



## Policy Priority: **Improving Energy Productivity**

Virginians deserve secure, clean, affordable energy. Energy efficiency (EE) and demand response (DR) offer some of the cleanest and most cost-effective ways for customers to meet their energy needs. These resources allow consumers, from families and small businesses to data centers and heavy industry, to save money and meet demand. Investment in EE and DR saves money, spurs in-state investment, and creates jobs. Today, an estimated 80,000 Virginians work in this sector.

Unfortunately, our Commonwealth is still wasting energy, and costing consumers money. Repeated studies show significant potential for energy savings, but we are far from achieving them. In 2007, the Commonwealth set a goal of reducing energy consumption 10% (from 2006 levels) by 2022. Over a decade later, we're still far from that goal. This energy waste translates to higher bills for energy users across Virginia, including working families. According to new data from the U.S. EIA, the typical household pays more on their monthly electricity bills than households in four out of five other states – even though Virginia has relatively low retail rates.

**Changing this trajectory starts with fully valuing EE and DR in Virginia's energy system.** These resources help lower electricity bills, make Virginia-based companies more competitive, create jobs, and integrate renewable resources. They also can help create a more reliable and cost-effective grid, complementing or reducing the need for traditional generation, transmission, and distribution infrastructure. Consumers, utilities, and regulators should be fully aware of all of these benefits, and take them into account when planning, making investments, and considering regulatory filings.

**Transparency is essential for ensuring these resources are fully valued.** Regulators should be transparent and consistent in the processes they use to test and evaluate proposed and operating EE and DR programs. Utilities should be transparent in how they develop demand-side management portfolios and value these resources. And consumers and service providers should have unencumbered access to their usage data to determine the value of specific EE and DR programs and help them find to save money by managing their energy use.

Awareness and transparency may not be enough, though, to fully realize Virginia's potential. **Open and effective market structures will help too.** That starts with removing the disincentive for utility investments in EE and DR by allowing them to recover lost revenues from such investments. Ultimately, we

recommend transitioning from a regulatory system that rewards inputs towards one focused on outcomes such as low cost, reliability, and customer choice. Utilities need not be the only implementers of energy efficiency programs. We would encourage the Commonwealth to embrace the innovation, efficiency, and creativity found among independent companies competing in an open energy market.

Large commercial and industrial consumers, as well as institutions like hospitals and universities and municipalities, should be incentivized to invest in cost-effective services such as combined heat and power (CHP) and energy performance contracting. Public officials have the opportunity to lead by example, utilizing energy performance contracting to address deferred maintenance, improve efficiency, and save money. This is particularly important because state and local facilities can be among the most inefficient when it comes to energy use.

Through such reforms and incentives, Virginia can go from being a laggard to a leader in EE and DR, creating jobs and creating a more efficient, cost-effective economy for the benefit of all Virginians.