



Utility Energy-Efficiency Policies in the Energy Bill

The Energy Policy Act of 2005 (P.L. 109-58) includes significant changes to regulation of the electricity sector. The Act also includes a number of policies to encourage energy efficiency in the utility sector, which are described below:

Demand-Side Management Policies in the Energy-Efficiency Title

Section 139 directs the Department of Energy (DOE), with the National Association of Regulatory Utility Commissioners and the National Association of State Energy Officials, to conduct a study of state and regional policies that promote electric and natural gas demand-side management programs run by regulated and nonregulated utilities. The study is to include consideration of performance standards, funding sources, infrastructure planning, consumer education, and returns on and disincentives for such programs. DOE must report to Congress on the study by August 8, 2006.

Section 140 directs DOE to establish a pilot program under which it will give financial assistance to 3-7 states to carry out energy-efficiency programs that reduce consumption of electricity or natural gas in the state by at least 0.75 percent per year. \$5 million per year is authorized for these programs for FY 2006 – 2010, for a total of \$25 million.

Energy-Efficiency Policies in the Electricity Title

Economic Dispatch: Section 1234 directs DOE, with the states, to conduct a study on current electric utility economic dispatch procedures, possible revisions to improve the ability of nonutility generation to be included in economic dispatch, and the potential benefits to consumers. Section 1298 directs FERC to convene regional boards to study the issue of security constrained economic dispatch for different market regions.

Smart Metering and Demand Response: Section 1252 requires states and nonregulated utilities by August 8, 2007 to consider requiring electric utilities to offer all of their customers a time-based rate schedule such as time-of-use pricing, critical peak pricing, real-time pricing, or peak load reduction credits. Electric utilities also would have to provide time-based meters and communications devices to their customers. The provision also states that the policy of the United States is to encourage demand response and to encourage states to coordinate demand response services on a regional basis. DOE is to report to Congress with recommendations, and FERC is to report annually.

Cogeneration Purchase and Sale Requirements: Section 1253 ends a requirement that utilities purchase power from cogeneration and renewable electricity facilities when those facilities have fair access to wholesale markets for capacity and electricity. It also ends a requirement that utilities provide such facilities with electricity when competing retail suppliers can serve those facilities.

Net Metering and Interconnection Standards: Section 1251 requires states and nonregulated utilities to consider adopting net metering service, in which customers with on-site generation are billed only for the net electricity provided by the utility. Each electric utility also would have to develop a plan to minimize dependence on a single fuel source, and develop a 10-year plan to increase the efficiency of its fossil fuel generation. Section 1254 requires states and nonregulated utilities to consider requiring electric utilities to provide interconnection service, under which a customer's on-site generating facility is connected to the utility's local distribution facilities.