

**New Jersey Energy Master Plan
Public Meetings
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**ConsumerPowerline (CPLN) Comments
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Executive Summary

ConsumerPowerline would like to commend the New Jersey Board of Public Utilities for their efforts toward achieving the State's goal of reducing projected energy use by 20% by 2020. New Jersey has already made significant strides in promoting renewable energy (RE), and now has the opportunity to do the same with energy efficiency (EE). We look forward to participating in the stakeholder process regarding New Jersey's Energy Master Plan, and hope that our comments are helpful and insightful.

ConsumerPowerline (CPLN) is one of the nation's leading demand side management providers, with significant experience providing energy efficiency and demand response services in New York, New England, California, and increasingly in other regions. CPLN maintains direct alignment with our clients' incentives – we earn revenues only when we achieve energy savings for our clients: large and small end-users of all types.

Regarding New Jersey's energy efficiency efforts, CPLN strongly supports the "All Hands on Deck" approach. New Jersey's legislature has set aggressive and admirable goals for reducing consumption of energy, and in order to achieve these goals, all cost-effective strategies and options must be pursued. Historically, success in energy efficiency has been achieved largely by utilities, load serving entities, 3rd party non-profits, and increasingly by energy service providers (ESPs). Each of these participants brings different expertise, experience and perspectives to the effort. It is important to create a level playing field, with as few barriers to participation as possible, for all of these parties to achieve significant success. A mix of aggressive goals, accountability, and incentives will foster a robust energy efficiency market in New Jersey, ripe with creativity, and both collaboration and healthy competition.

Regulation Based Approach (e.g. Rebates) vs. Market Based Approach (e.g. White Tags)

ConsumerPowerline again recommends the "All Hands on Deck" approach, here pertaining to the overall energy efficiency market structure. Rebates and White Tags are not mutually exclusive, and both will achieve success in promoting energy efficiency.

The New Jersey Board of Public Utilities (BPU) should expand current rebate and incentive programs by increasing both funding and accountability. Utilities should be provided with attractive incentives for achieving and exceeding energy efficiency goals, in combination with non-trivial penalties for failing to meet these goals. Providing incentives without penalties is unfair to ratepayers; providing penalties without incentives is unfair to the utilities. For utilities implementing multiple programs, a portfolio-based performance evaluation should be adapted in order to incent creativity, collaboration, and synergies between programs.

The BPU should also implement an Energy Efficiency Credit (EEC, or 'White Tag') trading mechanism, possibly piggybacking on the Renewable Energy Credit (REC) system in order to avoid duplication of efforts and optimize cost-effectiveness. The EEC approach is laudable for its promotion of a sustainable free market system for funding energy efficiency, and because EECs help capture the historically elusive environmental benefits of energy efficiency. REC systems have already achieved significant success through both mandatory and voluntary participation, and there is no reason why this should not hold true for energy efficiency.

Additionally, CPLN recommends the BPU explore inclusion of energy efficiency projects in capacity auctions, such as the BGS and PJM's newly implemented Reliability Pricing Model (RPM). The Forward Capacity Market (FCM) in New England, for example, allows direct participation of energy efficiency projects (a sub-component of the Other Demand Resources class) in the Forward Capacity Auctions. This enables energy efficiency providers to plan into the future, and provides market-based evaluations of energy efficiency directly beside the generation capacity it replaces, allowing energy efficiency to directly lower the cost of capacity and minimize electricity costs for all New England ratepayers. Additionally, inclusion of energy efficiency in capacity markets can and should coincide with the development of an EEC market (such as in Connecticut); these two market based approaches capture different benefits of energy efficiency (avoided capacity and avoided energy, each with different environmental, economic, and reliability benefits). A frequent objection to this recommendation is that having both markets enables "double counting". This is inaccurate: a capacity market will compensate energy efficiency projects for the reduction in required generation capacity (achieved by reducing load during the peak 30 or so hours of the year); EECs, on the other hand, capture the reduced energy consumption and environmental benefits throughout the entire year. (Note: PJM is currently in the preliminary phase of evaluating energy efficiency's participation in its capacity markets; however, this should not preclude New Jersey from performing a similar state-based analysis.)

Utility Revenue Decoupling

ConsumerPowerline strongly advises the BPU to postpone decoupling discussions and leave them out of the Energy Efficiency Portfolio Standards (EEPS) proceeding in order to avoid distraction and enable the BPU and stakeholders to focus on achieving New Jersey's aggressive energy efficiency goals. Revenue decoupling is a controversial and complex initiative, and should be given appropriate focus and attention as a separate proceeding. Our general position is that decoupling can be good, but even in deregulated markets in which utilities are properly incented, utilities achieve less than 10% of the load reduction achieved by others in the free market. When it is linked with other discussions, the decoupling issue tends to take up most of our valuable time and focus.

Implementation and Accountability

ConsumerPowerline recommends that the BPU focus on minimizing barriers to participation in New Jersey's energy efficiency markets, creating an equal footing for all participants, and promoting the "All Hands on Deck" approach. In addition, any and all entities receiving ratepayer funding, whether directly via an SBC or indirectly via a sub-contracting arrangement, should be held to account for delivering on specific reduction targets, timeliness, and cost-effectiveness. Non-trivial penalties are important to ensure compliance, and over-performance bonuses are a good way to create awareness and get implementers excited about energy efficiency. Additionally, the BPU should direct funding recipients to seek out third party energy efficiency service providers as a cost-effective means for delivering successful energy efficiency programs, managing non-compliance risk, and fully leveraging the creativity and drive of entrepreneurs. Non-exclusive agreements between demand side management providers and funding recipients has driven energy efficiency success in New York, California, and elsewhere.

Project Financing

While ConsumerPowerline welcomes all public support, the true market failure in financing is that many small projects have few hard assets of value to repossess, cost-effectively. We therefore encourage loan guarantees as a primary support for markets that would be an appropriate role for the public sector.

Removal of Implementation Barriers

Removal of barriers to implementation is important both in designing New Jersey's energy efficiency portfolio, as well as throughout the implementation phase. ConsumerPowerline recommends the development of an ongoing working group focused on mitigating challenges and stumbling blocks that hinder the effectiveness of energy efficiency efforts. Additionally, CPLN recommends the BPU guide market participants to ensure that no proprietary

information is unnecessarily withheld from the public. One specific example is the vast amount of information utilities retain regarding their customers. Without infringing on privacy, utilities could easily provide customer contact information to authorized energy efficiency providers, particularly those with whom the utilities have entered into program management and subcontracting arrangements. Providing such information would remove a significant barrier to effectively marketing energy efficiency, and performing outreach and customer education.

Additionally, CPLN recommends creation of an independent data evaluation and monitoring authority, whose mission would be to ensure consistency, accuracy, and availability of energy consumption data. Initiating a centralized, standardized, and systematized approach to data management would eliminate many of the data-related stumbling blocks prevalent in other markets.

Submetering

ConsumerPowerline advises the BPU to regard submetering as a highly important component of the energy efficiency effort—even in the event that savings cannot be measured, submetering a facility that was previously only master-metered has statistically evidential benefits in reducing energy consumption and these should be eligible for white certificates, even in the event that there was no previous baseline, individual to the facility. Not only is submetering often valuable for effective monitoring and verification (M&V), but it also has inherent energy consumption reduction value. The phrase “you can’t improve what you can’t measure” holds true regarding energy efficiency, as is demonstrated by the importance placed on M&V overall. Simply enhancing the granularity and availability of energy consumption data frequently provides end users the tools to streamline their consumption of energy and identify opportunities for significant energy efficiency gains. Without submetering, key players will be excluded from participating in New Jersey’s energy efficiency markets.

Conclusion

Generally, ConsumerPowerline supports spending public money in a manner that requires a result, not in a manner that controls the process. If the savings are demonstrable, a project should be eligible on an equal footing with another project that uses a different technology or costs more. When we try to read the mind of the recipient of public funding (e.g. “Would the project have been done absent the incentive?”) we turn our public agencies that grant money into investigators and auditors, rather than the valuable energy professionals that they truly are.

Again, ConsumerPowerline applauds the governor, his team, the BPU, and stakeholders for initiating and following through on this effort. We support the goals of the Energy Master Plan, and look forward to participating in further discussions. Please feel free to contact me with any questions or comments.

Respectfully submitted,



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