

Industrial Opt-Out Policies in the Midwest

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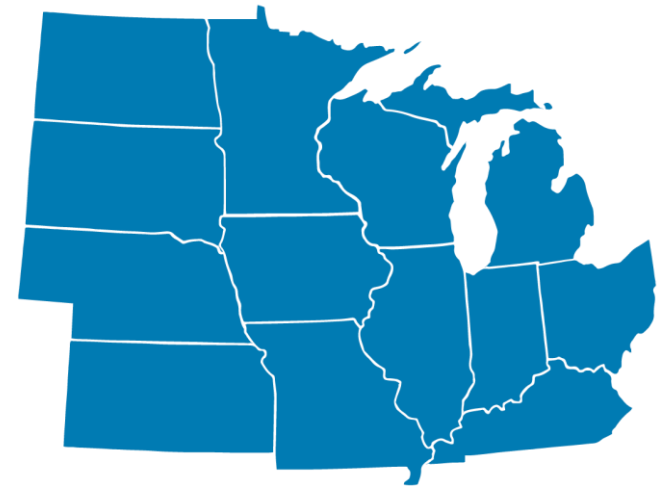
About MEEA

The Trusted Source on Energy Efficiency

We are a nonprofit membership organization with **160+ members**, including:

- Utilities
- State and local governments
- Energy efficiency-related businesses
- Research institutions

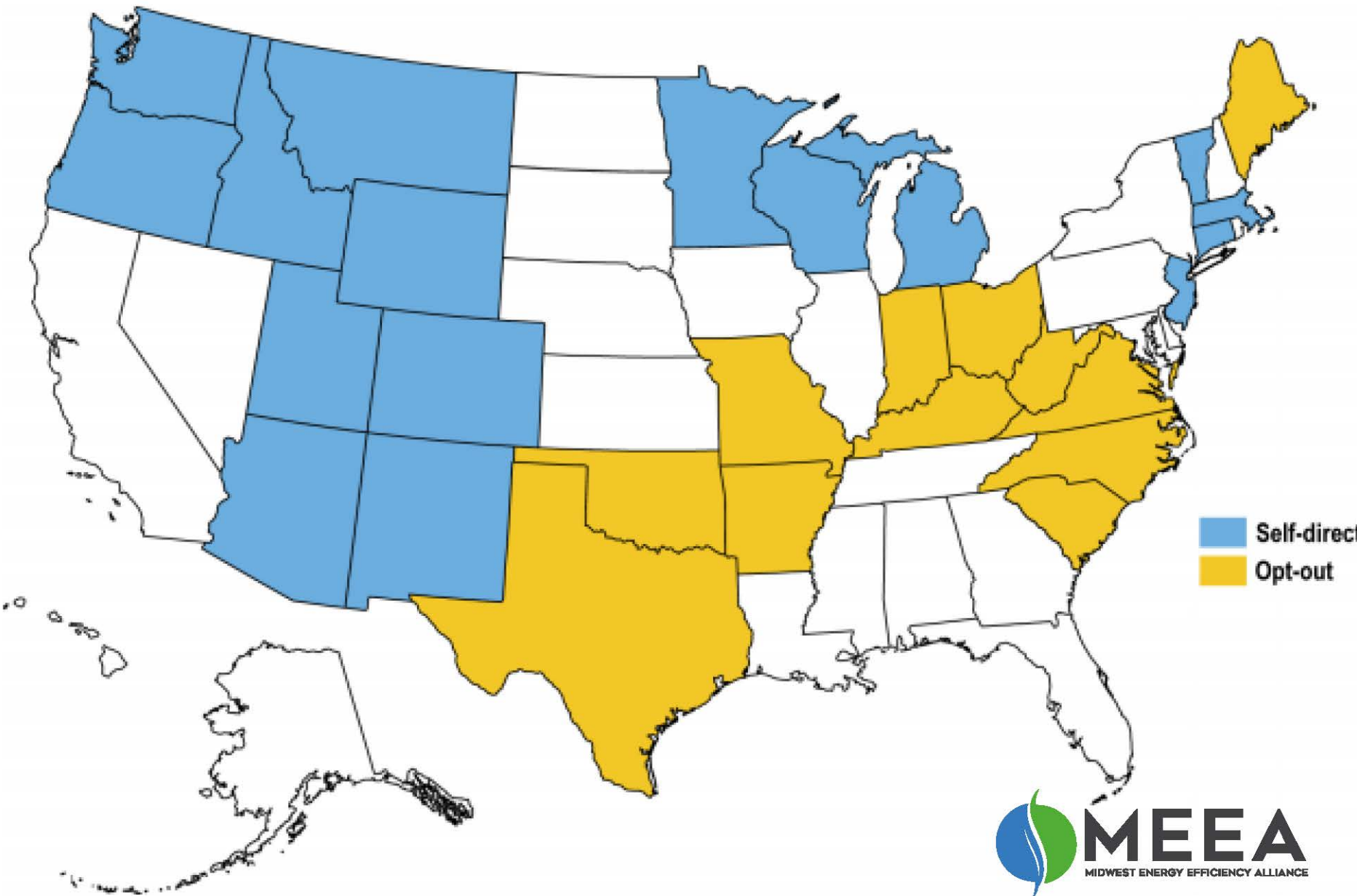
As the key resource and champion for energy efficiency in the Midwest, MEEA helps a diverse range of stakeholders understand and implement cost-effective energy efficiency strategies that provide economic and environmental benefits.



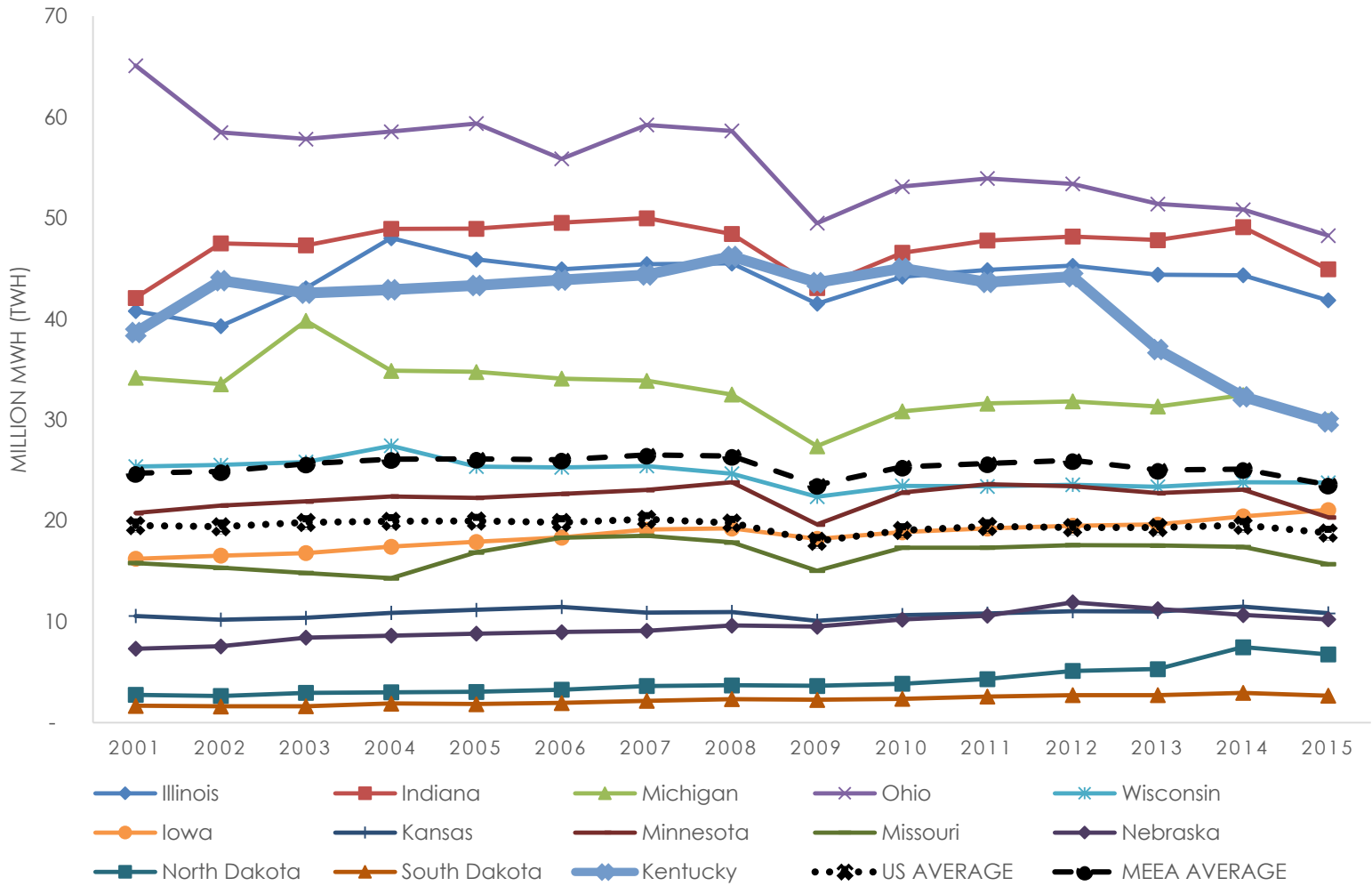
Opt-out and Self- Direct

- Several Midwestern states have adopted **opt- out** policies that allow large energy users— with diverse criteria that vary state-to-state— to “opt-out” of paying into utility efficiency programs
- **Self-direct** programs allow large energy users to contribute to funding energy efficiency programming (either on their bills or through some other mechanism) and then direct those funds toward the design, implementation, and verification of energy-saving projects in their own facilities

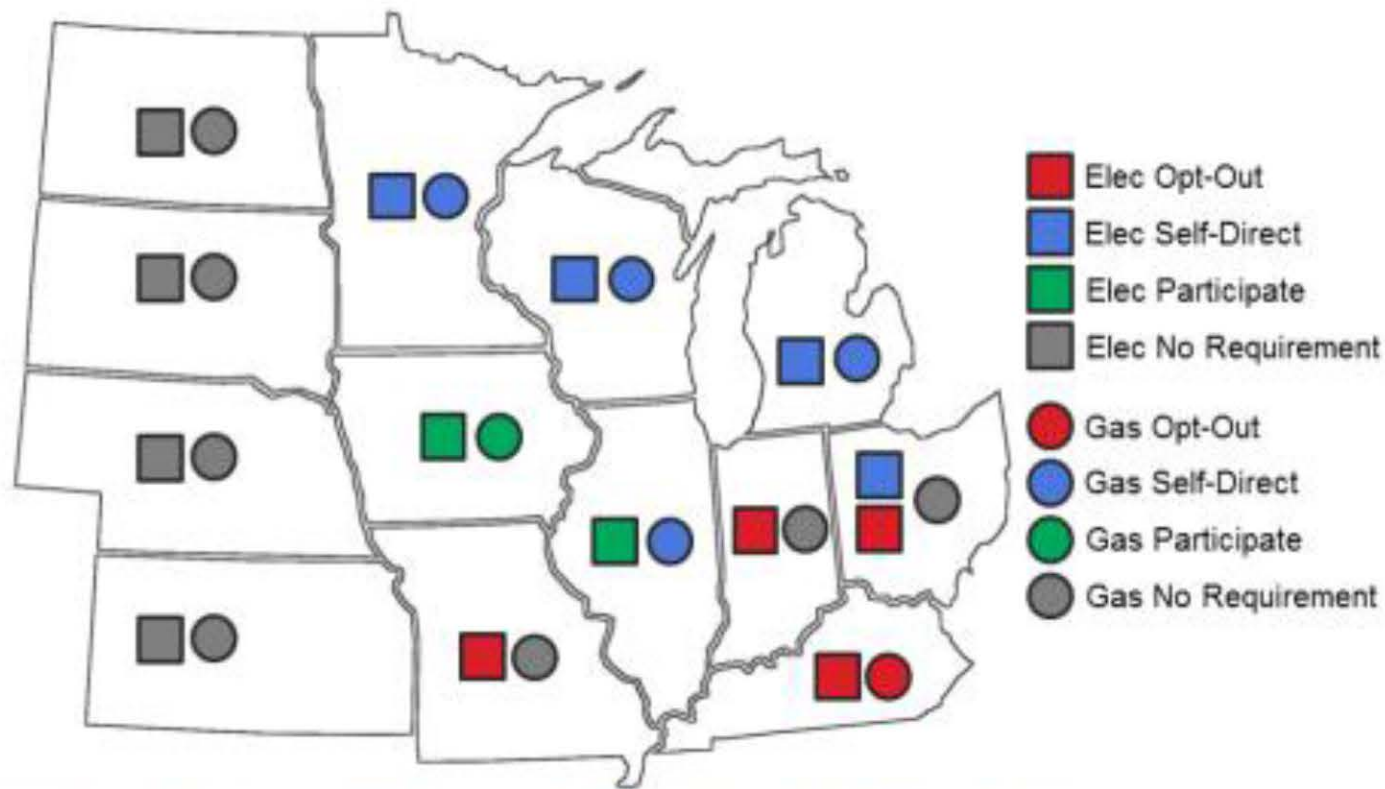
Overview of Large-Customer Self-Direct Options for Energy Efficiency Programs



RETAIL SALES OF ELECTRICITY TO INDUSTRIAL CUSTOMERS



Industrial Opt-Out and Self-Direct Policies



Industrial Energy Efficiency Self-Direct and Opt-Out Policies
Midwest Energy Efficiency Alliance, 2015

- Customers eligible for gas self-direct under Public Act 96- 0033:
 - Have an annual usage in the aggregate of 4 million therms or more within the service territory of the affected gas utility **or** with aggregate usage of 8 million therms or more across Illinois
- Gas direct
 - NAICS code number 22111, 31-, 32-, 33-
 - There are 38 Self-Direct Customers with a collective annual natural gas usage of 780 million therms.
 - No reporting requirements
- No Electric Opt-out/Self-Direct

- “Industrial customer” defined in SB 340 as:
 - Single site constituting more than one megawatt (1 MW) of electric capacity from an electricity supplier
- Electric Opt-Out
 - Applies to five IOUs
 - No reporting requirement
 - About 70-80% of eligible load has opted out
- No natural gas savings requirement

Michigan

- Customers eligible for electric self direct under 460.1093 must have:
 - In 2011- 2013, an annual peak demand in the preceding year of at least 1,000 kilowatts at each site or 5,000 kilowatts in the aggregate at all sites to be covered
 - In 2014 or later, an annual peak demand in the preceding year of at least 1,000 kilowatts in the aggregate at all sites to be covered by the self-directed plan
- Electric Self Direct Only
 - In 2009, 77 large customers self-directed
 - By 2014, dropped to 24

Minnesota

- “Large customer facility” defined in Minn. Stat. 216B.241 as:
 - All buildings, structures, equipment, and installations at a single site that collectively
 - (1) impose a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts **or**
 - (2) consume not less than 500 million cubic feet of natural gas annually
- Electric and Natural Gas Self-Direct
 - Customers must also show that they are making "reasonable" efforts to identify or implement energy efficiency and that they are subject to competitive pressures that make it helpful for them to be exempted from the CRM fees

- Customers eligible for opt-out in Missouri Energy Efficiency Investment Act (MEEIA):
 - (1) Customer has demand of at least 5,000 kilowatts for the past 12 months
 - (2) Customer operates an interstate pipeline pumping station, regardless of size
 - (3) The customer has a demand of 2,500 kilowatts or more AND the customer has a “comprehensive” demand-side or energy efficiency program and can demonstrate an achievement of savings equivalent to utility programs.
- Opt- out
 - MEEIA allows customers to opt-out of all DSM programs’ costs recovery if they meet any one of the above criteria
 - No reporting requirement
 - MPSC desk and field audits

- “Customer” defined in SB 310 as:
 - Any customer of an electric distribution utility to which either of the following applies:
 - The customer receives service above the primary voltage level as determined by the utility’s tariff classification.
 - The customer is a commercial or industrial customer to which both of the following apply:
 - The customer receives electricity through a meter of an end user or through more than one meter at a single location in a quantity that exceeds 45 million kilowatt hours of electricity for the preceding year.
 - The customer has made a written request for registration as a self-assessing purchaser.
- Statewide Electric Opt-Out
 - If the specified reduction levels are met, the customer can request exemption from the cost recovery mechanism.
 - Send notice of intent to opt-out to the PUCO
 - Reporting Requirements
- AEP Electric Self-Direct
 - Offers customers an incentive for previously implemented energy efficiency measures.
 - The one-time incentive is 75% of what the measure would cost under AEP programs and has a maximum limit of \$225,000.
 - Projects must have been implemented after Jan. 1, 2008 and must produce 100% of stated energy savings and/or peak demand reductions over a five-year period.

- “Large energy customer” defined in 2005 Wisconsin Act 141 as:
 - Having an energy demand of at least 1,000 kilowatts of electricity per month or at least 10,000 decatherms of natural gas per month **and**
 - that, in a month, is billed at least \$60,000 for electric service, natural gas service, or both.
- Electric/Natural Gas Self-Direct
 - Industrial customer must deduct the amount of program funding from the amount they must contribute to Focus through their utility
 - Proposals for a customer to run such a program require an Measurement & Verification plan, must pass a cost-effectiveness screening, and set and measure performance goals

Kentucky

- Pursuant to Kentucky Revised Statute 278.285
 - The commission shall allow individual industrial customers with energy intensive processes to implement cost-effective energy efficiency measures in lieu of measures approved as part of the utility's demand-side management programs if the alternative measures by these customers are not subsidized by other customer classes
- Approximately 80% of eligible industrial load has opted out of investor-owned Utility DSM programs
- Duke Energy Self-Direct
 - Only for customers that take transmission service on rate TT
 - No measurement and verification for self-direct savings
- Tennessee Valley Authority
 - No reporting requirement

Thank you!

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