

Lessons Learned from Utility-Run Energy Efficiency Programmes in the U.S.

Hae-In Cho, University of Geneva, Geneva, Switzerland
Meinrad Bürer, University of Geneva, Geneva, Switzerland
Martin K. Patel, University of Geneva, Geneva, Switzerland

Operating energy efficiency programmes for the last 45 years, utilities in the U.S have developed administrative structures to improve organizational efficiencies that promote desirable utilization of energy efficiency. By looking into the evolution of administrative structures applied to the energy efficiency programmes in the U.S, this study identifies what drove structural transition over time.

Most of the states in the U.S. have maintained traditional utility-administered energy efficiency programmes, but among the eleven states that ranked greater than 10th in the ACEEE 2015 scorecard report, six had adopted a different administrative structure involving non-utility actors. Considering the scores given by ACEEE and the types of administrative structures adopted, four states were selected for a detailed analysis: California, Vermont, New York, and Massachusetts.

All four states had maintained a utility administering system until 1998, but going through electric industry restructuring, all made structural transition to adapt to changes in regulatory framework and to improve programme's effectiveness. In California, third independent party administering system was proposed after electric industry restructuring to promote privatization and manage potential conflicts of interests in competitive market, but due to the public mandate which conflicted with the idea of adopting third independent party, the state restored utility administering system with oversight by CPUC. Lately, in pursuit of market transformation impact, the state emphasized collaborative approach that integrates programmes across utilities. Unlike the other three states, Vermont rejected retail competition, but recognizing redundancy and inconsistencies among 22 electric distribution utilities' energy efficiency programmes, the state decided to consolidate the programmes by creating third independent party dedicated to administering energy efficiency programmes. New York was also attracted by the idea of having third independent administrator, so the state agency was designated to perform as an administrator. In 2008, expecting to achieve benefits from diversity of approaches, the state emphasized partnership as a model to increase utilities' participation, but it rather brought about competition between utilities and state agency. So, New York launched new initiative in 2015 to integrate market participants into a coherent strategy promoting market transformation. Massachusetts had maintained utility administering system, but the increasing number of utility administrators and escalating energy saving target prompted the state to introduce collaborative approaches by creating an umbrella brand and establishing the Energy Efficiency Advisory Council to provide guidance and oversight.

Amid energy crisis, states considered energy efficiency as a preferred resource, and the goal of resource acquisition urged utilities to administer and implement energy efficiency programmes. However, as the scope has broadened to realize economies of scale by adopting a statewide approach and enhancing market transformation, all states have made transition from individual utility administrator to collaborative structure for administration. Even though states have a similar goal of enhancing market transformation impact, transition resulted in different configurations in different jurisdiction. The experience in the four states demonstrates that neither a purely utility-operated structure nor a strong third party is a guarantee for success. Typically a balanced approach is required that accounts for the policy goal as well as for the public mandate. Therefore, comprehensive understanding of regional political culture and policies, and innovative approach to account for these aspects are vital for establishing effective administrative structure that ensures good governance as well as successful implementation of energy efficiency programmes.