

CALIFORNIA

Efficiency + Demand Management

COUNCIL

June 26, 2023

The Honorable David Alvarez
Chair, Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Re: Audit request 2023-127 California Public Utilities Commission—Energy Efficiency Programs Oversight

Dear Chair Alvarez,

The California Efficiency + Demand Management Council (“Council”) writes to notify the Joint Legislative Audit Committee (“Committee”) of our support for Assemblymember Ting’s audit request regarding Energy Efficiency Programs Oversight (“audit request”). The Council urges the Committee to leverage this opportunity to identify the remarkable benefits to Californians delivered by energy efficiency programs and the challenges to those programs’ ability to advance the state’s energy and climate goals.

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response (“DR”), and data analytics services and products in California. Our member companies include energy efficiency, DR, and distributed energy resources (“DER”) service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficiency product manufacturers.

California’s extensive and historic energy policy leadership is built upon decades of success in energy efficiency innovation. Over the last five decades, California’s emphasis on energy efficiency has significantly reduced energy demand and GHG emissions, saving Californians \$100+ billion on their bills.¹ The energy efficiency industry employs nearly 290,000 workers in California, alone.² 50% of all new clean energy jobs in the U.S. are in energy efficiency and grid technology.³

Energy efficiency is at the top of California’s loading order, which mandates that energy efficiency and DR be pursued first when load serving entities establish and implement their energy procurement plans.⁴ **It is imperative that California continues prioritizing energy efficiency in order to achieve its aggressive and ambitious clean energy and climate goals reliably, affordably, and equitably.**

Assemblymember Ting’s audit request includes several key questions that could lead to process and investment improvements. **In addition to our support, the Council offers our perspectives on the audit to drive improvements and guide better investments of ratepayer dollars.**

¹ <https://www.energy.ca.gov/sites/default/files/2019-06/EE-AchievingEnergyEfficiency.pdf>

² <https://e2.org/reports/clean-jobs-america-2022/>

³

https://info.aee.net/hubfs/Job%20Opportunities%20in%20Advanced%20Energy_High-Growth%20Occupations%20for%20Workers%20of%20All%20Backgrounds.pdf

⁴ <https://www.cpuc.ca.gov/irp/>

We consider energy efficiency to be the ‘first fuel’ as it still represents the cleanest and, in most cases, the cheapest way to meet our energy needs. There is no plausible pathway to net zero emissions without using our energy resources much more efficiently.

Fatih Birol; Exec. Director, International Energy Agency

Audits should take into account TSB metrics and methodologies

Historically, energy efficiency is measured in net energy savings (kWh, kW, Therms, avoided costs) where measure, program and portfolio performance result in positive benefit-cost ratios. As noted in Assemblymember Ting’s letter to the Committee on May 4th, “the CPUC has worked to adjust the metrics they use to assess which projects are deemed cost effective, including a recent decision to adopt a new “total system benefit” (TSB) metric to encourage conservation at high-value times and locations.”

Starting in 2024, energy efficiency goal attainment will be measured in TSB. Under this framework, a measure’s value will be determined by the net energy savings and other factors, such as:

- How long the useful life of the measure is;
- The location where the measure was installed (which climate zone);
- The savings profile of the energy use reductions; and
- The time (year and quarter) a project was completed.

The TSB incorporates the Cost Effectiveness Tool (“CET”) and Avoided Cost Calculator (“ACC”), adding complexity to assessing energy efficiency performance. Audits should take into account these new metrics and methodologies when preparing findings and recommendations.

Identify existing barriers to energy efficiency program participation at the program administrator, implementer, and participant levels

Barriers to participation limit adoption of energy efficient measures, technology, and equipment. To better understand these challenges and potential solutions, California’s energy agencies (CPUC, CEC, CARB, etc.) have collaborated to produce multiple in-depth reports over the past few years in response to requests from the legislature. For example, Senate Bill 350 mandated a study to explore the barriers to and opportunities for expanding low-income customers’ access to energy efficiency, weatherization, and renewable energy investments, including contracting with small businesses located in disadvantaged communities.⁵

Review existing cost-effectiveness tests (“CETs”) for energy efficiency programs and their effect on which technologies are deemed cost effective

Some CETs are outdated and preempt many technological and policy advancements. For example, the California Standard Practice Manual (“CSPM”) which “... contains the Commission’s method of evaluating energy saving investments using various cost-effectiveness tests”⁶ was established in 2001 and does not fully reflect modern day advancements which should be considered. However, the National Energy

⁵ Low-Income Barriers Study, Part A: Overcoming Barriers to Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities December 2016 | [CEC-300-2016-009-CMF](#)

⁶ <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/idsm>

Screening Project's National Standard Practice Manual⁷ was updated in 2020 to explicitly address benefit-cost analysis for DERS.

Provide recommendations on how to improve the cost effectiveness determinations to streamline investments in the state's energy efficiency programs

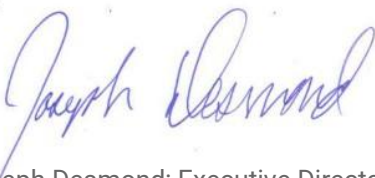
There are identifiable opportunities to improve the energy efficiency landscape and drive greater delivery of program benefits. Each opportunity should be reviewed through a holistic lens with respect to its impacts to advancing energy efficiency in the state's loading order and achieving the state's decarbonization and energy goals affordably, equitably, and reliably.

Provide recommendations on how to improve the state's energy efficiency programs to better respond to climate change through reducing emissions and/or increasing energy reliability

As the state looks to achieve its clean energy and climate goals, Californians are experiencing rapid changes to how they consume and engage with their energy. Energy efficiency is a critical resource in the equitable, affordable, and effective transition to a clean energy economy. Policy changes that impact energy efficiency measures must be considered carefully, based on objective data and validated resources, and informed by research and input from stakeholders. A long-term view on energy affordability and equity is crucial.

The Council has an extensive set of recommendations on improvements built off of years of expert analysis and experience and is available as a resource throughout the audit or related process.

Sincerely,



Joseph Desmond; Executive Director



Clark McIsaac; Director, Policy & Strategy

California Efficiency + Demand Management Council

CC: The Honorable Phil Ting

⁷ https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DERs_08-24-2020.pdf