

# Economic Impacts Of Energy Market Transformation (Wisconsin Focus On Energy Pilot Study)



Client

Facts

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Period

2002

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Project Country

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**Economic Development Research Group for the Wisconsin Department of Administration, 2002**

The Focus on Energy Pilot Program tested the concept of private-sector delivery of a public benefits program aimed at expanding the market for energy efficiency products and services. The pilot, focused on northeastern Wisconsin in 2001-2002, was the focus of a series of reports released by the Wisconsin Dept. of Administration, Energy Bureau. The studies, focusing on commercial and industrial sectors, were conducted by Economic Development Research Group and PA Consulting Group. One of the many unique aspect of this effort was development of a sophisticated economic simulation model of the economic impacts of investing in a public benefits program affecting long-term supply and demand for energy efficiency products and services.

Across the country, there has been interest in the notion of shifting from utility-sponsored energy efficiency programs to state-operated "public benefits" energy programs that are designed to assist "market transformation" -- encouraging lasting changes in energy and equipment market supply and demand patterns by reducing barriers to adoption of economically-efficient energy products, and encouraging the development of market structures to support those efforts. Wisconsin's Pilot Program included efforts at "market preparation" -- a first step towards market transformation that involved educating users and encouraging service providers to promote energy efficiency measures.

To examine how a sustained program can affect long-term economic development, competitiveness and growth, the Wisconsin Dept. of Administration engaged EDR Group to develop and apply a prototype economic impact model. The resulting analysis examined how technology adoption, information diffusion and market transformation can benefit the economy, create jobs and increase incomes through a combination of economic factors, including (a) import substitution, (b) demand for locally-produced products, (c) cost competitiveness, and (d) public/private initiatives.

EDR Group applied its ERIA (Energy Regional Impact Assessment) model system with the REMI (Regional Economic Models, Inc.) simulation model of the Wisconsin economy. The study examined implications of alternative scenarios for long-term market changes. The analysis showed that impacts could differ depending on a state's mix of power plant types, manufacturing industries and energy prices. The study findings were designed primarily as a demonstration of the methodology based on a pilot effort, since the Wisconsin Focus on Energy program has subsequently been implemented on a statewide basis in a different design and format. These studies did show that the economic development and competitiveness impacts of public benefits and market transformation efforts can be substantial and can differ over time.

Report on Economic Development Impacts of the Pilot Program (PDF)

**Contact Persons**