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)

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

Date: November 18, 2019

Greg Wikler, Executive Director
California Efficiency + Demand Management Council
1111 Broadway Suite 300
Oakland, CA 94612
policy@cedmc.org

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)

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

I. INTRODUCTION

The California Efficiency + Demand Management Council (the "Council") appreciates this opportunity to submit its Reply Comments on the Proposed Decision (PD) regarding Frameworks for Energy Efficiency Regional Energy Networks and Market Transformation.[1] These Reply Comments specifically respond to comments from the Public Advocates Office ("PAO"), Pacific Gas & Electric ("PG&E"), the Natural Resources Defense Council ("NRDC") and Center for Sustainable Energy ("CSE") and make the following three points:

- PAO's assertion that market transformation initiatives ("MTIs") should be held to the same cost-effectiveness standards as existing programs does not align with the goal of MTIs and would hinder their development.
- PG&E and PAO's assertion that MTIs should be funded with 5% of the energy efficiency ("EE") budgets misunderstands the Commission's approach to determining budgets for these programs and would hinder their development.
- NRDC and CSE are correct in their appraisal that deferring cost-effectiveness for MTIs is critical.

[1] These Reply Comments are timely filed pursuant to the California Public Utilities Commission ("CPUC" or "Commission") Rules of Practice and Procedure and the ALJ Ruling.

II. REPLIES TO PARTY COMMENTS

The Council applauds the Commission's efforts to establish MTIs as laid out in the PD, and appreciates comments submitted by parties. The Council specifically responds to comments from PAO, PG&E, NRDC, and CSE below.

A. PAO's assertion that MTIs should be held to the same cost-effectiveness standards as existing resource programs does not align with the goal of MTIs and would hinder their development.

The Council appreciates PAO's thorough analysis of the Public Utilities Code ("PU Code") regarding the application of cost-effectiveness for EE programs.[2] The Council contends, however, that MTIs are a unique class of EE program that require a modified approach to the EE programs currently deployed by the investor-owned utilities ("IOUs"). It is critical that the Commission take this fundamental difference into account in authorizing deployment of MTIs in order to enable their success. Further, the Council contends that while the PU Code requires programs to be cost-effective, it does not specify the specific test (or modified test) used to evaluate programs.

Market transformation programs have different, if complementary, aims to those of traditional EE programs. The "Framework for Counting Market Transformation Savings in Illinois" White Paper ("White Paper") submitted as part of the 2020 Illinois Statewide Technical Reference Manual provides a useful comparison between these two types of programs, demonstrating the key differences across areas such as scale, target population, goal, approach, scale of effort, and notably cost-effectiveness.[3] Regarding cost-effectiveness, the White Paper notes that resource programs are "[t]ypically based on annual or multi-year planning and reporting cycle savings" while market transformation programs are, "[t]ypically planned and implemented over a 10-20 year timeframe." This comparison is apt in the context of California EE programs, even if the timeframe over which the Commission initially authorizes MTIs may be slightly shorter. These fundamental differences in programs require a different means of ascertaining cost-effectiveness; the Commission must take this into account when determining how to evaluate MTIs.

---

[2] PAO Opening Comments on the Proposed Decision, at pp. 1-9.

[3] 2020 Illinois Statewide Technical Reference Manual for Energy Efficiency, Version 8.0 Attachment C: Framework for Counting Market Transformation Savings in Illinois". August 23, 2019. Available at: https://www.ilsag.info/technical-reference-manual/

While PAO's reading of the PU Code notes the cost-effectiveness requirement, the Council's reading of the PU Code is that no specific cost-test is stipulated. This is noteworthy as the Total Resource Cost test ("TRC") is "…currently constructed around a shorter-term focus on energy and greenhouse gas benefits", and is therefore not the most appropriate cost-test for assessing the inherently long-term transformational benefits of MTIs.[4] The Council strongly advocates for California's EE programs to be held to high standards, and encourages the Commission to examine the full arsenal of tools to determine cost-effectiveness to which it has access in assessing the cost-effectiveness of MTIs.

In light of both the unique nature of market transformation programs and the PU Code's lack of stipulation of a specific cost-test, the Council urges the Commission to take an appropriately nuanced approach to assessing cost-effectiveness for MTIs.

B. PG&E and PAO's assertion that MTIs should be funded with 5% of the EE budgets misunderstands the Commission's approach to determining budgets for these programs and would hinder their development.

PG&E and PAO assert in their comments that the Commission erred mathematically in determining the budget for MTIs, and the five-year budget should therefore be revised downward from $250 million to $155 million.[5] The Council believes PG&E and PAO misinterpret the Commission's language, and moreover believes that even $250 million may not be sufficient to ensure the effective deployment of MTIs.

PG&E and PAO assert the Commission should revise MTI budgets downward, as, in their analysis, 5% of the overall energy efficiency portfolio budget is $30 million annually and therefore $155 million over five years.[6] While the Council appreciates PG&E and PAO's thorough mathematical analysis, it is the Council's belief that this 5% figure used by the Commission is not a means of *calculating* the budget for MTIs but rather an *illustrative comparison* to demonstrate the relative budget of MTIs. In the Council's review of proceeding activity related to market transformation there does not appear any discussion in the record of using 5% of overall energy efficiency portfolio budget as a means of determining the budget for

[4] NRDC Opening Comments on Proposed Decision, at p. 4.
[5] PAO Opening Comments on Proposed Decision, at p. 14 and PG&E Opening Comments on Proposed Decision, at pp. 2-4.
[6] PAO Opening Comments on Proposed Decision, at p. 14 and PG&E Opening Comments on Proposed Decision, at pp. 2-4.

MTIs. Therefore the 5% number cited by the Commission should be viewed as a directional example, rather than a means of determining programmatic funding. Further, the Council believes the $250 million stipulated in the PD may not be sufficient to enable MTIs to reach their full potential. As stated in its opening comments, the Council encourages the Commission to increase the allocated budget to ensure this significant effort can succeed.

C. NRDC and CSE are correct in their appraisal that deferring cost-effectiveness for MTIs is critical.

The Council appreciates the contribution of NRDC and CSE regarding MTIs, and would like to underscore these parties' positions regarding MTI cost-effectiveness. Indeed, the Council believes a nuanced approach to cost-effectiveness, as advocated by NRDC and CSE, is critical to the success of market transformation in California.[7] The Council urges the Commission to take the comments of these parties into account in developing a cost-effectiveness framework for MTIs.

III. 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 MTI frameworks outlined in this PD, and use this opportunity to applaud this approach to ensuring the Commission can reach its goals. The Council appreciates the Commission's consideration of our reply comments on the Proposed Decision.

Dated: November 18, 2019

Respectfully submitted,

/s/ GREG WIKLER
Greg Wikler, Executive Director
California Efficiency + Demand Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
policy@cedmc.org

[7] CSE Opening Comments on Proposed Decision, at pp. 3-4 and NRDC Opening Comments on Proposed Decision, at pp. 4-5.