Customers always come first: Why it’s important for utilities to fund and deliver DSM programs

An interview with Tom Lienhard, executive consultant for E Source
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Demand-side management (DSM) programs are one of the best things utility customers get from their utility. In many cases, these programs can lower customers’ costs and upgrade their equipment or appliance. This is true whether the customer is getting new lighting that uses less energy and lasts a whole lot longer or a new washing machine that gives them cleaner clothes in half the time, while using less energy.

Why do energy efficiency and load management programs matter?

The top impact of DSM is the social and economic benefit to the customer. Learn more by listening to Episode 8 of our podcast, Creating customer-centric DSM programs, today!

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The key here is that the focus is solely on the benefit to the customer. This allows the customer to view their utility as an energy adviser, and they rarely consider what the utility’s getting out of the bargain. Customers don’t see DSM as sacrificing comfort, wanting to help the planet, or paying more to have renewable energy. They see it as paying less for a better product that means something to them.

Many efficiency products lower customer costs and deliver improved service without asking them to sacrifice something in return. Utilities can (and should) meet many of their carbon goals with efficiency and DSM because the cost of implementation is lower than that of many other carbon-reduction strategies. To discuss this more, I sat down with Tom Lienhard, executive consultant for E Source and utility DSM veteran, for an exclusive interview about DSM programs and what utilities should be doing to keep them moving forward to benefit customers.

Barend Dronkers. As a former efficiency engineer, what do you see as the top impact of DSM, and why is it so important?

Tom Lienhard. The top impact of DSM is the social and economic benefit to the customer. Unwittingly, the customer who participates in DSM activities is simultaneously helping the environment whether they realize it or not. Some of our utility and regulatory norms have cut into this with the cost-effectiveness testing we've used in the past.

BD. How can utilities make sure they're distributing the benefits of DSM equitably?

TL. Utilities should develop programs that offer something for everyone in all socioeconomic classes. This is a strong starting point. Running an EV program and home charging system program isn't going to impact those who won't be able to afford a new car anytime soon or don't live in a setting that allows for a charger to be installed or used. Instead, offering heat pump programs to homeowners *and* rental property owners may funnel some of the benefits to renters.

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Taking advantage of midstream and upstream incentives—paying incentives to manufacturers, distributors, or retailers rather than end-use customers—can help. But suppose utilities have experience working in rental properties and low- and moderate-income areas. In that case, they'll be used to having lighting and other portable measures move around with the occupants. So they need to be ready for it.

BD. How can utilities make sure program administrators and implementers are spending DSM program dollars prudently? For example, what role can regulators and third-party evaluators play to ensure maximum and equitable impacts?

TL. The simple answer for a utility is to point to the costieffectiveness tests used by regulators to determine prudence. These include some variations on the Total Resource Cost test, like the Program Administrator Cost test, the Ratepayer Impact Measure test, and the Participant Cost Test. The problem with all these tests is that customers don't really see how they pertain to them. If the program managers and regulators got together and developed an incentive system that made sense to customers, that would be an impressive feat. Sometimes customers are repelled by systems they don't understand.

BD. What's something you think many utilities are currently wasting time on, and how could they better put that energy toward achieving their goals?

Regardless of how a utility runs its programs, its focus should be on the customer, not the regulator. Customers come first—*always*.

TL. This is a difficult question to answer because utilities all operate differently. DSM is a complex topic, and there are many different approaches. Some create and run all their programs in-house, while some contract third parties to run programs for them. And some do both! There are also some that offer custom or site-specific programs and measures, while others offer only prescriptive measures or upstream and midstream incentives.

Regardless of how a utility runs its programs, its focus should be on the customer, not the regulator. Customers come first—*always*. Utilities shouldn't get caught in the middle and try to help regulators

understand their customers' needs. How can a utility truly know its customers' needs? I feel it's a combination of data science and direct customer feedback. Utilities are wasting their time if they believe all customers think the same or want the same things the utility wants. It's time to give customers a voice.

For the full discussion with Tom, tune in to the newest episode of our PowerTalking podcast, Episode 8: Creating customer-centric DSM programs.

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