Energy Efficiency and the Clean Power Plan: Opportunities for Arizona

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SWEEP

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The Southwest Energy Efficiency Project (SWEEP)

- Non-profit organization with a 14 year track record
- Works on utility, building efficiency, transportation and industrial policy and programs
- Works closely with state and local governments, energy efficiency businesses, utility companies, and other clean energy advocates
- Funding provided mainly by charitable foundations, U.S. DOE, and business allies
Energy Efficiency Includes a Broad Set of Options and Measures
Which EE Measures and Programs Can be Included in State Plans?

- Wide array of utility and non-utility policies, programs and measures are allowed:
  - Utility DSM/EE programs
  - T&D energy efficiency and loss reduction efforts
  - State or local building energy codes or retrofit ordinances
  - State tax incentives or financing programs
  - ESCO projects and public sector efficiency programs
  - Industrial efficiency projects or programs
  - CHP and waste-to power projects
  - State appliance/equipment efficiency standards
  - Low-income home weatherization
  - Behavior change programs
Utility Program Considerations

- EE measures/programs implemented starting in 2013 can provide ERCs if they are saving energy in 2022 and beyond
- ERCs possible for both technology and behavior-based programs—all savings count equally
- ERCs possible for T&D system loss reduction, utility-supported CHP and waste-to-power projects
- State plans must specify how double counting of energy savings/ERCs will be avoided—who gets the credits?
- None of this applies if a state takes a mass-based approach, other than for CEIP credits or if there is an allowance set aside for EE measures/programs
Non-Utility Program Considerations

- Other types of EE measures and programs can provide ERCs or help with mass-based compliance
  - Up-to-date local building energy codes
  - Low-income home weatherization
  - ESCO projects in the public or private sector
  - State/local financing programs or tax credits
  - EE projects that do not participate in utility programs; e.g., in rural areas

- Who gets the credits when utility support is also provided? - state needs to decide this

- State needs to ensure proper EM&V is done, verify savings claims, issue and track ERCs...if AZ goes with rate-based compliance
What Does SWEEP Recommend in States That Go Mass-Based?

- Commit to strong utility and non-utility EE policies and programs in order to reduce load growth and help utilities comply with mass-based targets.
- Take a least-cost approach to CPP compliance planning, and in doing so consider full costs and benefits of EE initiatives.
- Consider EE policies and programs as complementary to specific actions in the state’s CPP plan.
- Include interstate and intrastate trading of emissions allowances in the state plan.
- Auction off some or all emissions allowances and dedicate a portion of the proceeds to new/expanded EE programs.
  - EE initiatives in rural areas
  - EE programs in low-income communities
  - Energy code and other market transformation initiatives.
- Consider issuing some emissions allowances to EE measures/programs, possibly in “hard to reach markets.”
What Does SWEEP Recommend in States That Go Rate-Based?

- Commit to strong utility and non-utility EE policies and programs in order to generate low-cost ERCs and help utilities comply with rate-based targets.

- “Work Your ERCs” – take full advantage of potential ERCs so that EE efforts help rather than hinder a state with compliance.
  - Without ERCs, energy savings can increase a utility or state’s average emissions rate even though CO₂ emissions are cut.
  - Take steps to identify and issue legitimate ERCs for EE programs and measures implemented starting in 2013.

- Develop or modify EM&V procedures so that they comply with EPA requirements for both utility and non-utility programs.

- Establish ERC verification, issuance and tracking systems, and ensure proper EM&V is being done.

- Establish and implement rules regarding who is eligible for ERCs, and ensure there is no double counting of savings or multiple ERCs for the same MWh of savings.
General Recommendations

- Continue strong EE efforts prior to and after 2022—doing so will help reduce CO$_2$ emissions and/or increase available ERCs.
- Take advantage of the CEIP and get as many bonus ERCs or emissions allowances as possible.
- Maximize cost-effective EE efforts even if AZ doesn’t need energy savings to comply with CPP requirements, thereby enabling sale of excess emissions allowances or ERCs to states that need them.
- Consider which compliance approach will facilitate interstate trading as part of state decision regarding rate vs. mass.
- Monetize avoided CO$_2$ emissions in EE policy and program cost effectiveness analysis.
- Strongly consider going mass-based: it will be much easier from perspective of implementing and getting appropriate credit for a wide range of EE measures and programs.
What’s At Stake in Arizona?

- Potential to achieve 20-25% electricity savings by 2030 from EE policies and programs implemented 2016-2030
- Saving ~18 TWh/yr in 2030 – equivalent to the electricity supply of nine 300 MW baseload power plants
- Big contribution to CPP compliance
- Around $7 billion in net economic benefits for consumers and businesses
- Reduction of other pollutant emissions and improved public health

Note: Stay tuned for in-depth SWEEP analysis of these issues
SWEEP:
Dedicated to More Efficient Energy Use in the Southwest

Resources available online at:
www.swenergy.org

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