

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning  
Energy Efficiency Rolling Portfolios,  
Policies, Programs, Evaluation and Related  
Issues.

Rulemaking 13-11-005  
(Filed September 30, 2019)

**OPENING COMMENTS OF THE  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL  
ON THE PROPOSED DECISION REGARDING FRAMEWORKS FOR ENERGY  
EFFICIENCY REGIONAL ENERGY NETWORKS AND MARKET  
TRANSFORMATION**

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**I. INTRODUCTION**

The California Efficiency + Demand Management Council (the “Council”) appreciates this opportunity to submit its comments on the Proposed Decision (PD) regarding Frameworks for Energy Efficiency Regional Energy Networks and Market Transformation.<sup>1</sup> The Council applauds the Commission’s support of important channels of energy efficiency innovation through regional energy networks (RENs) and market transformation initiatives (MTIs). Furthermore, we are pleased to see that the Commission is moving ahead on specific frameworks for both RENs and MTIs such that these efforts will lead to long-term opportunities for achieving California’s efficiency and clean energy goals. We support the Commission’s position on RENs as outlined in the PD and offer no detailed comments on that topic. Further, we strongly support the Commission’s positions regarding MTIs. However, with regard to MTIs, there are a few issues that we respectfully request the Commission to consider as it finalizes this PD:

- As California’s MTI launches, the Council believes that market transformation in California will be unique and unlike any market transformation efforts that have been implemented to date in other regions of the US. We request that the Commission acknowledge this fact and ultimately direct the MTA to be mindful that market

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<sup>1</sup> These Opening Comments are timely filed pursuant to the California Public Utilities Commission (“CPUC” or “Commission”) Rules of Practice and Procedure and the ALJ Ruling.

transformation programs must be developed in a way that complements rather than competes with California's existing energy efficiency programs and initiatives.

- While the Council respects the Commission's decision to select SCE as the lead utility for the MTA solicitation process, we are concerned about SCE's ability to operate a timely and transparent solicitation process for the MTA. We request that the PD provide more specific timelines and expectations of SCE for the MTA solicitation process.
- The Council believes that it is imperative that the Commission not restrict eligibility of the MTA based on whether they have a current conflict and rather allow those firms to be part of an MTA team so long as they commit to alternative arrangements that clear the of any conflicts if they are the selected team.
- The initial MTA startup budget of \$10 million per year appears to be a limitation if indeed that amount would be expected to cover: (a) the costs associated with MTA startup activities, (b) the costs associated with the MTAB and (c) the costs of administering the early stages of MTI program implementation prior to the 5-year period kicking in. It is our assumption that the Commission expects the MTA to contract for and oversee early stage MTI implementation efforts. As such, the Council believes it would be more appropriate to allocate \$20 million per year for the start-up period, likely approximately three years.
- Once the MTI is fully operational and the five-year period (\$250 million total) is triggered, there is no specificity in the PD as to the amount of funding to be allocated for the MTA activities during that period. The Council recommends the Commission specify how it expects the MTA budget to be covered (either as a portion of the \$250 million or as a separate administrative cost).

## **II. BACKGROUND**

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.<sup>2</sup> Our member companies employ many thousands of Californians throughout the state. They include energy efficiency and demand response technology providers, implementation and evaluation

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<sup>2</sup> Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Council’s mission is to support appropriate energy efficiency and demand response policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

### **III. MARKET TRANSFORMATION PRINCIPLES**

The Council appreciates the efforts of the Market Transformation Working Group (MTWG) to develop a thoughtful and consensus-driven MT framework. Thinking about the MTWG’s high-level principles of *driving incremental savings* and *coordinating with Rolling Portfolio programs*,<sup>3</sup> the Council is concerned that any newly created MT programs may undermine California’s existing and impactful energy efficiency program efforts, particularly related to codes and standards (C&S) and emerging technologies (ET) program efforts. While we recognize the value of leveraging best practice MT examples implemented in other parts of the country for the benefit of California’s MTIs, it is important to acknowledge that MT efforts in the Pacific Northwest and Illinois reflect markets with profoundly different existing infrastructures and utility landscapes relative to California. With our long history of C&S and ET efforts, California’s MTIs must be established with the utmost consideration of existing market conditions and the substantial efforts that are currently in place. Furthermore, California’s transition to more third-party implementation is a substantial differentiator relative to these other regions. We request that the Commission acknowledge these realities and ultimately direct the MTA to be mindful that any MT programs conceived by the MTA and ultimately implemented must be developed in a way that complements rather than competes with California’s existing energy efficiency program infrastructure.

### **IV. INTERIM ADMINISTRATOR REQUIREMENTS**

The Council whole-heartedly agrees with the Commission’s decision to proceed down parallel paths for jump-starting the MTA process. However, we have concerns about the Commission’s decision to appoint SCE as the lead utility given that their current corporate decarbonization focus runs counter to a comprehensive viewpoint of MT efforts being applicable to all ratepayers, consistent with all aspects of the Commission’s energy efficiency policies. We

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<sup>3</sup> Proposed Decision, Attachment A at p.8.

request that the Commission affirmatively direct SCE to adhere to these principles as it makes the necessary preparations for the MTA solicitation.

Perhaps of greater concern to the Council however is whether SCE has the ability to operate a timely and transparent solicitation process for the MTA. During the past year as each of the investor-owned utilities (IOUs) engage in their solicitation processes for statewide and IOU-specific energy efficiency programs per the Rolling Portfolio process, we have observed three areas of concern with the solicitation process, specifically in the case of SCE. First, the stated schedules for issuing solicitations have been delayed beyond reasonable timeframes, without explanation. Second, there has been a noticeable lack of transparency in the selection process with very limited feedback offered to bidders as to why they were or were not selected. Third, unreasonable contracting requirements have been imposed making it difficult for many qualified, and typically small businesses, to participate. We only bring up these issues to highlight why we have concerns about SCE's technical capacity and motivation to operate an equitable and appropriate solicitation process for the MTA. We request that the Commission affirmatively direct SCE to run a fair, transparent and timely MTA solicitation process, including adhering to a set schedule for running the solicitation. Further, we request the Commission to direct SCE to appoint within their own MT team individuals (or hired experts) who have technical knowledge and experience with market transformation programs.

## **V. CHOICE OF ADMINISTRATOR**

The Council agrees with the Commission's viewpoint that no organization currently exists which can carry out the MT vision and mission espoused by the MTWG. However, we are confident that the needed capabilities currently reside in the energy efficiency marketplace, with various players possessing qualifications that encompass market transformation expertise, program administration, program design, implementation, and evaluation. And many of those entities are doing business in California. Rather than restrict who is eligible to participate as part of an MTA team because of their current engagements/commitments, the Commission should allow firms with existing conflicts to put up appropriate "firewalls" to address those conflicts. Alternatively, firms wishing to be a part of an MTA team could be allowed to participate so long as those entities commit to a reasonable phase-out of their existing contracts that create the conflict of interest if/when they are selected. The Council is aware of a number of small (4-10

person) firms that have the backbone of critical expertise and might gladly pivot to being part of an MTA team if they were selected to do so.

## **VI. MTA BUDGET PROVISIONS**

The Council is concerned that the initial MTA startup budget of \$10 million per year will not be sufficient to carry out all of the needed activities of the MTA during the startup period, which is likely to be up to three years. As the Commission notes, there is no one organization that is already in existence that can fulfill all of the expected duties of the MTA. As such, new organizations (and teams) will have to be formed during the MTA solicitation process. Once an appropriate MTA is selected, a number of activities will have to be immediately launched. The MTA will need to hire staff and develop its organizational infrastructure. It will have to implement the MTI principles, guidelines and strategies outlined by the MTWG.

The MTA will need to develop MT logic models that complement California's vast array of existing energy efficiency programs and policies. Further, the MTA will need to formulate and then manage the activities of the MTAB. In addition, the MTA will need to include the costs of early stage MT implementation efforts, including developing solicitations and selecting suitable implementers to carry out these early stage efforts. The MTA will then have to put into place a framework for evaluating the effectiveness of these early stage MTI implementation efforts. And all this has to happen prior to the 5-year MTI time period kicking in. It is for this reason that the Council firmly believes that \$10 million per year is simply not sufficient to carry out all of these activities. The Council requests the Commission strongly consider increasing the MTA budget to be \$20 million per year for the start-up period, which we expect not to exceed three years. This amount is more in line with the collective input of parties in response to the April 10, 2019 ALJ ruling.

Once the MTA is fully operational and the five-year period (\$250 million total) is triggered, there is no specificity in the PD as to the amount of funding to be allocated for the MTA activities during that period. The Council requests that the Commission specify an operational budget for the MTA of \$10 million per year over the five-year MTI full implementation period. That amount would be burdened against the \$250 million amount budgeted for the five-year MT program period.

## VII. CONCLUSION

We believe the Commission has taken the right steps to bring about potentially game-changing effects for energy efficiency in California as it oversees the REN and MTI frameworks outlined in this PD. The Council appreciates the Commission's consideration of our comments regarding the MTI framework.

Dated: November 12, 2019

Respectfully submitted,

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