



ENERGY EFFICIENCY AND CONCERNS ABOUT RATES

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Are We Asking All the Right Questions?

2

- ❑ Should we be more concerned about total bills than about rates?
- ❑ If rates (or bills) do go up, couldn't demand management – including energy efficiency – be an important part of the solution?
- ❑ Could the need for greater electrification of homes, businesses and vehicles (to address climate change) counter-balance concerns about declining electric utility revenues?

Impact of Efficiency Programs on Rates

3

Factor	Electric and/or Gas	Impact on Rates
Program spending	Both	↑
Avoided capital investment in new generation	Electric	↓
Avoided capital investment in T&D	Both	↓
Avoided environmental compliance costs	Both	↓
Impact of less demand on market clearing prices for energy and capacity	Both	↓
Spreading fixed utility costs across smaller sales volume (utility “lost revenue”)	Both	↑

Net impacts vary based on local conditions, but downward pressures on rates are often greater than upward pressure from program spending. Thus, any net increase in rates is usually associated with lost revenues. Should concerns about lost revenues drive policy decisions? Answering “yes” is tantamount to saying you do not want efficiency even if it is “free”

Rate vs. Bill Impact Trade-Offs

4

Vermont “Aggressive Efficiency” Case Study

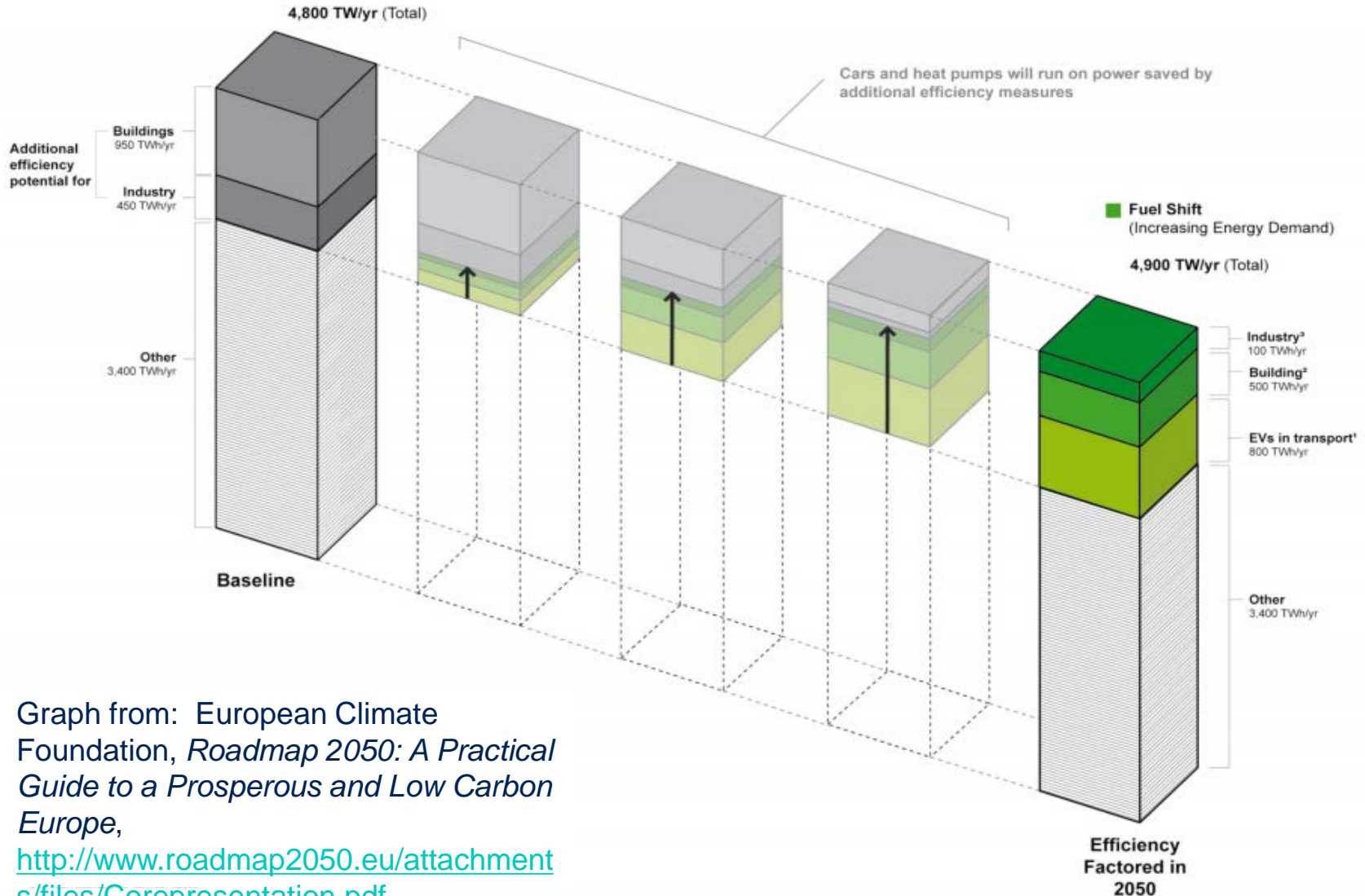
- 7% *net* bill reduction for efficiency program participants
 - 11-12% efficiency savings
 - 4-5% rate increase
- 95% of customers would participate over time
- 4-5% rate/bill increase for non-participants

Should regulators support this efficiency level?

Analysis of residential sector “high case” in Woolf, Tim, Erin Malone and Jenn Kallay (Synapse Energy Economics), *“Rate and Bill Impacts of Vermont Energy Efficiency Programs (from Proposed Long-Term Energy Efficiency Scenarios 2014-2034)”*, prepared for the Vermont Department of Public Service, April 23, 2014.

Carbon Context: Both Demand Resources & Electrification are Critically Important

5



Graph from: European Climate Foundation, *Roadmap 2050: A Practical Guide to a Prosperous and Low Carbon Europe*, <http://www.roadmap2050.eu/attachments/files/Corepresentation.pdf>

6

Q&A

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