

EXAMINING CALIFORNIA'S ENERGY EFFICIENCY POLICY
RESPONSE TO THE 2000/2001 ELECTRICITY CRISIS:
PRACTICAL LESSONS LEARNED REGARDING POLICIES,
ADMINISTRATION, AND IMPLEMENTATION

by

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IMPETUS FOR THE STUDY

By almost any measure, the events surrounding the electricity situation in California in the 2000/2001 time period were simply extraordinary.

- Unprecedented electric system challenges
 - Over 70 days of electric system emergencies declared
 - Several incidents of deliberate rolling blackouts
- Unprecedented energy efficiency policy response
 - CA allocated over \$900 million to Energy Efficiency programs in 2001 (tripled existing levels)
 - Roughly equivalent to the entire rest of the nation combined

OVERALL OBJECTIVE

Document and study this piece of history, and identify lessons learned

This was arguably one of the most dramatic and successful short-term public policy interventions in modern history

- 10 percent average cut in summer peak demand
- 6.7 percent reduction in total annual electricity use
- No incidences of rolling blackouts after the winter of 2000/2001

STUDY FOCUS

Administration and coordination issues

[Others were capably handling the impact evaluation functions and the customer-level social and behavioral aspects.]

We focused on:

- How was this public policy intervention implemented?
- What lessons could be learned from that experience?

SPECIFIC OBJECTIVES

- Independently document and describe the overall scope, magnitude, and complexity of the historic CA energy efficiency efforts during the 2000/2001 crisis
- Identify problems and challenges that arose during the implementation, and describe steps taken in response
- Describe key lessons learned regarding the policies and approaches used during this experience
- Provide recommendations regarding future policies, administrative structures, and delivery mechanisms for energy efficiency in California

METHODOLOGY

Review of documents and materials

- Legislation (AB 970, SB 5X, AB 29X)
- Research reports (long list)

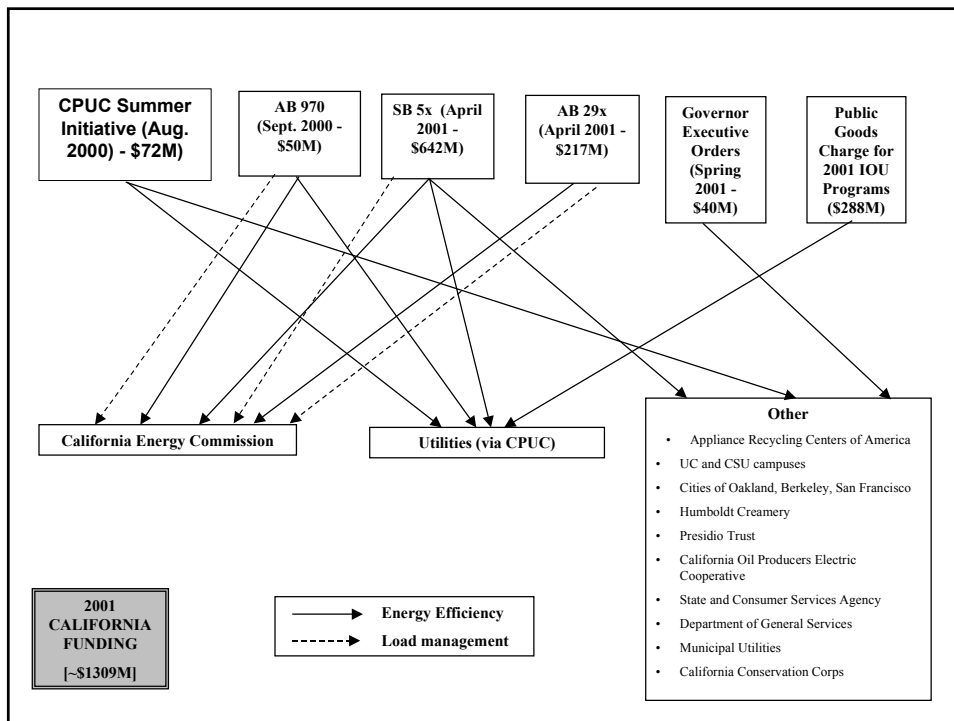
Interviews with key parties

- 22 different program managers
(IOUs, munis, state agencies, city govt. private vendor)
- 23 different senior administrative level individuals
(IOUs and munis, state regulatory agencies [CEC and CPUC], trade allies, customer groups, environmental)

RESULTS

Mostly qualitative assessment

- 30 pages of quotes and discussion
(administrative and coordination challenges encountered, actions taken to overcome them, opinions about various administrative and management issues, etc.)
- Some subjective ratings by the interviewees
- Analysis and discussion
- Recommendations



CONCLUSIONS

- The government institutions, utilities, businesses and citizens of California deserve a pat on the back for what they accomplished in 2001
- CA responded to an extreme crisis with a huge and multi-faceted policy response directed at energy efficiency, conservation, and demand response. Although complex and sometimes confusing, it worked
- A crucial factor enabling the rapid ramp-up was having a strong energy efficiency infrastructure in the state (including utilities, implementers, and trade allies) already experienced and engaged in EE program activities
- Credit should also be given to the state's policymakers, who (unlike what is so often seen in the public arena) provided substantial and ample funding to accomplish the goals and mandates they put forth

RECOMMENDATION #1

California should continue to use utility administration of energy efficiency programs, under CPUC oversight, as the core mechanism for delivering energy efficiency programs in the state.

- * highest rated option
- * good track record & institutional structure
- * no consensus alternative available

But 2 caveats:

- **Continue to monitor performance carefully**
- **Have well-designed regulatory mechanisms in place (i.e., properly designed shareholder incentives and de-coupling of sales from profit)**

RECOMMENDATION #2

The CPUC should abandon its attempts to directly administer energy efficiency programs and re-focus its attention and resources on the role of governance and oversight of the utilities in the utility administration of energy efficiency programs.

* fairly widespread agreement among the interviewees:

- . CPUC has done fairly well in broad oversight
- . CPUC not well suited to directly manage

> **One particularly important emerging area needing high-level CPUC attention is in developing a regulatory strategy and framework to ensure that EE is fully incorporated as a resource in the new resource procurement paradigm**

RECOMMENDATION #3

Utility administered energy efficiency programs should feature both statewide “core” programs as well as some use of locally or regionally targeted programs

- * pretty good consensus on this issue
- * substantial support for use of non-profits and other 3rd parties in implementation of local/regional programs
- * we recommended perhaps 80/20 split of statewide/local-regional efforts
- * we recommended that the CPUC hold a proceeding to solicit input on design and content area focus for the local/regional programs, including mechanisms to encourage 3rd party participation

RECOMMENDATION #4

The CPUC and the utilities should explore mechanisms for moving to multi-year planning and implementation of energy efficiency programs.

* there was significant concern about the delays and disruptions to continuity created by a system requiring annual filings and approval processes

> **coordination and integration of public benefit energy efficiency programs with the forthcoming resource procurement energy efficiency efforts is seen as a critically important emerging issue**

RECOMMENDATION #5

The traditional structure for the evaluation of utility energy efficiency programs in CA should be maintained, including: (1) broad oversight by the CPUC; (2) administration of the evaluation function by utilities, via independent evaluation consultants; (3) technical review and input through such multiparty mechanisms as CALMAC; (4) an open process, with full public access to all reports; and (5) review by ORA and others in an evidentiary process connected to any utility shareholder earnings from energy efficiency program performance.

* there was widespread agreement by the interviewees that the CA evaluation process has worked pretty well, and we concur, noting that CA is a clear national leader in energy efficiency evaluation