

Energy Efficiency has proven itself to be a valuable investment in our communities, local businesses, and homes, with a return of more than two dollars for every dollar invested, compounding over time. More than simply saving kilowatt-hours, energy efficiency also helps citizens save money, businesses reduce energy costs (and increase competitiveness), the electric grid reduce peak load and utilities avoid costly infrastructure development. Energy efficiency also drives the creation of high-quality jobs.

Many states in the nation are pursuing efficiency through the adoption of statewide energy efficiency standards and other policies aimed at reducing energy consumption at the state and local levels, and yet, energy efficiency, as a resource, has hit some bumps in the road in the last few years. Some states are moving away from mandating energy efficiency goals in utility programs, seeking only to encourage that energy efficiency be undertaken on a voluntary basis at the utility level through Integrated Resource Planning. In addition, some states are also allowing the commercial and industrial sectors to opt out of utility programs to pursue energy efficiency at their discretion. In light of the headwinds that energy efficiency faces at the state level, federal policies as well as local engagement in energy efficiency efforts must be incented and encouraged.

Some aspects of energy efficiency policy, such as appliance standards, have long been driven from the top-down by national policies. Other aspects such as Building Energy Codes have national models but are only recently being strongly driven by national policy. Yet other policies that have a long history of success at the state level, such as Energy Efficiency Portfolio Standards, have not been mandated at the national level but have been proposed. National energy policy is quickly becoming an important driver of energy efficiency in the Midwest region and throughout the country.

Future trends will shift from focusing on the efficiency of component performance (motors, appliances, isolated machines) to optimization of the systems that incorporate such components. This can be seen already in the increased focus on smart buildings and smart manufacturing. As technology develops, measuring and verifying energy efficiency will develop, allowing energy efficiency to become a supply side resource that can reduce the need to build greater levels of transmission, distribution and generation to meet the country's energy needs; provided, however, that regulatory policies at all levels recognize the role energy efficiency plays in the nation's energy mix and incent its use as an energy resource in its own right.



MEEA
Midwest Energy Efficiency Alliance

ENERGY EFFICIENCY: THE MOST LIKELY MEANS OF ACHIEVING ENERGY GOALS

Nora A. Naughton

Quadrennial Energy Review
Second Installment
Electricity: Generation to End-Use
Des Moines, IA May 6, 2016

The Source On Energy Efficiency

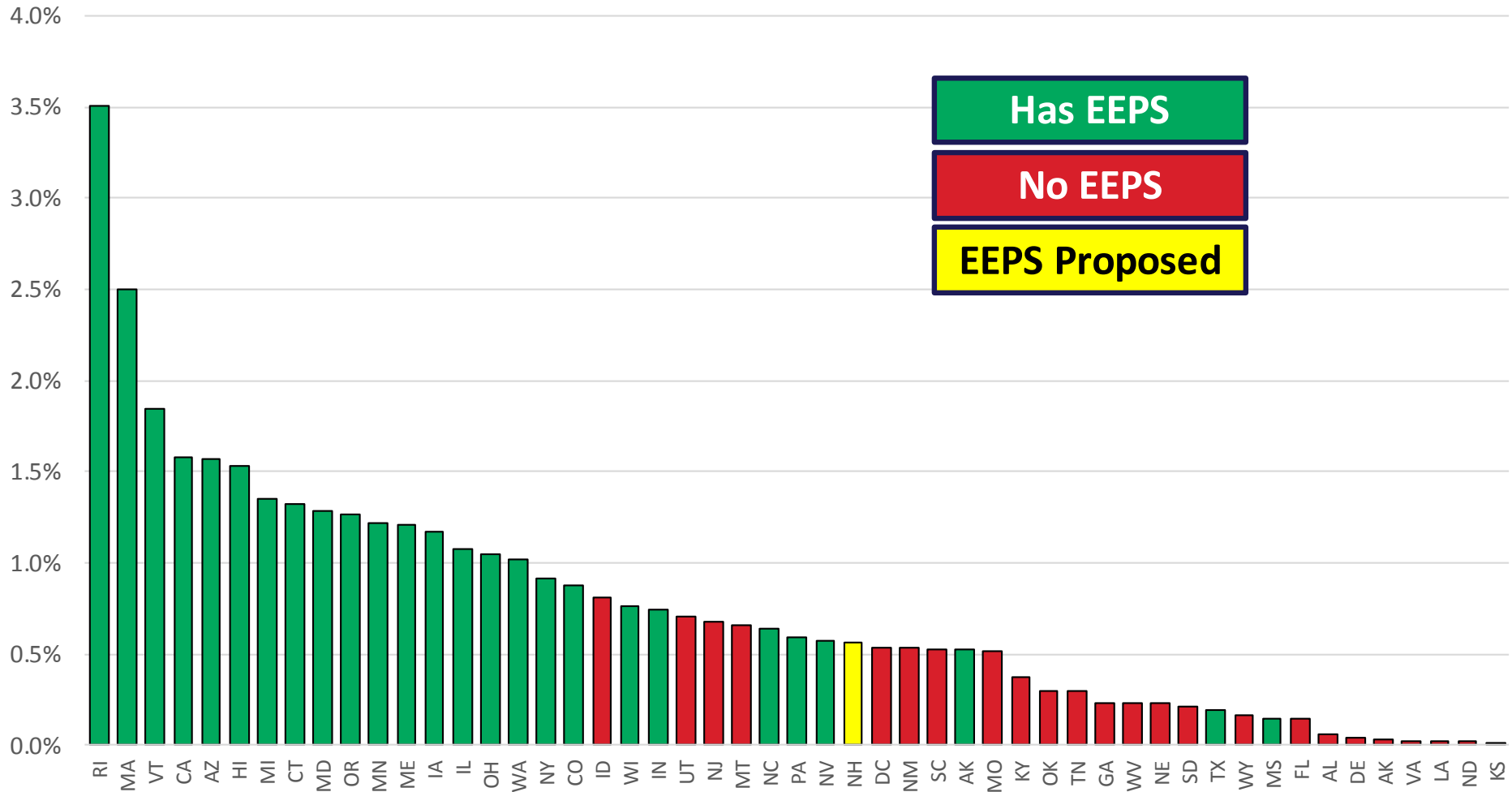
Midwest Energy Efficiency Alliance (MEEA)

- ❖ **MEEA is a nonprofit membership organization with 150+ members, including:**
 - Electric and Gas Utilities
 - State and local governments
 - Manufacturers and retailers
 - Academic and research institutions
 - Energy service companies and contractors
- ❖ **Since 2000, MEEA has been the leading source for raising awareness and advancing sound energy efficiency policies and programs in the Midwest**
- ❖ **MEEA balances the diverse interests of its members and network** across the public and private sectors, creating a common ground to affect positive change for energy efficiency in the Midwest.



EEPS Promote Energy Savings

The top 18 states in EE savings all have an EEPS
No state has saved 1% per year without an EEPS



Industrial EE is Important in the Midwest

38%

of electricity in the Midwest states is consumed by the Industrial sector (*EIA 2014*)

40%

of Industrial EE potential is found in Midwest (*McKinsey 2009*)

5

Midwest states are in Top 10 consumers of total energy in the industrial sector, and 4 more are in the Top 25 (*EIA 2014*)

Energy Efficiency Performance Incentives for Utilities

- Currently active in 25 states and pending in 2 states.
- Average about 53% more EE funding budgeted per capita in states with performance incentives.
- General agreement among industry experts that performance incentives positively contribute to utility commitment to energy efficiency.
- Policy Trends: Adoption in more states, more comprehensive performance criteria

Source: Nowak, et al. 2015. *Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency*. Washington, DC: American Council for an Energy-Efficient Economy. <http://aceee.org/beyond-carrots-utilities-national-review>

Greatest Near and Long Term Opportunities

- EE is the least cost and most practical method of meeting policy goals
- Future of EE is to analyze systems for energy reductions and to become a supply side resource in RTOs
- Giving performance incentives to utilities tends to increase EE savings and develop new EE measures in utility programs
- CPP, including the incentives for low income EE programs, through the CEIP, should stimulate EE investment

Policies Should Encourage Energy Efficiency Mechanisms

| | |
|---|--|
| Energy Savings Targets for Utilities | Energy Efficiency Resource Standard |
| | Incorporating Energy Efficiency into Resource Planning |
| | Demand Side Management (DSM) Planning |
| Market-Based EE | Energy Savings Performance Contracts: delivery of savings through performance-based contracts; usually provide guaranteed savings. |
| | Financing |
| | Voluntary Labeling and Benchmarking |
| | Wholesale Electricity Markets: |
| Behavioral Efficiency Programs | Use of information dissemination, social interaction, competition, and/or potential rewards rather than direct financial incentives as the primary mechanism for changing energy consumption behavior. |
| Appliance Efficiency Standards | Efficiency Standards: Mandate minimum energy and water efficiency requirements for selected appliances and equipment that are not subject to existing federal standards. |
| Building Energy Use | Building Energy Codes: Establish minimum efficiency requirements for new and renovated residential and commercial buildings. |
| | Other Mandatory Building Efficiency Policies: Examples include mandatory energy-use benchmarking and disclosure requirements |

Questions and Contact Information

Nora A. Naughton

Director of Policy

Midwest Energy Efficiency Alliance

nnaughton@mwalliance.org

www.mwalliance.org