

Energy Efficiency Resource Standard

Description:

Energy efficiency is often considered an objective of our public utilities - yet, there may not be a real incentive to the utility to make their consumers more productive or efficient users of electricity because that means selling less and reducing revenues. If legislatures want to ensure a more productive and efficient system that is taking advantage of the latest technological innovations, they may want to require that a utility demonstrate a percent reduction in demand through efficiency programs or “demand side” programs. This is considered an Energy Efficiency Resource Standard (EERS) - for example: x utility will achieve a 10% reduction in demand (or demand growth) over the next 10 years.

Discussion of the Policy:

An EERS establishes a percentage of energy demand reduction by a specific date or on an annual basis that a utility will achieve through demand reduction programs. In some states, energy efficiency targets are included in the Renewable Portfolio Standard.

Example State Programs:

To date, 25 states have enacted EERSs, Utah and Virginia have voluntary goals, while [Delaware’s EERS](#) is the subject of much uncertainty.



Source: [ACEEE](#)

- Texas Energy Efficiency Goal:
<http://programs.dsireusa.org/system/program/detail/4622>
- Vermont Energy Reduction Goals:
<http://programs.dsireusa.org/system/program/detail/4498>
- Washington EERS:
<http://programs.dsireusa.org/system/program/detail/4688>

The U.S. Department of Energy's [State Energy Program](#) (SEP) awards grants to states to support energy efficiency activities. As part of the program, awardees are encouraged to set savings targets.

Key Components:

EERSs may take a variety of forms, however, they usually have the following components:

- Annual percentage reduction over a period of time, or cumulative reduction over a period of time.
- Mechanism for cost recovery of lost revenues for the utility. Often, public utilities commissions (PUCs) will allow a utility to earn a higher rate of return for efficiency measures. More aggressively, legislatures could allow a bonus on overall rate of return earned if utilities meet or exceed specific efficiency objectives.
- Third party management - because there is an inherent conflict for a utility to encourage customers to buy less of their product by becoming more efficient, many states use a third party to manage demand-side management (DSM) programs and report annually or biannually to the PUC.
- Cost effectiveness criteria - most states have some cost effectiveness criteria that ensures only technologies that meet a cost effectiveness threshold or standard should be included in DSM offerings. The type of standard chosen here is very important - many states have opted for a "Total Resource Cost Test" however that standard has proven an unreliable and poor measure of true cost effectiveness of the measure to the ratepayers. For more information, see '[Modified Energy Efficiency Cost Tests](#)'.
- Requirement to implement all cost effective measures - measures with a well-established high payback may be required outside of the EERS as standard practice.
- Some EERSs may specifically include technologies to promote including demand side generation that reduces load on the system, demand response programs, consumer behavioral programs, or building code improvements.
- Energy efficiency may be a component of the upcoming EPA 111(d) Clean Power Plan emissions reductions - however, inclusion in the plan requires legally enforceable compliance and reporting.

More Information:

- Alliance to Save Energy Fact Sheet:
<https://www.ase.org/resources/energy-efficiency-resource-standard-eers>
- American Council for an Energy-Efficient Economy (ACEEE), Energy Efficiency Resource Standards: A New Progress Report on State Experience:
<http://www.aceee.org/research-report/u1403>
- ACEEE, Energy Efficiency Resource Standards: A State Model:
http://www.aceee.org/files/pdf/white-paper/eers_statemodel.pdf
- Database of State Incentives for Renewables and Efficiency, Policy Map:
<http://www.dsireusa.org/>

- National Renewable Energy Laboratory (NREL), State Energy Efficiency Resource Standards: Design, Status, and Impacts:
<http://www.nrel.gov/docs/fy14osti/61023.pdf>