SESSION 7D

DO CURRENT COST EFFECTIVENESS TESTS WORK WITH NEW GENERATION ENERGY EFFICIENCY AND CLIMATE POLICIES?

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SUMMARY DESCRIPTION:

Energy efficiency is an important resource that is increasingly being looked to as a key strategy for helping meet future energy needs, while also reducing global warming. Studies have found that energy efficiency might be able to meet 50% or more of expected load growth by 2025. Energy efficiency must nevertheless compete with a broad range of resource options for attention and funding. A battery of tests including the participant cost test, the program administrator test, the rate impact measure test, and the total resource cost (TRC) tests have traditionally been used by the utility sector to assess the costs and benefits of energy efficiency measures from a variety of perspectives. Can existing cost effectiveness tests be tweaked to accommodate new policy goals or are more wholesale changes needed?

A number of emerging issues have industry experts asking whether these traditional cost tests ask and answer the right questions:

- The TRC is the most commonly required decision making test in states that have been offering energy efficiency programs for a number of years. Is this still the right test, if energy efficiency is to compete with supply-side resources and be fully tapped for climate change mitigation?
- For states that are required to meet deeper energy savings goals, particularly after years of offering energy efficiency programs, are they able to find enough new measures that pass current cost effectiveness tests using current approaches?
- How do programs that move beyond single technology-based incentives to affect larger savings (e.g., whole home/building programs) fare with current cost effectiveness tests?
- Can inputs be modified to make measures/programs intentionally succeed or fail?
- Is the bar for set higher for energy efficiency than it is for renewable resources for the same level of greenhouse gas reduction?
- How do utilities currently treat potential greenhouse gas emissions in cost effectiveness tests, and does this need to be modified if the U.S. is to fully tap into our cleanest resource?
- What are the options for improving the way existing current cost effectiveness tests are applied to achieve deeper/more comprehensive savings? Are there new cost effectiveness tests that can be envisioned?