

MECHANISMS FOR PROMOTING
DEMAND-SIDE MANAGEMENT AND ENERGY EFFICIENCY
IN CHANGING ELECTRICITY BUSINESSES

1. *Objectives*

The objective of this Task is to develop in detail a range of practical mechanisms for promoting the implementation of economically justifiable demand-side management and energy efficiency by changing electricity businesses; to identify the public policy implications which would follow a decision by the responsible authorities to implement each of the various mechanisms; to identify and discuss the transitional issues for existing DSM programs arising from changing electricity supply industries; and to communicate and disseminate a range of information about the mechanisms.

2. *Means*

In order to accomplish the foregoing objective, Participants will carry out the following Subtasks:

(a) Subtask VI/1 Detailed Development of Mechanisms and Evaluation Criteria

Participants will develop in detail a range of practical mechanisms for promoting the implementation of economically justifiable demand-side management and energy efficiency by changing electricity businesses.

The development process will consider the policy objectives and roles of the various players, funding sources, market intervention techniques and processes for monitoring, evaluating and refining the mechanisms.

Once developed, the mechanisms will be rigorously assessed for effectiveness against a set of evaluation criteria. The mechanisms will then be circulated for review and comment by Task Experts and practitioners from changing electricity supply industries and governments. These people will be drawn mainly from participating countries. However, to provide experience from a wide range of industry structures and government policies, some people may be drawn from non-participating countries. A major report outlining the identification of mechanisms and their evaluation will be prepared.

(b) Subtask VI/2 Communication of Information about the Mechanisms

Participants will communicate and disseminate a range of information about mechanisms for promoting demand-side management and energy efficiency to government, industry regulators and utilities.

Documentation on the mechanisms will be published, workshops will be conducted, a clearing house of information on implemented mechanisms will be established, and a home page of information will be established and regularly updated on the World Wide Web.

(c) Subtask VI/3 Public Policy Implications

Participants will identify the public policy implications which would follow a decision by the responsible authorities to implement each of the various mechanisms, including:

- (1) Actions which would be required by, and changes to the responsibilities of, privately- and publicly-owned utilities, governments, and industry regulators;
- (2) Impacts of the mechanism on market structures and oversight;
- (3) Effects of the mechanism on trading and financial arrangements;
- (4) Consequences of the mechanism for new industry structures, rules of conduct, consumer interests, legislation and regulation.

The relative advantages of the identified mechanisms in meeting specific public policy goals (eg carbon dioxide emission reduction) in the various market and regulatory situations outlined in Subtask VI/1 will be investigated. The analysis will be compared with the Subtask VI/1 results to highlight compatibilities and conflicts. An assessment will be made of the possible effects of implementation of mechanisms on existing demand-side management programmes, and on various public policies.

The types of government action, legislation, regulations and policies necessary to implement the new mechanisms will be described. These descriptions will be mainly focussed on participating countries. However, to ensure coverage of a wide range of industry structures and government policies, the descriptions will occasionally refer to non-participating countries. The country specific results will be assessed to identify common underlying principles and a comprehensive report will be produced.

3. *Results*

The results of this Task shall include the following:

- (a) A final report on mechanisms for promoting the implementation of demand-side management and energy efficiency by changing electricity businesses pursuant to Subtask VI/1 as described in sub-paragraph 2(a) above;
- (b) A series of workshops pursuant to Subtask VI/2 as described in sub-paragraph 2(b) above;
- (c) A series of technical reports, articles in international publications and less detailed publicity material for targeted audiences pursuant to Subtask VI/2 as described in sub-paragraph 2(b) above;
- (d) Clearing house information on implemented DSM and energy efficiency mechanisms in changing electricity business environments pursuant to Subtask VI/2, as described in sub-paragraph 2(b) above;
- (e) A home page on the World Wide Web with summaries of results and details on specific mechanisms pursuant to Subtask VI/2 as described in sub-paragraph 2(b) above;

- (f) A report on the public policy implications of mechanisms for promoting the implementation of demand-side management and energy efficiency by changing electricity businesses pursuant to Subtask VI/3 as described in sub-paragraph 2(c) above.

4. *Time Schedule*

This Annex shall remain in force for three years. It may be extended by agreement of two or more Participants, acting in the Executive Committee, taking into account any recommendation of the Agency's Committee on Energy Research and Technology concerning the term of this Annex, and shall thereafter apply only to those Participants.

5. *Specific Responsibilities of the Operating Agent*

In addition to carrying out the specific responsibilities enumerated in Article 5 of this Agreement, the Operating Agent shall manage the work of contractors and oversee the preparation, review, revision and distribution to Participants of the documents, reports and electronic media specified in paragraph 3 above.

6. *Funding*

- (a) *Common Fund.* A Common Fund shall be established by the Executive Committee and shall be included in the Annual Programme of Work and Budget for the purpose of funding the obligations of the Operating Agent under this Annex.
- (b) *Task Costs.* The total Budget of the Operating Agent for carrying out the management of the Annex over a 30 month period is set at US \$556,000 at January, 1997 prices. Of this amount, expenditure for the first 12 months that the Annex is in effect is estimated at US \$180,000. If significant changes in price levels or the scope of activities under the Annex occur, the Executive Committee, acting by unanimity of the Participants, shall consider whether to adjust the Programme of Work to the available funds or increase the Budget.
- (c) *Sharing of Task Costs.* The Budget shall generally be funded by Participants through a standard contribution of five per cent of the Budget plus a pro rata contribution based on countries' percentage contributions to the budget of the Agency, where pro rata percentages are applied to the portion of the Budget which remains to be funded after the standard contributions are made.

However, this formula may be modified by the Executive Committee, acting by unanimity of the Participants in the Task. The contributions of the European Communities and Associate Contracting Parties shall be determined by the Executive Committee, acting by unanimity of the Participants in this Annex.

- (d) *Changes in Number of Participants.* If the number of Participants changes, the shares of contributions to the costs will be adjusted accordingly by the Executive Committee, acting by unanimity of the Participants. New Participants shall pay the full share of the costs beginning with the project year in which they become Participants.

(e) *Individual Financial Obligations.* Aside from the contributions described in sub-paragraph (c) above, each Participant shall bear all the costs it incurs in carrying out its obligations under the Annex.

(f) *Task-Sharing.* The expected contribution of each Participant to task-sharing under the Annex is 1 to 3 person-months of effort during each year that the Annex remains in force.

7. *Operating Agent*

Energy Futures Australia Pty Ltd, Australia, is designated as Operating Agent.

8. *Participants in this Task*

The Contracting Parties which are Participants in this Task are the following:

The Energy Research and Development Corporation*(ERDC) (Australia),
The Ministry of Energy, Danish Energy Agency,
The Ministry of Trade and Industry (Finland)**,
Le Ministère de l'Industrie, des Postes et Télécommunications
et du Commerce Extérieur (France),
The New Energy and Industrial Technology Development Organization (Japan)
The Ministry of Trade, Industry and Energy (Korea)***,
The Netherlands Agency for Energy and the Environment (NOVEM),
The Norwegian Water Resources and Energy Administration (NVE),
The Ministry of Industry and Energy (Spain),
The Swedish National Board for Industrial and Technical Development (NUTEK),
The Department of Trade and Industry (UK).

* See footnote p. 28.

** See footnote p. 28.

*** See footnote p. 28.