

# **Designing and Evaluating DSM Portfolios in a Maturing Energy Efficiency Market**

## **A Panel Discussion**

**Moderator, Valeries Richardson, KEMA**

### **Background**

This abstract is being submitted in response to the Call for Abstracts for the 19<sup>th</sup> National Energy Services Conference and Exposition (annual member meeting of the Association of Energy Service Professionals) on January 27 - 29, 2009. The AESP sent out invitations for individual presentations and for panel discussions. They are interested in showcasing presentations that reflect the latest thinking, best practices and trends affecting the energy services industry.

### **Objective or Statement of the Problem**

The audience will hear and participate in a discussion about the growing challenge of designing energy efficiency portfolios in markets where energy efficiency adoptions for key technologies such as CFLs, and high efficiency appliances are maturing.

Portfolio designers for California's investor-owned utilities (IOUs) have just filed (July 22, 2008) what is probably once again, the nation's largest DSM Program Portfolios totaling nearly \$3.8 Billion for 2009-2011. Other utility jurisdictions are also investing significant portions of their portfolios to upstream CFL rebate programs. For California, designing another record-breaking portfolio to bring down energy consumption and demand to meet goals was even more challenging than the record-breaking \$2.1 Billion 2006-2008 Portfolio. The new portfolios were met with a double edge sword of the success of the last three years where CFLs are expected to bring 70% of portfolio savings once evaluations are completed. How can they now design a new portfolio to bring in even more cost effective savings when the market is becoming so saturated? How can they claim credit for their actions when they are no longer the only game in town promoting energy efficiency and CFLs and the regulatory rules do not give credit for market effects?

### **Results, Achievement, Concept**

The problem with trying to design such massive portfolios in California or in other markets such as the Northwest that relied heavily on CFLs is that the energy industry (i.e., utilities, third parties, nonprofit organizations, collectively referred to as "program administrators") is no longer the only game in town when it comes to promoting the benefits of energy efficiency and especially, CFLs. With climate change becoming one of

the top five issues that concerns the nation, many entities from various channels are advertising and promoting the benefits of CFLs to help save energy and the environment. The media, news organizations, state-ran public service announcements continue to remind their audiences almost on a daily basis of ways to help save the environment and energy and tend to point almost exclusively to CFLs. Private industry and businesses such as WalMart and Home Depot have enacted their own CFL give-away programs and promote CFLs as part of their new corporate positioning as a green company. Others actions having residual impact on CFL adoptions and other energy efficiency measures are local governments mandating local codes beyond what the state and federal government require to bring buildings to a higher level of efficiency; as well as many leading companies stepping forward to tout their own green initiatives to position themselves as good corporate citizens.

With so many voices touting energy efficiency and CFLs besides the utilities, how can the utility and other program administrators meet their regulatory requirement to quantify their role in influencing CFL adoptions using the required measurement techniques for NTG and cost benefit analysis?

Our proposed panel of energy leaders and portfolio designers will discuss these issues and others they faced as they prepared comprehensive DSM portfolios for their areas. Some of the proposed panelists have worked in areas with a long history of having energy efficiency programs; others work in areas that are coming back to delivering energy efficiency after a long hiatus. However, those returning to energy efficiency are entering into a period where spillover from national programs and the climate crisis also present challenges for their portfolios.

The panel format will consist of 3 panelists presenting for 10 minutes on the challenges they faced in designing their portfolios in a maturing market. They will then be asked to address the below questions regarding the program administrator's role in a new market structure. They will then take questions from the audience for the remaining 30 minutes.

1. After being the primary administrator of energy efficiency programs for nearly two decades, are the current energy industry cohorts still the primary force driving the growth of energy efficiency in the market today?
2. As it happens in maturing markets, are there others with more market power that are capable of driving energy efficiency market growth without the current program administrator structure (utilities and alliances)?
3. Does a maturing market call for program administrators to redefine their role as market leaders; what are the implications for portfolio design going forward?

Panelist will include:

Valerie Richardson, Senior Principal, KEMA (panel leader)  
Duane Larson, Director, Customer Energy Efficiency, Pacific Gas and Electric Company  
Michael Brandt, Manager DSM Programs, Commonwealth Edison  
Jeff Harris, Senior Manager, Planning, Northwest Energy Alliance

**State why this abstract is worthy of being selected**

There are many who would conclude the CFL market and many appliances and other technologies have achieved market transformation and there is no longer a need for the energy field to subsidize the cost for adopting these measures using rebates. There is also recognition that the growing awareness and concern with climate change has fueled heavy investments by utilities, government, and private industry into energy efficiency to address the problem. As large amounts of cash become available in the energy industry (as in CA) hoping to tap the current energy efficiency programs/infrastructure to address the growing demand for energy efficient solutions, the current infrastructure is struggling to scale up in terms of resources (labor) or market reach to expend all the funds. So, as the energy efficiency investments grow substantially, is the potential for savings commensurate with the investment if we continue to use the approaches we are accustomed too? Should the energy industry reinvent how they design portfolios?

These are issues that are discussed in the hallways and sometimes as sidebars during panels and presentations where these issues are not the main topic. However, with the dollars invested in recent filings in California, the issue of designing portfolios in a maturing market is becoming a central issue. Having a panel where these issues are in the forefront may hopefully raise the dialog in:

- Determining how to recognize when a market is transformed or nearly transformed
- Determining when exit strategies are needed
- Recognizing and sharing common challenges in designing portfolios
- Elevating the awareness of evaluators on what portfolio designers are facing and what are their information needs.