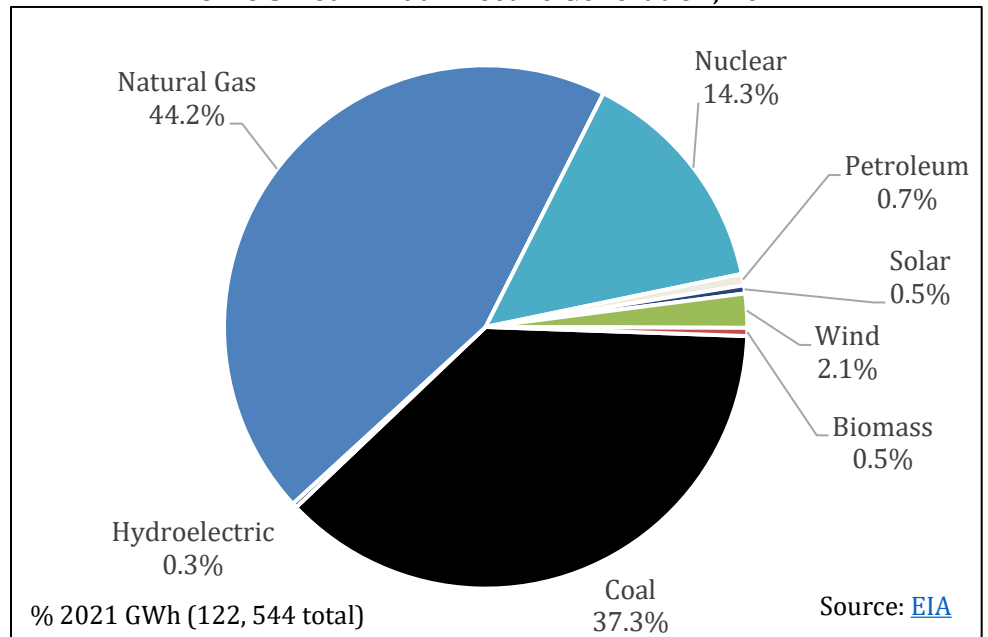


BACKGROUND

Ohio is the nation's [15th largest](#) coal-producing state, and one of the nation's top ten consumers of coal. Because the state consumes "about [six times](#) more coal than it mines" it relies heavily on coal imports to meet its energy needs. In 2021, in-state natural gas production was 29 times greater than it was in 2010. In 2021, natural gas comprised 44% of the state's net electricity generation mix while coal dropped to 37%, [down from 82%](#) in 2010.

Ohio has the fourth-largest interstate system in the U.S., and transportation is the [third largest](#) consumer of energy in the state.

Ohio's Net Annual Electric Generation, 2021



Renewable energy resources supplied just over 3% of Ohio's net electricity generation in 2021. Of that, wind power supplied [three-fifths](#). By May 2022, the Buckeye State had nearly 1100 megawatts (MW) of installed wind generating capacity. Ohio's renewable portfolio standard (RPS) was a driving force behind wind development, however in 2019, [House Bill 6](#) reduced the state's RPS to 8.5% by 2026 and will [terminate the RPS](#) after that.

In 2022, the [Solar Energy Industries Association \(SEIA\)](#) ranked Ohio 25th in the country in terms of installed solar capacity (890 MW) and 4th for projected growth (5880 MW) over the next five years. The [2022 U.S. Energy and Employment Report](#) found that [Ohio](#) has 326,660 energy workers (6.2% of total state employment), which includes 74,966 workers employed in energy efficiency. In 2021, Ohio [ranked](#) 8th nationally for clean energy jobs, with 103,437 Buckeyes employed by the industry.¹

The [Public Utilities Commission of Ohio \(PUCO\)](#) [regulates](#) the state's electric and natural gas utilities. Bipartisan by law, the PUCO's five commissioners are appointed to a term of five years by the Governor with the advice and consent of the state senate. Ohio is currently under unified control with Republican majorities in both chambers of the state's [legislature](#). Republican Governor Mike DeWine entered office in 2019.

POLICY STRENGTHS AND OPPORTUNITIES

The National Renewable Energy Laboratory (NREL) developed the notion of "policy stacking,"² an important framework for policymakers to consider. The basic idea behind policy stacking is that there is an interdependency and sequencing of state policy that, when done effectively, can yield greater market certainty, private sector investment, and likelihood of achieving stated public policy objectives.

In theory, but not always in practice, clean energy policies can be categorized into one of three tiers of the policy stack. Tier 1, market preparation policies, remove technical, legal, regulatory, and infrastructure-related barriers to clean energy technology adoption. Tier 2, market creation policies, create a market and/or signal state support for

¹ To see clean energy job numbers for your Congressional District, visit: <https://cleanjobsamerica.e2.org/#map>.

² V.A. Krasko and E. Doris. 2012. "Strategic Sequencing for State Distributed PV Policies: A Quantitative Analysis of Policy Impacts and Interactions." *National Renewable Energy Laboratory*. Available: <http://www.nrel.gov/docs/fy13osti/56428.pdf>.

clean energy technologies. Tier 3, market expansion policies, create incentives and other programs to expand an existing clean energy market by encouraging or facilitating technology uptake by additional market participants.

For example, before financial incentives for combined heat and power (CHP) will be successful, two key considerations for deployment are having clear interconnection standards and favorable stand-by rates for customers who opt to add CHP. In this example, states should adopt policies to address interconnection and stand-by rates before adopting financial incentive programs.



MODERNIZING UTILITIES AND EMPOWERING CONSUMERS

Digital technologies have enabled utilities to better manage the grid and provide opportunities for consumers to customize their services to fit their priorities. These technologies allow a two-way flow of information between the electric grid and grid operators and between utilities and their customers.

Emerging technologies improve system reliability and resiliency by enabling better tracking and management of resources. These technologies allow grid operators to incorporate central and distributed energy resources, energy storage technologies, and electric vehicles, and assist in addressing the challenges associated with planning, congestion, asset utilization, and energy and system efficiency.

On the customer's side of the meter, dynamic pricing, advanced metering infrastructure, and other technologies allow an exchange of information and electricity between a consumer and their electric provider. Grid modernization is associated with greater consumer choice by allowing customers to meet their energy priorities by producing their own energy or through contracting innovative clean energy services from different providers.

Grid modernization will require a suite of state and federal policy changes to support advancements in grid technologies, grid management, and utility regulation.

Launched in April 2017, the PUCO's [PowerForward](#) initiative was intended to "chart a path forward for future grid modernization projects, innovative regulations, and forward-thinking policies." The PUCO released the follow-up report, [PowerForward: A Roadmap to Ohio's Electricity Future](#), at the end of August 2018. The Roadmap recommended creating a PowerForward Collaborative to study issues related to the deployment of electric vehicle (EV) charging infrastructure, energy storage, and [non-wires alternatives](#) (NWA) to large distribution system investments. No work appears to have been undertaken on this initiative after early 2019, and the proceedings were officially closed in [April 2020](#). Ohio's policymakers might consider reviving the PowerForward workgroup to continue this work.

In April 2018, [PUCO approved](#) American Electric Power (AEP)'s Electric Security Plan (ESP), which is approved through [May 2024](#). The ESP allocates \$10 million for an electric vehicle (EV) charging station rebate program and another \$10 million for microgrid projects to increase reliability and resilience. In addition, the ESP requires that AEP build or enter into power purchase agreements (PPAs) for 900 MW of wind and solar. At the end of 2021, AEP earned [PUCO approval](#) for phase 3 of the more than \$220 million effort to modernize its grid. [AEP equipped](#) 900,000 homes with smart meters during phases 1 and 2 of the plan, with an additional 475,000 expected to be installed in phase 3.

The Infrastructure Investment and Jobs Act of 2021 (IIJA) is a landmark federal spending bill that includes funding earmarked for grid modernization projects. This includes \$11 billion for Department of Energy (DOE) grants directed specifically towards electric infrastructure resiliency projects (including grid hardening against severe weather and cybersecurity improvements), [\\$2.5 billion for transmission](#) development, and \$3 billion for the [Smart Grid Investment Matching Grant Program](#).³ Enacted August 2022, the Inflation Reduction Act (IRA) set aside \$2 billion for loans for constructing new high-capacity transmission lines and upgrading interties. The bill includes funding for technical assistance and grants for states and tribal governments, which includes assistance for siting

³ For more information on the grid-related earmarks included in the IIJA, see Potomac Law Group's January 2022 analysis: "The Infrastructure, Investment & Jobs Act of 2021: What's in It for You? (Part V: Grid Infrastructure and Resiliency)" <https://www.potomaclaw.com/news-Infrastructure-Investment-Jobs-Act-of-2021-Whats-In-It-For-You-Part-V-Grid-Infrastructure-and-Resiliency>.

transmission projects. The bill also directs DOE to undertake interregional transmission planning, modeling, and analysis, including analysis of transmission for offshore wind and the use of grid-enhancing technologies (GETs).⁴

A 2020 [analysis](#) by Advanced Energy Economy (AEE) found that \$2.5 billion in investments in transmission and grid modernization (including technology and software development for residential and commercial energy management) in Ohio could generate approximately \$6.2 billion in Gross State Product (GSP) and create 59,000 new jobs.⁵

There are policies that Ohio's policymakers could adopt to support in-state grid modernization efforts:

1. Build upon the PowerForward proceeding. Legislation could require that utilities develop and propose a ten-year grid modernization plans that address cybersecurity, integrating distributed energy resources (including EVs and energy storage), and demand response and/or demand-side management (DSM) programs. Policymakers might also consider requiring that these plans outline a clear set of grid modernization goals and that they describe methods to measure, report, verify, and enforce progress towards those goals. The state can also provide incentives or cost recovery mechanisms for utilities that meet grid modernization goals.
2. Develop [new utility business models](#). Today, non-traditional energy resources, including emerging, disruptive technologies (for example, customer-owned distributed generation, EVs, and energy storage) are increasingly cost competitive with more traditional resources. This has not only led to shifting customer expectations but also to new market realities confronting energy providers. In light of this, many argue that the regulated utility industry needs a new set of principles that are more sophisticated, forward-planning, and incentive-based. The state could build upon the PowerForward proceeding by continuing to investigate alternative ratemaking mechanisms and utility business models, including [performance-based regulation](#), that support grid modernization, which includes promoting improved system efficiency, increased penetration of distributed energy resources (DERs), and enhanced affordability, reliability, and customer satisfaction.
3. Utilities in Ohio have taken the [lead](#) in smart meter deployment, approximately 1.3 million homes will be equipped with smart meters by the end of phase 3 of [AEP's plan](#), with 900,000 meters having already been installed by the end of 2021. In June 2021, the PUCO [approved](#) phase 1 of AES Ohio's smart grid plan, a \$267 million investment in the area's grid. The PowerForward Roadmap suggested creating a Data and the Modern Grid Workgroup to address a protocol for privacy protections and real-time data availability for smart metered customers. Ohio does not have clear state policies governing [customer data access](#) and privacy protections. To address this, policymakers could develop legislation or rules that, at minimum, do the following: clarify who owns the energy data associated with customer energy usage; protect customer privacy; outline the process for allowing direct access to data by third parties; and promote access to the highest resolution of data possible. AEP facilitates customer access to energy data through the [Green Button Connect program](#).
4. State departments of workforce services or their equivalent can be directed to work with utilities and other stakeholders to develop training programs for grid technicians and engineers. With new grid technology and distributed energy systems coming online, a new generation of workers can be trained to meet evolving needs, which will keep jobs local and contribute to economic development.⁶

The adoption of incentives for or a requirement to integrate a certain amount of renewable energy and energy storage on the grid alongside enhanced building energy standards and electric vehicle policies can support grid modernization efforts.

⁴ J. Runyon and J. Engel. 2022. "The Inflation Reduction Act is Signed into Law." *PowerGrid International*. 16 August. Available: <https://www.power-grid.com/td/the-inflation-reduction-act-is-signed-into-law/#gref>.

⁵ P. Hibbard and P. Darling 2020. "Economic Impact of Stimulus Investment in Advanced Energy: An Economic Assessment of Applying Stimulus Funds to Advanced Energy Technologies, Products, and Services in Ohio." *Analysis Group for Advanced Energy Economy*. October. Available: <https://www.aee.net/aee-reports/advanced-energy-state-economic-impact-reports-for-2020>.

⁶ For a discussion of specific workforce needs states might explore see: GridWise Alliance and U.S. Department of Energy. 2020. "[Grid Modernization Index Insights into a Transformation: Principles for the Next Decade of Progress](#)."



MAINSTREAMING RENEWABLES

Renewable energy is increasingly seen as the least cost and lowest risk form of energy (excluding energy efficiency). With increased deployment, utilities are learning more about how to integrate renewables effectively, investors are becoming more comfortable with the technologies, and building code officials are recognizing common standards and best practices for integrating distributed renewable energy resources. In the U.S., the expansion of renewable energy has been one of the most consequential shifts in electricity generation over the last decade. The U.S. Energy Information Administration (EIA) [predicts](#) that most of the growth in U.S. electricity generation in 2022 and 2023 will be from new renewable energy sources. It is in the interest of policymakers to ensure that their states are well positioned to benefit from this shift.

While the IIJA does not provide money for specific renewable energy projects, the energy funding in the Act will benefit renewable energy development as grid resiliency, increased deployment of energy storage, and modernized transmission are all essential to the successful integration of renewable energy generation. The IRA appropriated \$369 billion to fund a variety of energy and climate initiatives – the [largest](#) climate investment in U.S. history. The bill also extended the investment tax credit (ITC) and the production tax credit (PTC) through the end of 2024 and revived the PTC for solar projects. For projects placed in service in 2025, the bill “[effectively extended](#)” the ITC and PTC by creating new tax credits for zero emission facilities. The bill also extended the residential energy property tax credit through 2034 and created a new advanced manufacturing production credit, to apply to sales of components for constructing wind and solar energy facilities beginning in 2023.⁷

The IRA also includes several [provisions](#) related to energy equity, including \$3 billion to the Environmental Protection Agency (EPA) for grants for community-led projects in disadvantaged communities and \$27 billion for nonprofit, state, and local climate finance institutions supporting the deployment of low- and zero-emission technologies. In support of rural communities, the bill includes a \$1 billion appropriation to the U.S. Department of Agriculture (USDA) for loans to finance renewable energy projects, \$1 billion for USDA’s [Rural Energy for America Programs](#), and \$9.7 billion to USDA to finance rural electric cooperatives’ purchases of renewable energy.

A 2020 [analysis](#) by AEE found that a \$5 billion investment in solar and a \$2.5 billion investment in wind energy resources in Ohio could add approximately \$34.3 billion to the GSP and create 275,000 new jobs.⁵

To reduce barriers to customer and utility participation in the renewable energy market, and to build upon the federal initiatives, policymakers in Ohio might consider several options.

Customer-Oriented Policies

- 1. Interconnection, Net Metering, and Streamlined Permitting** – In general, customers want a clear, streamlined, affordable, and predictable process for connecting renewable energy systems to the grid. To ensure this, Ohio’s policymakers could consider requiring that utilities credit net excess generation from net metered systems at the customer’s retail rate. Allowing [aggregated net metering](#) would be especially beneficial to the state’s agricultural operations. Other applications for aggregated net metering include commercial properties and public entities like state and local governments, universities, and schools. The state might also consider establishing either statewide standards for streamlined permitting processes, or resources to support local governments that voluntarily implement a streamlined program. In May 2021, NREL launched the [SolarAPP+](#), an online platform designed to automate the solar permitting process. By running compliance checks and processing permit approvals, the service is intended to drastically reduce permit wait times. Currently restricted to rooftop solar, [twenty](#) communities in Arizona and California have adopted the platform, processing over 7,750 permits for more than 51 MW of generation with an estimated 7,750 hours saved in permit review time.
- 2. Shared Renewables** – Due to building and property attributes and ownership issues, many customers are unable to install renewable energy technologies where they live or work. Allowing shared, or community, renewable energy projects addresses these barriers. These projects have multiple owners or subscribers who

⁷ For a detailed discussion of the IRA’s tax provisions, see: A.S. Levin-Nussbaum. 2022. “Update: President Biden Signs Historic Legislation Providing Expansive Clean Energy Tax Incentives.” *The National Law Review*. 17 August. Available: <https://www.natlawreview.com/article/update-president-biden-signs-historic-legislation-providing-expansive-clean-energy>

pay for a portion of the project or the generation provided by the system. The George Gund Foundation awarded a [\\$3.55 million grant](#) to the GO Green Energy Fund in November 2020 to finance approximately 1 MW of community solar for the Hough neighborhood in Cleveland. [Buckeye Power](#) has installed nearly 5 MW of community solar across 24 locations throughout Ohio. To expand access to community solar, state policymakers might consider requiring that utilities contract a minimum capacity of shared renewables annually. Alternatively, legislation might direct the PUCO to develop a statewide virtual net metering policy. Virtual net metering allows a customer to receive credits from a shared system as if the generation were on site. Virtual net metering is different from a power purchase agreement (PPA), which pays the customer for the proportion of power they produce. Because it is treated as a credit on the customer's bill, the customer can avoid the tax implications of a PPA payment - which can adversely affect the economics of the system (and may come as a surprise to the participant).

Low credit ratings often deter participation in renewable energy markets; this can affect low- and moderate-income (LMI) households' adoption of renewable energy solutions. Supportive policies for shared renewables can be designed to encourage participation by LMI households; this can increase adoption of renewable technologies and reduce energy costs. Low-income participation can be ensured either through a percentage mandate for the overall annual contracted capacity, or by offering a higher rate of payment for the portion of shared solar capacity attributed to LMI customers. States that have a shared renewable program may want to coordinate this program with implementation of the federal [Weatherization Assistance Program \(WAP\)](#) or the [Low Income Home Energy Assistance Program \(LIHEAP\)](#) to provide recipients of assistance with access to participation in a shared renewable system.

3. **Adapt Energy Assistance Programs** – Programs such as [LIHEAP](#) and [WAP](#) provide assistance for paying utility bills and reducing household energy costs. Including distributed energy resources as eligible for funding under these programs can reduce energy costs and increase energy security for those LMI families who are able to benefit from WAP and LIHEAP. [Colorado](#), for example, includes [rooftop solar in their WAP program](#). For approval to add solar to a state's implementation of WAP, a state must show that the investment would be [cost-effective](#) – achieving a Savings to Investment Ratio (SIR) of 1.0 or more.⁸ Since 2010, Ohio has received \$145.5 million from WAP and \$18.7 million from the [State Energy Program \(SEP\)](#) which has helped to fund a [number of energy initiatives](#) in the state.
4. **Fund Distributed Generation (DG) for Community Organizations** – Organizations or groups that provide support services for LMI communities can be provided funding to install solar or other distributed energy resources. Sites such as homeless shelters, food banks, clinics, and community centers often have enough rooftop area for solar installations. After installation, these resources can reduce an organization's utility bills, freeing up funds for other activities that support the community.
5. **On-Bill Financing/Pay As You Save (PAYS)** – [On-bill Financing and Repayment](#) programs enable consumers to invest in energy upgrades with no upfront payment. The utility or a third party will pay the initial costs to install the upgrade with the cost of that upgrade recovered through the utility bill. Because repayment includes consideration of the cost savings resulting from the energy upgrade, customers can see monetary benefits almost immediately. Once equipment costs are recovered, the equipment belongs to the customer. State policies that reduce lending risk by creating a loan loss reserve and/or a credit enhancement fund can encourage lending to customers that might otherwise not qualify for a loan and can keep interest rates low.
6. **Corporate Procurement** – Many Fortune 100 and 500 companies have established either climate goals or commitments to purchase renewable energy. Since 2016, [over 41 gigawatts \(GW\) of renewable contracts](#) have been announced by corporate entities. In 2020 alone, corporations signed 100 agreements for over 10 GW of renewable energy. This is leading policymakers to provide additional avenues for businesses to procure renewable energy. Procter & Gamble, headquartered in Cincinnati, set a [goal](#) of 100% renewable energy by 2030. Facebook continues to [expand its New Albany data center](#), while also maintaining a commitment to powering its facilities through 100% renewable energy. JPMorgan Chase completed a 2.8 MW rooftop solar array project at

⁸ For guidance on the state approval process, see [WAP Memorandum 024 \(2017\)](#), the [Solar Template for Incorporating Solar Photovoltaics into WAP](#), and the [Preliminary Assessment Guide for Integrating Renewable Energy into Weatherization \(2019\)](#).

its Polaris Corporate Center in 2019 and planned to complete “the [second largest](#) commercial office solar installation in the world” by the end of 2021. These projects reflect the company’s commitment to source 100% of its energy from renewable resources. In 2020, Smart Columbus introduced a renewable energy procurement [initiative](#) for large energy buyers in the region. [Ohio’s policies](#) allow companies to purchase renewable energy credits (RECs), provide access to renewable energy through the retail and wholesale markets, and develop or lease onsite renewable energy projects.

Ohio’s policymakers might consider developing a statewide shared renewables policy to support corporate procurement. In addition, it is prudent to integrate corporate renewable purchase commitments into the long-term plans that utilities submit to regulators to plan for resource needs over multiple decades. By integrating these renewable purchase commitments into the IRP process, utilities can avoid over-building resources and stranding generation assets.

Utility-Oriented Policies

Some states have created programs that aim to reduce greenhouse gas (GHG) emissions and increase investments in clean energy resources. Utilities are also setting their own GHG reduction goals and are increasingly investing in clean energy resources. As mentioned above, [House Bill 6](#), enacted in 2019, will [terminate Ohio’s RPS](#) at the 8.5% by 2026 target. Major utilities with operations in Ohio have set 2050 emissions goals. Duke Energy has set a net-zero carbon [goal](#), FirstEnergy has [pledged](#) carbon neutrality, and AEP has set itself a [target](#) of net-zero emissions from directly owned generation sources.

To increase utility adoption of clean energy technologies, Ohio’s policymakers might consider the following:

1. **Accelerating and Amending Renewable Portfolio Standards** – States can revisit existing RPS policies to increase targets and/or accelerate target dates to continue to spur the development of renewable resources and save ratepayers money. Additionally, states might add one or more carve-outs to further incentivize the development of distributed generation and offshore resources. Embedding an RPS within broader clean electricity or emissions standard can allow technological flexibility.
2. **Emissions Standards** – Emissions targets can take a technology neutral approach that looks at the total emissions of the utility portfolio and drives emissions down with a combination of renewables, traditional fuels, efficiency, and technological advances. Emissions reductions can be achieved through 1) a carbon portfolio standard approach, or 2) a market-based approach. A portfolio emissions standard sets emissions reduction targets to be achieved over time. This can be implemented through the IRP process or by establishing a maximum allowable rate of emissions per unit. Under a market-based approach, a state or a group of states might set a certain emissions reduction target, for example, 50% below 2005 levels by 2030. This reduction is achieved by the distribution of annual emission allowances that decrease to the point that the standard is met in 2030. One of the advantages of a market-based program is that it is designed to reduce emissions in the most economically efficient manner possible. Such a standard can also address other concerns such as pollution, asthma risk, environmental justice, and water use.
3. **Clean Peak Standards (CPS)** – [Clean Peak Standards](#) aim to increase the share of clean energy resources used to meet peak demand and decrease energy bills over the long-term by reducing peak demand in the hours when energy costs are highest. These objectives can be met through different policy options, including planning and procurement that focuses on peak demand; a moratorium on the construction of new peaking units or a phase out of existing units; incentives – including carve-outs in states with RPSs – for clean energy resources delivered during peak times; and/or adopting a new clean peak standard that sets a target for clean energy deliveries during peak times.



ENERGY STORAGE

Energy storage offers a unique opportunity to dynamically manage supply and demand while also maximizing the value of grid resources. By deploying storage to strategic locations, utilities can more effectively manage their energy portfolios. First, storage allows utilities to manage intermittent demand – helping reduce peak demand requirements. Because the generation resources that provide peak power are the system’s most expensive, reducing peak demand can save consumers money. Second, the responsiveness of energy storage can allow utilities to

implement voltage regulation and other ancillary services, which improve system efficiency. Third, because storage technologies can both store and dispatch power, storage enables better integration of intermittent power generation resources, like wind and solar, to the grid.

The flexibility of battery storage combined with advanced metering infrastructure can allow customers to control how and when they use energy from the grid or from solar panels installed on their home or business. In most cases, this can provide greater cost savings than standalone solar systems. Combined with [time-varying rates](#) or real-time pricing programs, state policy can further support customer choice and open a new market for energy services. Prices that better reflect the time-varying and location-dependent costs of producing and delivering electricity can also lead to a number of economic and environmental gains.

Energy storage can also help the commercial sector avoid [demand charges](#), which establish an incremental cost above energy usage based on the highest period (highest 15 minutes, for example) of demand during the month. Eliminating spikes in demand with storage can reduce these costly charges for businesses. As utilities around the country consider implementing or extending demand charges to other sectors, energy storage will become more relevant as both a customer cost-saving investment and a system efficiency measure.

Declining costs and technological advancements in battery storage have contributed to increased deployment. State policies can further encourage this by establishing both a framework for easy integration of energy storage resources onto the grid and a marketplace that monetizes the benefits of energy storage for cost-effective investment.

The April 2018 settlement leading to PUCO's order approving AEP's ESP includes a [provision](#) requiring that AEP assist Kroger and Walmart with DSM programs that utilize battery storage. Funding will be provided through AEP's energy efficiency and peak demand reduction plan. The Village of Minster is home to the [nation's first](#) municipal utility-owned solar-plus-storage project.

The IJA provides a unique opportunity for funding energy storage projects. According to an [analysis](#) by the Energy Storage Association, the IJA provides \$505 million for grants to support energy storage demonstration projects, \$6.15 billion for building out the U.S. battery supply chain, and \$14.7 billion for grid resilience programs that include energy storage as a qualified technology. The [IRA](#) extended the ITC to include standalone energy storage systems. When the ITC is replaced by the technology neutral Clean Electricity Investment Tax Credit (CEITC) in 2025, qualified storage facilities placed in service after 2024 will remain eligible. The advanced manufacturing production credit, established by the bill, will apply to battery cells and modules and the critical minerals used in their production. The \$27 billion GHG Reduction Fund, also established by the bill, will provide funding enabling low-income or disadvantaged communities to adopt zero-emission technologies including energy storage.

A 2020 [analysis](#) by AEE found that a \$1.25 billion investment in energy storage in Ohio could add approximately \$3.6 billion to the GSP and create 33,000 new jobs.⁵

There are several policy opportunities to take advantage of the growing technological advances in and declining costs of energy storage and build upon recent federal initiatives. The recommendations here draw heavily from IREC's 2017 report, "[Charging Ahead – An Energy Storage Guide for Policymakers](#)." Policymakers in Ohio could consider the following:

1. Amend [existing interconnection](#) policies to ensure that storage can connect to the grid through a transparent and simple process. [IREC](#) has produced a series of interconnection protocols that states can easily adopt. The state could establish best practices for interconnecting storage in statute, or legislation could provide an instruction to the PUC to update existing policy.
2. Instruct the utilities commission to evaluate the value of energy storage in multiple strategic locations across the utility system and consider a requirement to deploy storage where it is cost-effective or identify the price point at which it will be cost-effective. Ensure that cost-effectiveness calculations include all the benefits storage can deliver to the system, including frequency regulation and avoided investments in new infrastructure.
3. Require the inclusion of energy storage as a critical piece of the energy system as both a demand and supply management resource. Some states have required that utilities evaluate the cost effectiveness of [non-wires alternatives](#) to large transmission and generation investments. Alternatively, states might want to require that

utilities develop a distribution investment plan that identifies the locations on the distribution system where energy storage or other distributed resources would offer the greatest value.

4. Consider adding a mandatory energy storage procurement target or requirement for energy storage with a documented process for periodic review of progress towards that goal. Procurement targets can jump-start market creation, spur fast learning, and guide the development of a regulatory framework.
5. Finance and incentivize energy storage for customers and utilities. Incentives could enable customers to use storage to manage their electric load and store locally produced renewable energy. Incentives in the form of rebates, grants, and tax credits can provide a bridge to scalable deployment of storage. Incentives can be designed to decline as storage values become more readily monetized and/or as the cost of storage decreases. Policymakers could allow utilities that provide incentives to customers to recover the costs of installing smart meters. This would enable dynamic and time-varying energy management from multiple distributed battery systems. This could also signal to customers the value of leveraging storage and better align customer costs with system costs. Financing energy storage installations for commercial customers could help reduce their demand charges. Policymakers might want to start first with a policy that provides grants to pilot projects. Policy might also target solar system owners. Financial incentives should be designed to ensure that the state will meet other goals including emissions and peak demand reductions, and equitable access to clean energy.
6. Clear data access policies that allow third parties to provide energy management services based on signals from the utility can greatly increase the value of efforts to monetize the value stream offered by energy storage. State policy should include measures to protect customer data, while also encouraging the use of this information to facilitate additional improvements to grid management and customer services. To address this, policymakers can develop legislation or rules that clarify who owns the energy data associated with customer energy usage; protect customer privacy; outline the process for allowing direct access to data by third parties; and promote access to the highest resolution of data possible.



THE BUILT ENVIRONMENT

In the U.S., buildings consume nearly 40% of total energy used.⁹ Because it reduces energy demand and emissions, and creates savings for utility customers, energy efficiency¹⁰ often plays a prominent role in state energy and climate policies. Coupled with [beneficial electrification](#), which involves replacing direct fossil fuel use with electricity, there is even greater potential to reduce energy costs and pollution, and provide more resilient, comfortable, and healthy buildings. This is especially the case in states where increasing levels of low carbon resources are supplying the electric grid. When policies are adopted to shift energy uses based on fossil fuels (such as natural gas) for building heating, water heating, and appliances, to highly efficient electric alternatives, states can maximize achieving the dual objectives of increased energy efficiency and reduced emissions. In some cases, this can also result in lower energy costs.

The IIJA provides \$500 million for grants to fund energy efficiency and renewable energy upgrades in public schools, \$3.5 billion for the Weatherization Assistance Program, and further funds the [Energy Efficiency and Conservation Block Grant](#) program by \$550 million and the [State Energy Program](#) by \$500 million. The [IRA](#) appropriates \$4.3 billion to DOE for an energy efficiency rebate program that will be administered through state energy offices. Another \$4.3 billion appropriation will fund electrification rebates for single- and multi-family homes. The bill also extends the tax credits for residential energy efficiency improvements and new efficient home construction and increases the maximum deduction for energy efficient commercial buildings. A \$837.5 million appropriation will be used by the Department of Housing and Urban Development (HUD) for resiliency, energy efficiency, renewable energy, and grid integration projects at public housing units.

A 2020 [analysis](#) by AEE found that a \$6.25 billion investment in energy efficiency in Ohio could add approximately \$190 billion to the GSP and create nearly 1.1 million new jobs.⁵

Policymakers in Ohio can consider a variety of policies to encourage energy efficiency and beneficial electrification:

⁹ For additional information, see [ACEEE Building Policies and Codes](#).

¹⁰ Energy efficiency includes a multitude of measures to reduce the energy consumption of a building. These measures range from installing energy efficient appliances to full building renovations updating a building envelope.

Energy Efficiency Policies

1. **Building Codes** – The Department of Energy projects that, over time, improvements in building codes can have the greatest single impact in energy efficiency within the built environment. On average, commercial buildings waste 30% of energy used.¹¹ Because buildings will be around for generations, energy efficiency within the built environment is a matter of statewide and long-term importance. States can set requirements for energy systems, require disclosure of energy use, and set performance standards for energy use or emissions. Building codes can be required by state legislation or implemented through ‘home rule,’ where local governments set their own standards.

Ohio has [adopted](#), with amendments, as its mandatory building codes, the 2012 International Energy Conservation Code (IECC) for commercial buildings and the 2018 IECC for residential buildings.

The IIJA appropriated \$225 million for a competitive grant program to support the “sustained cost-effective implementation of updated building energy codes.” The grant program will run for five years, through fiscal years 2022 – 2026. On July 21, 2022, DOE issued a [Notice of Intent](#) (NOI) to publish a funding opportunity to support the implementation of “resilient and efficient” building energy codes. This competitive grant program requires the participation of a “relevant state agency” and projects must be tied to “an updated building energy code.”

2. **Appliance Efficiency Standards** – [Appliance efficiency standards](#) set minimum requirements for efficiency in everything from washing machines to water heaters. Efficiency standards save consumers money on utility bills and reduce energy demand on the grid, most importantly reducing peak energy demand. Some states have elected to adopt the federal appliance standards that were in effect on January 1, 2017.¹² These include, among other things, standards on metal halide lamp fixtures, residential furnaces and boilers, and external AC to DC power supplies.
3. **Energy Saving Performance Contracts (ESPCs)** – ESPCs are a financing mechanism for energy efficiency upgrades. ESPCs are often used within large institutions, such as college or government campuses, allowing them to meet their energy and environmental goals. An energy service company will pay the upfront cost of efficiency upgrades and execute the project, often guaranteeing the projected energy savings. The large institution will then pay back the service company with savings from their utility bills. This allows institutions to pay for their upgrades from their operating budget, instead of finding new financing, such as loans or bonds, for capital upgrades. Essentially, they pay their upgrade costs with their energy savings. ESPC has been authorized in Ohio [since](#) 1994, with the process coordinated by the Ohio Facilities Construction Commission.
4. **Low-Income Energy Efficiency Programs** – While equity should be incorporated into all policy development, it is often necessary to ensure that specific programs are targeted towards historically underserved populations. Recent research suggests that weatherization can reduce energy use by [25-35%](#), allowing households to reduce their financial energy burden. The federal [Weatherization Assistance Program](#) (WAP) provides energy efficiency upgrades for income qualified homeowners. However, in many states there is difficulty in reaching individuals who may be eligible. Lawmakers can pass legislation requiring outreach and education to groups eligible for WAP.

Ohio offers a [Home Energy Assistance Program](#) (HEAP) which provides energy bill assistance to low-income Ohioans. The state’s [Home Weatherization Assistance Program](#) works to reduce low-income households’ energy use. The program provides an on-site energy audit that guides the installation of cost-effective energy efficiency technologies.

5. **Energy Efficiency Resource Standards (EERS)** – EERS require utilities to demonstrate a reduction in energy demand from programs offered to their consumers. Because this means selling less energy and reducing revenues, there is not always an incentive for utilities to make their consumers more productive or efficient users of energy. If legislatures want to ensure a more productive and efficient energy distribution system that takes advantage of the latest technological innovations, they may want to require that a utility demonstrate a percent

¹¹ For more information, see the Office of Energy Efficiency & Renewable Energy’s [Commercial Buildings Integration \(CBI\) Program](#).

¹² Based upon research conducted by the Center for the New Energy Economy.

reduction in demand through efficiency or “demand side” programs. Legislators can also instruct their utility commissions to consider energy efficiency when approving rate cases by allowing cost-recovery of energy efficiency improvements on utility bills.

Enacted March 2021, [House Bill 128 stripped](#) the nuclear subsidies and decoupling provisions added by [House Bill 6](#) in 2019. While House Bill 128 removed some of the more [controversial](#) provisions of House Bill 6, or the so-called “nuclear bailout law,” the provisions cutting the state’s energy efficiency programs [remain](#) in place. A Midwest Energy Efficiency Alliance [report](#) found that Ohioans missed out on \$980 million in net benefits per program year due to the gutting of energy efficiency programs.

6. **Revenue Decoupling and Performance-Based Incentives** – Utilities earn revenue by selling energy. As a result, there is little to no incentive for them to promote energy efficiency because it leads to a reduction in sales, and therefore a reduction in revenue. Revenue decoupling disconnects revenue from the amount of energy sold. Rather than selling as much energy as they can, utilities are allowed a set amount of revenue regardless of the amount of energy sold. While this does not directly incentivize energy efficiency, it does remove the inherent disincentive to promote energy efficiency.

Incentive policies can be layered on top of a decoupling policy. For example, if a utility meets set energy reduction targets, performance-based incentives, as determined by a state’s PUC, can provide monetary rewards for meeting those targets. It is important to incorporate a regular review of decoupling and other incentive policies to ensure they are still meeting their intended purpose.

Ohio instituted decoupling for FirstEnergy through House Bill 6. However, the decoupling program didn’t offset losses due to increased energy efficiency, but instead calculated [guaranteed revenue](#) based on a lucrative year for utilities (2018). In early 2021, House Bill 128 [removed](#) the decoupling provision. A recent [PUCO decision](#) ordered FirstEnergy’s Ohio utilities to refund approximately \$27.5 million in decoupling charges and interest to customers.

Electrification Policies

1. **Strategically Target Beneficial Electrification** – Target areas of beneficial electrification in buildings include space and water heating systems and other systems and appliances that typically use natural gas or another fossil fuel as an energy source. According to the Environment and Energy Study Institute, new electric heat pump technology can heat space and water at efficiencies of 200 to 300%, compared to 67% efficiency in typical Energy Star gas water heaters.¹³ This not only allows savings on energy bills, it also results in reduced greenhouse gas emissions and improved indoor air quality.

Some utilities, like [AEP Ohio](#), offer tools and resources for residential and commercial building and transportation electrification.

2. **Adopt Tools for Advancing Electrification** – Building codes and financial incentive programs can be used to advance beneficial electrification. While in some states, local governments are primarily responsible for adopting and implementing building energy codes, in other states, a state legislature, or a code commission tasked by the legislature, adopts and implements statewide standards. Incentive programs established and implemented by states, local governments, or utilities can target replacing systems and appliances that traditionally rely on fossil fuel resources with high efficiency electric systems and appliances including water heaters, furnaces, ovens, and ranges. As an example, [heat pump water heaters](#) and space heating systems are being promoted as high efficiency replacements for traditionally fossil-based equipment. In conjunction with utility regulatory policy, these technologies can also serve as demand response management tools by utilities in exchange for compensation to the ratepaying customer.

As a note, cities across the country are implementing new building codes promoting beneficial electrification by limiting or banning the installation of natural gas in new construction. State legislatures can pass enabling legislation, allowing municipalities to make independent decisions on beneficial electrification. On the other

¹³ For more information, see [EESI’s Beneficial Electrification](#).

hand, some states have adopted pre-emptive legislation, banning local governments from adopting policies that limit utility service.¹⁴

Programmatically, there will always be greatest benefit by combining measures – incentives that bundle improvements will generate greater gains than individual measures. For example, a high efficiency heat pump will be much more effective and efficient when coupled with improved building insulation. Rather than only realizing the gains of the new mechanical component, this combination of measures will increase the efficiency of the entire system.



ELECTRIFICATION OF THE TRANSPORTATION SECTOR

Bloomberg New Energy Finance [estimates](#) that nearly 80% of new car sales in the U.S. will be electric by 2040. Therefore, a key part of building a modernized grid involves designing infrastructure that will facilitate easy connection of electric vehicles (EVs) to the grid. One of the most important barriers to increased adoption of EVs is the consumer’s awareness of the availability of EV charging stations. Ultimately, drivers want to be sure that their car will get them where they need to go. The good news is that both supportive policies for developing charging infrastructure and technological advancements have eased this “range anxiety.”

Previously, Ohio’s Development Services Agency’s [Alternative Fuel Transportation Program](#) provided financial assistance to businesses, non-profits, school districts, and local governments for the purchase of alternative fueling infrastructure, but the program is not currently funded. To encourage EV adoption, lawmakers might consider reinstating funding for this program. After receiving a one-time verification inspection, EVs in Ohio are [exempt](#) from state emissions inspections. The Ohio Environmental Protection Agency administers a [Diesel Emissions Reduction Grant Program](#), which provides funding for eligible entities to purchase hybrids, alternative fuel vehicles, and other vehicle modifications aimed at reducing diesel-related emissions. In April 2018, the PUCO [approved](#) AEP’s \$10 million electric vehicle supply equipment (EVSE) program, which will fund the installation of 375 charging stations across the state as well as rebates for home and workplace installations. Dayton Power and Light [agreed](#) to provide up to \$1 million to fund charging stations. In coordination with a DriveOhio [study](#), the Ohio EPA awarded [\\$3.5 million](#) in grants to provide funding or partial funding for more than 170 public level 2 charging stations in eligible counties.

As of May 2022, the city of Columbus has raised approximately \$720 million of its \$1 billion goal to fund its ‘[smart-city initiative](#).’ The city is using a [\\$40 million grant from the Department of Energy](#) (DOE) to modernize its transportation network. Honda and Ohio State University are [collaborating](#) to build an [autonomous-vehicle test ground](#). Columbus continues to be an autonomous vehicle [hub of innovation](#).

The American Council for an Energy-Efficient Economy (ACEEE) published a [State Transportation Electrification Scorecard](#) in 2021 that evaluates states’ progress in electrifying transportation in six key policy areas and offers nationally applicable policy recommendations. Ohio is unranked in the 2021 report.

The IIJA provides nearly [\\$5 billion](#) over the next five years to support the electrification of the transportation sector. In 2022, \$615 million will be made available for the installation of charging stations along designated alternative fuel corridors. The Act also provides approximately \$1.1 billion for grants to state and local governments to assist with the purchase or lease of low- or no-emission vehicles for transportation fleets. To be eligible, a state must have a [Zero-Emission Fleet Transition Plan](#) in place. The [IRA](#) extended the \$7,500 EV tax credit for purchases of new plug-in EVs through 2032 and removed the eligibility cap based on number of vehicles sold by manufacturers. The Act includes requirements for material sourcing that must be met by manufacturers starting in 2027. The IRA also created a new \$4,000 refundable tax credit for the purchase of used EVs and a new credit for commercial EVs. Appropriations in the Act include \$1 billion for replacing medium- and heavy-duty vehicles with EVs, \$3 billion to fund projects to reduce transportation sector emissions, and \$3 billion to procure alternatively fueled vehicles for the federal fleet.

A 2020 [analysis](#) by AEE found that a \$5 billion investment in EVs including financial incentives to reduce up-front costs of purchases and state support for charging infrastructure deployment in Ohio could add approximately \$21.8 billion to the GSP and create 140,000 new jobs.⁵

¹⁴ See, “Battle Brews over Banning Natural Gas to Homes.” The Wall Street Journal, 1 June 2021, <https://www.wsj.com/articles/battle-brews-over-banning-natural-gas-to-homes-11622334674>.

There are several policy opportunities to further encourage and prepare for increased market penetration of EVs in the state, including:

1. **Charging Infrastructure Plan** – Locating [charging infrastructure](#) is different from locating conventional fueling stations. While some drivers will need to charge more quickly, others will refuel when they are parked for longer periods of time, for example when shopping at the mall or going to work. Charging infrastructure plans should attempt to pair the appropriate level of charging (level 2 or direct current fast charging) with a reasonable amount of time a person will be at that location. Legislation could direct a state agency to develop an infrastructure plan through a stakeholder process. Ohio’s existing [registration fee](#) for EVs could help fund these efforts.

The IIJA included a new National Electric Vehicle Infrastructure (NEVI) formula grant program to provide dedicated funding to states to deploy charging infrastructure with the goal of creating an interconnected network of vehicle charging stations across the nation’s highways. To be eligible to receive funding, states must develop and submit a NEVI plan to the Federal Highway Administration (FHWA) by August 1, 2022. NEVI funds cannot be obligated until a state’s plan is approved by the FHWA. The Ohio Department of Transportation developed and submitted (on July 29, 2022) a [NEVI state plan](#) to coordinate the use of Ohio’s expected allocation of over \$100 million in formula funding from the IIJA.

2. **Parking Infrastructure Requirements** – In tandem with the development of a statewide plan, legislation could set requirements for parking lots and other infrastructure. Some states have adopted permitting standards for parking lots, requiring, for instance, that for every 100 parking spaces, there must be at least one EV charging space. Legislation could also incentivize utilities to develop [make-ready locations](#). These locations supply power to the point where a utility or third-party developer might install an EV charging station. Ohio’s [Statewide Building Energy Codes](#) could also be updated to include requirements for EV charging infrastructure.
3. **EV and Charging Equipment Financing and Financial Incentives** – Providing financial incentives and innovative financing options can help spur greater market penetration of EVs. Sales, property, and income tax credits are some of the simplest methods for addressing the high up-front costs of EVs and EV charging equipment. While sales tax credits are typically applied at the time of purchase, property and income tax credits may do less to address upfront cost barriers, as the credit is not applied at the time of purchase.¹⁵ States have adopted other financial incentives including low-interest loans, grants, vouchers, and rebates. A handful of states qualify EV charging equipment under their property assessed clean energy (PACE) programs. A simple solution is to increase and expand existing tax credits to incentivize commercial, publicly available charging stations.

States might consider adopting programs to incentivize the purchase of used EVs. With increasing battery capacities and falling prices, there are an increasing number of EVs with relatively low mileage that are being traded in. States might also consider programs that target low- and moderate-income (LMI) customers that may not qualify for a loan directly. Such a program could facilitate sales through such things as loan loss reserve and interest buy down programs.

4. **HOV and HOT Incentives** – Allowing EVs to use high-occupancy vehicle (HOV) or high-occupancy toll (HOT) lanes regardless of number of passengers, and without paying the toll, may make EV ownership more attractive. Most states require that EVs using these lanes display a decal or particular license plate; others also limit eligibility to certain types of vehicles or to a certain number of vehicles.

NEWS

- August 29, 2022: [Honda Motor, LG Energy to Build \\$4.4 Billion U.S. EV Batter Plant](#)
- August 23, 2022: [Ten Ohio Counties Ban Wind, Solar Projects Under New State Law](#)
- August 17, 2022: [Freeze of Regulator’s HB 6 Cases Could Further Harm Ohio Consumers](#)
- August 12, 2022: [After Legal Win, Lake Erie Offshore Wind Project Backers Look to Reboot Progress](#)
- August 4, 2022: [Ohio’s Paradox Prize Projects Offer Transit Solutions for Car-Dependent Communities](#)
- July 6, 2022: [Remaking Ohio: The New Power Play](#)

¹⁵ A [study](#) by the Congressional Research Service suggests that tax credits are important tools for ensuring increased adoption of alternative-fueled vehicles.

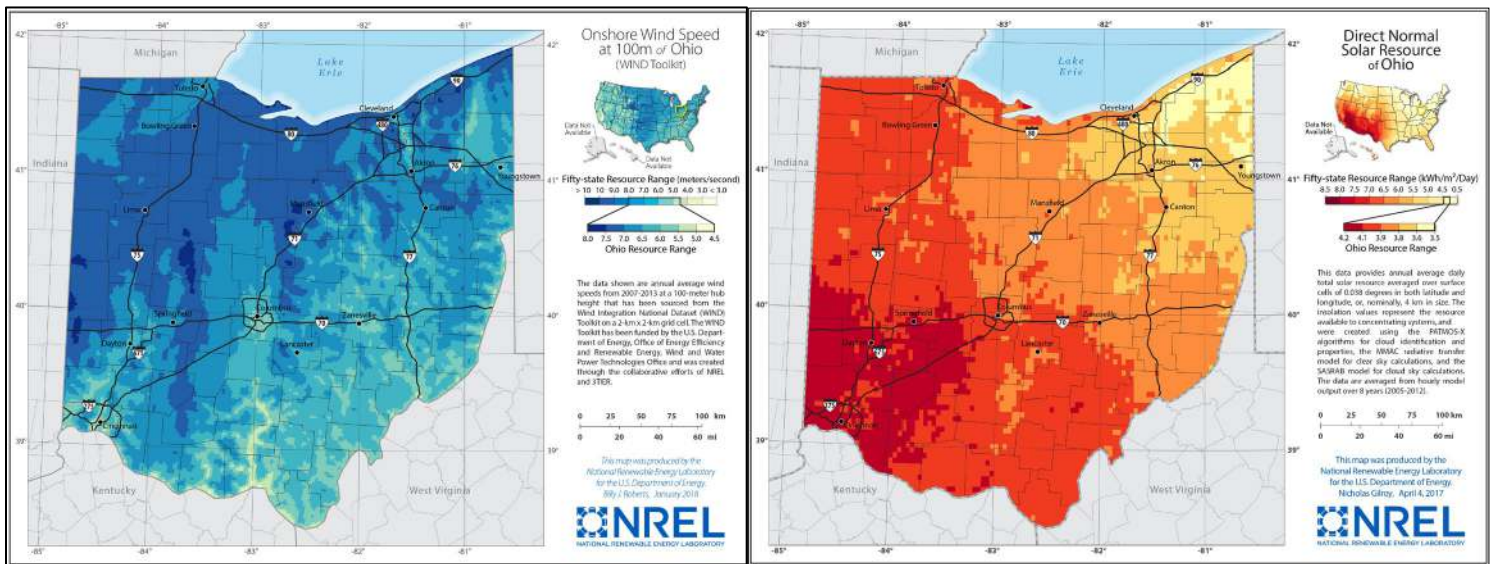
- May 25, 2022: [Mapping Tools Help Ohio Cities Chart Course for Environmental Justice](#)
- May 22, 2022: [How a Small Town Won Ohio's Biggest Foreign Investment](#)
- May 3, 2022: [Pilot Program Will Pay For Rooftop Solar Installations on up to 10 LMI Homes in Cleveland](#)
- April 29, 2022: [Terra State Embracing Solar with New Energy Savings Project](#)
- April 20, 2022: [Ohio Regulators to Review Two Massive Renewable Energy Project Proposals](#)

OTHER RESOURCES

- Ohio Development Services Agency: <https://development.ohio.gov/>
- Midwest Energy Efficiency Alliance: <https://www.mwalliance.org/initiatives/policy/ohio>
- American Clean Power Association, Ohio State Fact Sheet: https://cleanpower.org/wp-content/uploads/2022/07/Ohio_clean_energy_factsheet.pdf
- The American Council for an Energy-Efficient Economy State and Local Policy Database, Ohio: <https://database.aceee.org/state/ohio>
- The Database of State Incentives for Renewables and Efficiency, Ohio: <http://programs.dsireusa.org/system/program?fromSir=0&state=OH>
- U.S. Department of Energy's Alternative Fuels Data Center, Ohio: <https://afd.energy.gov/states/oh>
- U.S. Energy Information Administration, Ohio: <https://www.eia.gov/state/?sid=OH>
- SPOT for Clean Energy, Ohio: <https://spotforcleanenergy.org/state/ohio/>

OHIO'S WIND AND SOLAR RESOURCES

WIND <https://windexchange.energy.gov/states/oh>



Our Resources

CNEE Homepage: <https://cnee.colostate.edu/>

The SPOT for Clean Energy: <https://spotforcleanenergy.org/>

The Advanced Energy Legislation (AEL) Tracker: <https://www.aeltracker.org/>

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