Colorado DSM
Informational Workshop

Large Industrial Self-Direct Programs

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In simple terms, a Self-Direct program provides a mechanism to allow customers to directly invest in energy-efficiency at their own facilities.

Customer investments reduce or offset collection of public or system benefit charges.
Current market trend toward increased energy-efficiency awareness

Public or system benefit charges (SBC), rather than imbedding costs in rate structures, are becoming a more common way to fund energy-efficiency

SBC are a more visible line-item on utility bills that draws increased awareness from consumers

SBC are often a function of energy use, and for large consumers, energy-efficiency surcharge can become a large line-item cost
What do Self-Direct Programs Achieve?

- Addresses customer concerns about inequity in fund collections and cross-market subsidization

- Drives more comprehensive and longer payback projects with large savings impacts
  - Self-Direct programs can have a larger impact on project economics than traditional energy-efficiency programs

- Provides utilities a useful resource in managing key accounts
How is a Self-Direct Program Implemented?

- Self-Direct programs can take several forms
  - Allow customers to receive credit back for a percentage (up to 100%) of SBC for eligible energy-efficiency investments
  - Allow customers to demonstrate minimum energy-efficiency thresholds are met and avoid a percentage (up to 100%) of SBC
  - Allow customers to opt-out of SBC entirely, but then disallow participation in any SBC-funded program

- Self-Direct programs can be administered by various entities
  - Utilities
  - Third-party program administrators
  - Governmental organizations (e.g. Department of Energy, Department of Revenue, State Energy Office)
What Customers Should Be Eligible?

- Only customers affected by SBC

- Eligibility requirements typically based on minimum usage threshold
  - Annual energy usage of 5,000 – 10,000 MWh/yr
  - Peak demand of 1 – 2 MW

- Aggregation across multiple meters typically allowed to meet eligibility requirements
  - By unique customer
  - By facility (e.g. campus)
What Projects Should Be Eligible?

- Project minimum size requirements, based on estimated savings and/or costs, can help keep program administration costs low.

- Projects can be subject to same cost-effectiveness requirements as other energy-efficiency programs funded by SBC.

- Minimum and maximum customer economic indices can help screen out free-riders and capital investments not driven by energy-efficiency.

- Eligibility requirements typically based on minimum usage threshold.
Where are Self-Direct Programs Available?

- Representative states with active Self-Direct programs or regulatory activity
  - Arizona
  - Montana
  - New Mexico
  - Oregon
  - Utah
  - Washington
  - Wisconsin
  - Wyoming

- Representative states with active energy-efficiency programs but no Self-Direct offerings
  - California
  - New York
  - Texas
  - Vermont
What Challenges Face Self-Direct Programs?

- Coordination efforts between entities that collect SBC and the administrator of a Self-Direct program
- Timely and accurate SBC reimbursements
- Participation and/or funding caps
- Integration with other SBC-funded energy-efficiency programs
- Evaluating and tracking net savings impacts
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