

Rhode Island – Sweeping New Approach to Lower Energy Costs, Boost Economic Growth & Protect the Environment



On June 23, 2006, the Rhode Island legislature unanimously passed sweeping new energy legislation titled “the Comprehensive Energy Conservation, Efficiency, and Affordability Act of 2006” that has the potential to make the state’s energy system dramatically cheaper and cleaner through three main elements. First, utilities would no longer purchase electricity only from large power plants but instead follow a broad planning process that includes all key ways of meeting consumer’s needs. Utilities must now purchase cost-effective “demand-side” resources like energy efficiency, co-generation and clean, locally distributed generation. Second, the law creates a new consumer stakeholder Council that will have real input in energy planning and purchasing decisions. Third, the law creates a new natural gas efficiency fund and other measures to help consumers save money and reduce the environmental impact of RI’s energy use. Key aspects of the new system include:

Goal: Reduce energy costs & price volatility by purchasing a portfolio of resources (“least cost procurement”). Maximize environmental benefits, climate protection, public health, and economic competitiveness.

Old System:

1. **Electric utility buys power** from large generators to serve customers via supply contracts.
2. **Utility does not strategically plan** to save customers money; only enters short-term contracts.
3. **Utility passes 100% of the cost** of power onto customers.
4. **RI ratepayers have no direct role** in the process to make sure they are getting the best deal.

New System:

1. **Electric utility buys *energy resources*** (supply & demand) to serve customers; demand-side resources like efficiency are usually cheaper and cleaner than supply.
2. **Utility required to participate in strategic long-term planning & purchasing** of all supply and demand resources to minimize costs. Utility must reallocate spending on higher priced supply to less expensive efficiency and demand-side resources.
3. **Utility must pass on the savings** from strategic purchasing (of efficiency, etc.) to customers.
4. **A new ratepayer Council ensures a strong role** for residential and business ratepayers and environmental interests in energy planning and purchasing decisions.

Significance: The first energy reform of its kind outside of the West Coast. RI is pioneering a path to lower costs, ensure a role for ratepayers, and increase environmental protection. Other states in the region are watching RI’s implementation as they reevaluate their own energy policies.

New Stakeholder Council

The new “Energy Efficiency and Resources Management Council” secures an official role for consumer and environmental interests in energy planning and purchasing decisions. The Council is not an advisory board, but rather has clear a legislative mandate – and funding – to engage in the critical energy decisions facing RI. By retaining the best advisors and participating in the legislature and at the PUC, the Council will help ensure consumer- and environmentally-friendly energy decisions are made on behalf of RI ratepayers.

Other Key Provisions

The Council will participate in the creation of a new statewide natural gas conservation program and help to implement policy changes designed to increase clean and efficient distributed generation in RI. The legislation establishes a special account for weatherization projects for very low-income households along with a 50% reduction in distribution charges. The Council is charged with working with the new Office of Energy Resources to develop a “strategic plan for energy affordability” by March 2007, and each year thereafter until 2019.

