

Energy Efficiency As A Resource

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Overview

- How Integrated Resource Planning (IRP) Reemerged in California
- Overview of Utility Proposals
 - PG&E
 - SCE
 - Sempra
- Open Issues / Next Steps

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Recap: The Reemergence of IRP in California

- **The electric market restructuring of 1998**
 - Induced utility plant divestiture
 - Established wholesale electricity markets and market rules
 - Preserved energy efficiency through legislated public goods charge (PGC)
 - Regulatory uncertainty and variability began
- **California experiences electricity market breakdown in 2000-2001**
 - Shortages and high prices result
 - Financial instability begins
- **In 2002 the California Legislature restores procurement responsibility of IOUs**

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Recap: New Efficiency Planning in California

- **California Public Utilities Commission (CPUC) establishes policy preference for energy efficiency (and demand response and renewables) in meeting resource need**
- **Utilities propose unlinking utility return from usage**
- **CPUC initiates long- and next-year procurement planning processes**
 - Utilities file plans reflecting expanded energy efficiency
 - Filed long-term plan on 4/15 and next-year plan on 5/15

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Recap: New Efficiency Planning in California

- Each IOU proposes significant increases in energy efficiency activity in filed procurement plans
- Challenges of developing integrated procurement plans
 - Recreating the infrastructure lost in the mid-90's
 - Continuing regulatory uncertainty

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Overall IOU Approach to Energy Efficiency Procurement

- Administration of entire procurement portfolio
- Leverage PGC activities with current PGC
- Work with CPUC to develop more efficient regulatory structure
 - Stability of regulatory framework
 - Multi-year approval and funding of programs
 - Flexibility to achieve prescribed goals
 - Expand productive partnerships with stakeholders

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Guiding Principles

- Overall supply resources include:
remaining plants, QF and ID contracts, DWR
- Pursue ALL cost-effective energy efficiency and demand resources
- Energy efficiency is base-load
- Role of procurement incentive mechanism

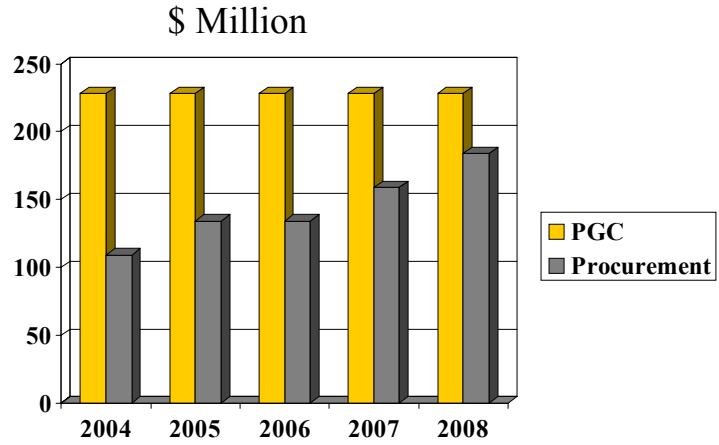
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Implications for Energy Efficiency Program Design

- Efficiency programs must be reliable
- Efficiency programs must be low cost
- Efficiency programs must address resource timing issues
- Efficiency programs must yield real savings!

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IOU Proposed Energy Efficiency Budgets



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Proposed 5-Year Goals, Total IOU

	Budget (\$ Million)	GWh	MW
PGC	1,140	5,520	1,040
Inc	720	3,442	700
Total	1,860	8,962	1,740

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Open Issues

- **Generic procurement-related issues**
 - Restoring the IOUs to creditworthiness
 - Uncertainty about procurement roles/cost recovery
 - Clarify the IOUs' customer base
 - Future of direct access, exit fees for departing load, responsibility for reserves
- **Energy efficiency-specific issues**
 - Long-term administration
 - Policy, program and funding stability
 - Roles of regulators, administrators and implementers
 - Flexibility and accountability, procurement incentives

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Conclusion

- **The CPUC and IOUs have taken the first, important step**
 - CPUC invited IOUs to include cost-effective, reliable energy efficiency in our long-term resource plans
 - The IOUs filed procurement proposals that would increase California's investment in energy efficiency by over \$700 million dollars over the next 5 years
- **Now is the time for all of us to work together to make these plans a reality**
 - Quickly resolve outstanding issues using principles for the future as our guide, not failed policies of the past
 - It's time to focus on getting the job done!

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