

Greg Wikler
Executive Director
California Efficiency + Demand Management Council
1111 Broadway, STE. 300
Oakland, CA 94607

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CEC Docket # 21-IEPR-01 – CEDMC comments on the Draft Scoping Order for the 2021 Integrated Energy Policy Report

The California Efficiency + Demand Management Council (“The Council”)¹ appreciates the opportunity to provide comments to the California Energy Commission (“CEC”) regarding the draft scoping order for the 2021 Integrated Energy Policy Report (“IEPR”) issued on February 5, 2021.

I. 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.² Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“DR”), and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of EE products and equipment. The Council’s mission is to support appropriate EE and DR policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

II. Summary

¹ The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members

² 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.

The Council appreciates the depth to which the CEC has gone to address current challenges facing our grid in light of climate-induced energy supply and demand disruptions that California experienced most recently during the unprecedented heat storms of 2020. We believe that the energy demand forecast must address a broad array of challenges facing our energy infrastructure, including the vulnerabilities of over-reliance on fossil-fueled resources, and the inaccuracies of relying on past trends to predict future trends. To that end, we have focused our limited comments for the 2021 IEPR scope on three key areas:

- Incorporating more behind-the-meter distributed energy resources in addressing ***energy reliability over the next five years***.
- Addressing regulatory reforms of energy efficiency programs in order to realize the state's ***building decarbonization*** policies and strategies.
- Accounting for permanent shifts in demand resulting from the COVID-19 pandemic and its expected lasting effects on the ***energy demand forecasts***.

III. The IEPR Should Address Barriers to the Deployment of Distributed Energy Resources

Over the past few years, the Council has undertaken a great deal of advocacy emphasizing the important role for California's distributed energy resources (DER). DERs (e.g., energy efficiency, demand response, rooftop solar, energy storage, and microgrids). DERs are a powerful tool to improve electric reliability in California Independent Service Operator (ISO) territory as well as California as a whole with specific focus over the next five years. Unfortunately, these behind-the-meter resources are not viewed by California's grid operators and regulators as being a viable resource. The Council recently released its white paper addressing these and other barriers that DERs currently face here in California.³

In the face of growing climate-related threats, more infrastructure related to behind-the-meter DERs will be needed for all market sectors, including medically dependent residents, working-class communities, community facilities, and especially for many disadvantaged communities that have borne the brunt of pandemic-related economic devastation and climate-related harms including catastrophic wildfires. State policies promoting the adoption of DERs and modernizing the grid must ultimately help consumers more effectively manage their energy costs, contribute to grid resilience and

³ https://cedmc.org/wp-content/uploads/2021/02/CEDMC-DER-Barriers-White-Paper-final_2-4-2021.pdf

reliability, and support air pollution and carbon reduction by displacing gas-fired generating resources.

DERs can be aggregated into virtual power plants and clean microgrids if the state encourages increased adoption by recognizing the reliability and resiliency value of DERs, and we continue to implement advanced communications standards. The Council would like to see the 2021 IEPR explicitly address scenarios that capture a greater role to be played by DERs. Through the IEPR process, the CEC should identify ways in which key barriers to DERs can be overcome in order to unlock the vast potential for these resources to contribute to ensuring the state's energy reliability over the next five years.

IV. The IEPR Should Address Needed Regulatory Reforms of Energy Efficiency Programs

Energy efficiency (EE) programs have long been an essential part of California's efforts to address the challenges of climate change through decarbonization programs and policies. Unfortunately in recent years the primary EE resource from investor-owned utility (IOU) programs has seen a sharp decline in both spending and the resulting impacts. These declines are the result of overly ambitious and outdated regulatory rules and processes imposed by the California Public Utilities Commission (CPUC), which oversees the IOU EE program efforts. These declines are putting into doubt our ability to achieve the statewide doubling of energy efficiency targets, as required by SB 350. We would like to see the 2021 IEPR explicitly address the need for the CPUC to bring about significant regulatory reforms, including modifications to cost-effectiveness testing methods, suspension of burdensome custom project review requirements, and reasonable discount factors that account for inevitable amounts of EE program free ridership. While we are aware that the CPUC supplies the CEC with EE forecast scenarios through the transmittal of data associated with the Additional Achievable Energy Efficiency (AAEE) forecasts, we continue to have concerns that the next AAEE forecast will not factor in the much-needed CPUC policy changes and as such will be inaccurate.

It would be instructive for the 2021 IEPR to identify supplemental AAEE forecast scenarios that account for moving cost-effectiveness testing criteria from the current Total Resource Cost (TRC) threshold to a Program Administrator Cost (PAC) threshold, eliminating and/or significantly modifying custom review processes to enable large commercial and industrial EE projects to be launched, and pre-stipulated stakeholder-driven net-to-gross estimates that acknowledge a certain degree of

program free-ridership but also recognize the uncertainties and delays associated with most free-rider evaluation assessments. We request the CEC to closely examine such policy shifts and work with the CPUC to factor in the impact of these policy changes to the AAEE forecast.

V. The IEPR Should Explicitly Account for Permanent Shifts in Electricity Demand Resulting from the COVID-19 Pandemic

The COVID-19 pandemic has resulted in drastic shifts in energy loads, with large reductions in commercial sector electricity demands coupled with increased residential sector energy usage as large numbers of people continue to work from home during the pandemic. While it could be argued that these shifts in demands are temporary, it is reasonable to assume that such shifts may continue for a significant period or even become permanent. We expect that the IEPR team is already examining the impacts of potential permanent shifts in demand brought about by the pandemic and the resulting economic disruptions. The Council stands ready to support the CEC with whatever data and evidence that we can provide during the 2021 IEPR process.

VI. Conclusion

The Council appreciates the opportunity to provide comments on this important issue. Based on the arguments presented above, The Council recommends that the CEC adopt the proposals and recommendations provided above.