like?

Ohio's energy efficiency resource standard must apply to all utilities and alternative providers to be effective. It should promote:

- 1) A market-based trading system of certifiable energy efficiency credits to offer energy providers flexibility in meeting its energy efficiency targets. The credits would be proof that a company is producing savings through



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energy efficiency. A company can comply by creating its own programs that produce savings or go to the market to buy another provider's excess credits.

- 2) The monitoring and verification of all programs. Evaluations of a company's energy efficiency program are essential to improve program delivery and assure that projected savings are attained.
- 3) The establishment of a \$50 per megawatt-hour penalty for utilities to meet the terms of the standard. This encourages compliance with the energy efficiency resource standard and represents a reasonable cap on the cost of the standard.

The standard is a minimum requirement. Utilities should acquire additional cost-effective energy efficiency resources based on forecast reports and bidding processes. Utilities may also want

additional energy efficiency resources to maintain system reliability or curb the need for new power plants.

Energy efficiency programs developed would be available to all consumers – those receiving electricity from a local utility and those with a competitive supplier – and they would pay a monthly fee towards them. Once utilities determine which energy efficiency programs to use, they would need to pass a test designed to demonstrate that the benefits outweigh the costs.

Energy efficiency programs take time to be implemented, so an energy efficiency resource standard would begin with small targets and increase each year. The target would begin by saving an amount of electricity equal to 0.3 percent of the total electricity sold to Ohio customers and would incrementally increase to 8.2 percent savings by the 10th year.

The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts. The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals. To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at www.pickocc.org.

The Office of the Ohio Consumers' Counsel is an equal opportunity employer and provider of services.

For additional information from the Office of the Ohio Consumers' Counsel:

Call: 1-877-PICKOCC (1-877-742-5622) toll free or (614) 466-8574
Write: 10 West Broad Street, 18th Floor, Columbus, Ohio 43215-3485
E-mail: occ@occ.state.oh.us • Internet Address: www.pickocc.org