

The Cheapest Energy

ISSUE SUMMARY:

Energy efficiency is the cleanest and cheapest way to satisfy Texas' growing energy demands. It is much more expensive to buy power than to save it through efficiency.

In 1999, Texas pioneered an innovative policy mechanism called the Energy Efficiency Resource Standard (EERS) which established a formal statewide energy efficiency goal.

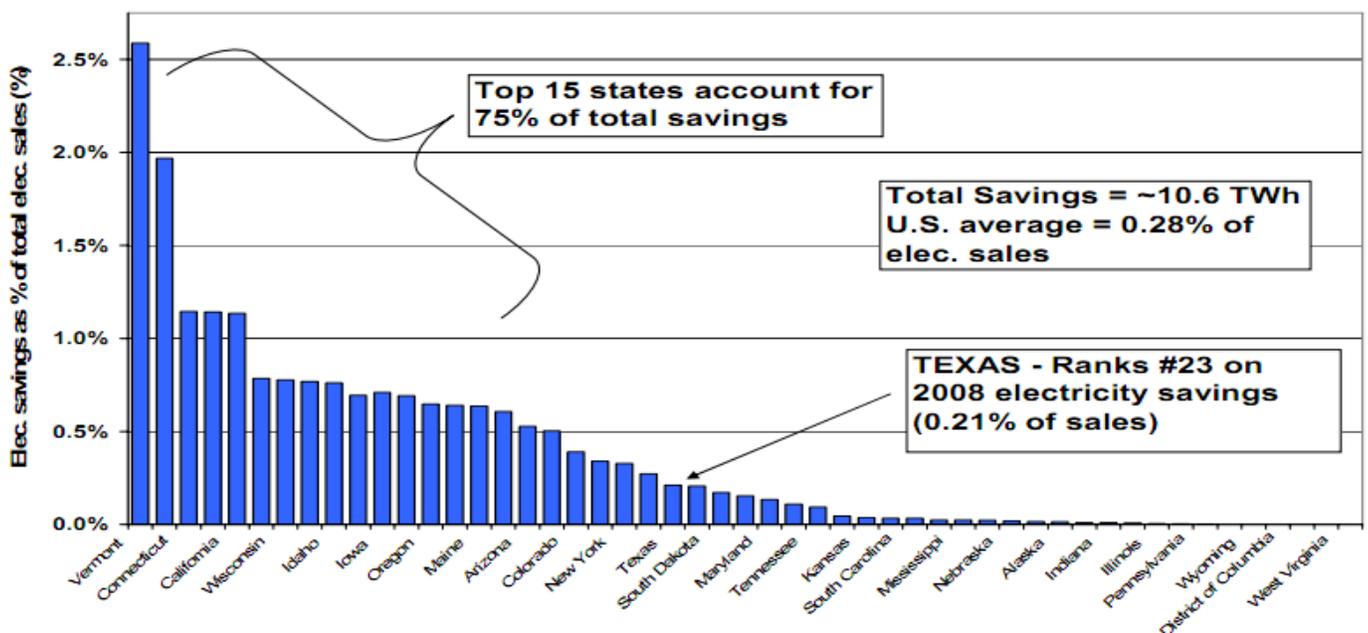
However, as shown in the chart below, Texas' goal for efficiency is relatively low.

Texas can easily **retake its leadership** and **save Texans billions** in electricity costs by **increasing efficiency goals** during the 82nd Legislature.

KEY POLICY CONSIDERATIONS:

- The State's energy efficiency goals could be increased significantly. A report commissioned by the PUC found that Texas could economically achieve efficiency goals well beyond current levels.
- The State could change the current metric for the efficiency goal so that it is more predictable and equitable. Such a goal would provide the stability necessary to build more energy efficiency businesses in Texas over time.
 - One viable alternative is moving from the current goal that is based on a percentage of demand growth to a goal based on a percentage of peak demand.

Electricity Savings by State from Ratepayer-Funded Energy Efficiency Programs in 2008



TALKING POINTS:

- Energy efficiency is the cleanest, cheapest way to meet future energy needs and lower our peak demand for energy.
 - Efficiency averages 2-4 cents per kilowatt-hour (kWh), which is about 25-50% less than even the cheapest source of power (*Friedrich 2009*).
 - Efficiency provides demand reduction at approximately \$506 per kilowatt (kW). The approximate capital cost of pulverized coal is \$3,000/kW, combined cycle gas turbines are \$1,200/kW, and nuclear power is \$5,000/kW (*2008 Texas State Energy Plan*, p. 52).
- A report commissioned by the Texas Public Utility Commission found that Texas could cost-effectively increase the current goal to well over 50% of demand growth. Doing so would save ratepayers billions of dollars (*Itron 2008*).
- Recommendation 24 in the *2008 Texas State Energy Plan* is: “If the PUC study indicates a greater potential for cost-effective energy efficiency reductions, the state should raise the energy efficiency goals to the higher levels contemplated under current law.” (*2008 Texas State Energy Plan*)
- Texas’ energy efficiency goals save all Texans more than twice what they cost (*Itron 2008*).
- Last session, bills to raise the energy efficiency goals passed both chambers but died in conference committee.
- Texas fell to 32nd among the states in overall efficiency in the ACEEE’s 2010 Scorecard.

OPPONENTS SAY:

- “Energy efficiency is too expensive.”

RESPONSE: As with all methods of meeting demand, there is a cost. However the savings from energy efficiency far outweigh the costs. For every dollar currently spent on energy efficiency, there is over \$2 in savings (*Itron 2008*).

- “Energy efficiency should not need incentives. Let the free market work on its own.”

RESPONSE: Although efficiency makes good economic sense and produces excellent return on investment, people typically don’t implement energy efficiency measures without incentives. Additionally, utilities have major disincentives to encourage energy efficiency programs that reduce their revenues.

BACKGROUND AND HISTORY:

In 1999, Texas pioneered the concept of an Energy Efficiency Resource Standard (EERS) in SB 7 (the electric market restructuring legislation) by establishing a goal of meeting **at least** 10% of its demand growth through energy efficiency.

In 2007, HB 3693 doubled the goal, and bills to further raise the goal passed both chambers in 2009, but died in conference committee. PUC action in the summer of 2010 raised the goal to 30% of demand growth (by 2013).

The PUC had considered raising the goal to 50% of demand growth (or higher) based on levels contemplated in HB 3693 and studied in a report for the PUC (*Itron 2008*), but in the end only raised the goals to 30%, indicating that they wanted more guidance from the Legislature before acting further.

By keeping incentives on the lower end of what is economically achievable, Texas’ ratepayers forego billions in net benefits (*Itron 2008*).

RESOURCES AND CITATIONS:

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Itron (December 2008). *Assessment of the Feasible and Achievable Levels of Electricity Savings from Investor Owned Utilities in Texas: 2009-2018*.

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Molina, Maggie and Kushler, Marty (2011). *The Benefits of Energy Efficiency in Texas*.

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Friedrich K., Eldridge M., York D., Witte P., and Kushler M. (2009). *Saving Energy Cost-Effectively: A National Review of the Cost of Energy Saved Through Utility-Sector Energy Efficiency Programs*.

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