



ENE Applauds MA DPU “Decoupling” Decision to Promote Energy Efficiency

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The Massachusetts Department of Public Utilities approved a National Grid Electric Company plan to remove a powerful disincentive to energy efficiency investments on Monday, November 30, 2009. Under National Grid’s plan, which the DPU approved by a unanimous vote, the company’s revenues will be separated or “decoupled” from its sales of electric power. No longer will the company make more money when it sells its customers more electric power.

“Today, the DPU scored one for consumers and for energy efficiency,” said ENE (Environment Northeast) Executive Director Daniel Sosland. “Decoupling puts the company in a position to promote cost-saving energy efficiency without fear that it will hurt its bottom line.”

In July of 2008, the DPU issued a broad policy order calling for all investor-owned gas and electric utilities to propose a decoupled rate structure at the time of their next rate proceeding. National Grid was the first electric utility to come before the Department with a decoupling plan, and it is now the first electric decoupled utility in the Commonwealth. In October, the Department approved Bay State Gas Company’s proposal to decouple its company. Massachusetts has joined a growing number of states that recognize that the current rate structures—where a utility makes more money when it sells more gas or electricity—are at odds with efforts to promote lower energy use through energy efficiency and other demand side measures.

“With decoupled rates, National Grid can focus on saving its customers money through efficiency without negatively affecting its own financial health,” said Danah Tench, ENE Staff Attorney. “ENE applauds the Department for affirming for the second time its commitment to decoupling as an essential tool for bringing cost-saving energy efficiency to National Grid’s customers.”

The National Grid decision comes one month after all Massachusetts utilities, including National Grid, filed three-year energy efficiency plans with the Department. The three-year plans have been under development since the beginning of 2009, and put the Commonwealth on course to achieve more than \$6 billion in consumer benefits through larger investments in cost-saving energy efficiency. The programs are designed to ramp-up to achieve electric energy savings of 2.4% per year and natural gas energy savings of 1.15% per year.

The three-year plans are part of last year's Green Communities Act, which requires utilities and program administrators to invest in all energy efficiency that is cheaper than new supply. Along with other members of the Energy Efficiency Advisory Council, ENE has worked closely with utilities and other program administrators to shape these plans for maximum economic and environmental benefit. The DPU now has 90 days to review and decide on the plans.

ENE recently quantified the profound economic impact that investments in efficiency have on local economies in its report, *Energy Efficiency: Engine of Economic Growth*. ENE's findings demonstrate that for every additional dollar invested in electric and gas energy efficiency, Massachusetts will see an approximate increase in gross state product of \$6.40 and \$7.50, respectively. ENE also projected that this level of investment will lead to about 25,000 additional jobs. These efficiency investments will also provide significant climate and air emissions benefits, helping the state achieve its new climate goals.

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Environment Northeast (ENE) is a non-profit organization that researches and advocates innovative policies that tackle our environmental challenges while promoting sustainable economies. ENE is at the forefront of state and regional efforts to combat global warming with solutions that promote clean energy, clean air and healthy forests.