

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding
Policies, Procedures and Rules for the Self-
Generation Incentive Program and Related
Issues.

Rulemaking 20-05-012
(Filed May 28, 2020)

**OPENING COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON
PROPOSED DECISION EXPANDING ELIGIBILITY FOR THE HEAT PUMP WATER
HEATER PROGRAM**

Dated: November 16, 2023

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I. INTRODUCTION

The California Efficiency + Demand Management Council (“The Council”)¹ respectfully submits these Opening Comments on the Proposed Decision Expanding Eligibility for the Heat Pump Water Heater Program (“Proposed Decision”), mailed in this proceeding on October 27, 2023. These Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

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.² Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“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 efficient product manufacturers. The Council’s mission is to support appropriate EE, DR, and DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructure, and environmental improvement.

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.

III. SUMMARY

The Council appreciates the opportunity to provide opening comments on the Proposed Decision. Though the Proposed Decision puts forward some beneficial concepts, the Council suggests the Proposed Decision be revised to:

- Ensure general, regulatory flexibility for implementers to adapt their programs to changing market and technology conditions; and
- Define a “qualified” DR program for publicly-owned utilities (“POUs”) to promote effective program eligibility, not technology eligibility.

IV. THE PROPOSED DECISION MUST ENSURE FLEXIBILITY TO FOSTER PARTICIPATION AND INNOVATION

The Council suggests the Proposed Decision encourage flexibility throughout its program requirements to accommodate and accelerate technology and program adaptations. Overly prescriptive or rigid regulatory structures, in general, can stifle innovation and deem potential participants or technologies ineligible due to an inability to adjust to unforeseen circumstances. The Self Generation Incentive Program (“SGIP”) has a long, proven track record³ of fostering innovation or market penetration of DERs. SGIP and particularly the Heat Pump Water Heater (“HPWH”) Program have an increasingly important role to play in reducing electric demand and greenhouse gas emissions while the state pursues its decarbonization goals, including the Governor’s six million heat pump and seven million climate-ready and climate-friendly homes by 2030 and 2035 respectively.⁴

It is the Commission’s long, proven track record of SGIP successes that underscores the importance of continued programmatic flexibility for implementers to adapt their program designs in response to changing markets and programs. Multiple programs have been launched since the announcement of the SGIP HPWH Program and the Council anticipates significant evolutions for HPWH markets and technologies in response to SGIP and the state’s general pursuit of its various climate and clean energy goals.

³ The SGIP Evaluation Reports which can be found here: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/self-generation-incentive-program/self-generation-incentive-program-evaluation-reports>.

⁴ Letter from the Office of the Governor to Liane Randolph, Chair, California Air Resources Board, dated July 22, 2022 which can be found here: <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf?emrc=1054d6>.

V. THE PROPOSED DECISION SHOULD BE MODIFIED TO REVISE THE POU DEFINITION OF “QUALIFIED DEMAND RESPONSE PROGRAM” TO PROMOTE PROGRAM ELIGIBILITY

The Council understands why the Proposed Decision would propose a separate definition for “qualified demand response program” for POUs by aligning it with the existing definition in Public Utilities Code Section 379.6(e)(1). The definition of a “qualified demand response program” for POUs should enable technology and program flexibility to grow program participation and advance reduced on-site electrical demand and greenhouse gas emissions for SGIP participants. However, the Proposed Decision’s proposed definition of a “qualifying demand response program” for the SGIP HPWH Program in Ordering Paragraph 1⁵ establishes technology requirements for POUs that effectively prohibits technologies that can provide the intended benefits of SGIP through participation in behavioral programs or are early in their market maturation and would benefit from SGIP incentives to further penetrate the market:

- i. For customers of electric publicly-owned utilities: A program whose *technology or technologies* [emphasis added] (1) shifts onsite energy use to off-peak time periods or reduces demand from the grid by offsetting some or all of the customer’s onsite energy load, including, but not limited to, peak electric load; (2) is commercially available; (3) safely utilizes the existing transmission and distribution system; and (4) improves air quality by reducing criteria air pollutants and greenhouse gas emissions.⁶

The Council is a strong proponent of grid-coordinated technologies that include the potential to shift use or loads automatically. The Council is also a strong proponent of behavioral DR programs that provide additional customers with the opportunity to participate in programs that can reduce costs for those customers and their electric service provider while reducing greenhouse gas emissions. Unfortunately, the Proposed Decision prohibits greater customer access to SGIP HPWH program participation through its proposed definition in Ordering Paragraph 1.⁷

The Council therefore proposes the following amendments to the Proposed Decision’s proposed definition is as follows as well as captured in Appendix A to these Opening Comments:

⁵ Proposed Decision, at p. 22 (Ordering Paragraph 1).

⁶ *Id.*

⁷ *Id.*

i. For customers of electric publicly-owned utilities: A program **or pilot that ~~whose technology or technologies (1) shifts onsite energy use to off-peak time periods or reduces demand from the grid by offsetting or reducing some or all of the customer’s onsite energy load, including, but not limited to, peak electric load; (2) is commercially available; (3) safely utilizes the existing transmission and distribution system; and (4) improves air quality by reducing criteria air pollutants and greenhouse gas emissions.~~**

V. CONCLUSION

The Council appreciates the opportunity to provide Opening Comments on the Proposed Decision. In addition, the Council requests that the Proposed Decision be modified for the reasons stated above. Those needed modifications to the Proposed Decision are included in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Dated: November 16, 2023

Respectfully submitted,

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APPENDIX A

THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION EXPANDING ELIGIBILITY FOR THE HEAT PUMP WATER HEATER PROGRAM

The California Efficiency + Demand Management Council (“the Council”) proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs of the Proposed Decision Expanding Eligibility for the Heat Pump Water Heater Program (“Proposed Decision”), mailed in R.20-05-012 (SGIP) on October 27, 2023.

Please note the following:

- A page citation to the Revised Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as “**NEW**” in **bold**, underscored capital letters.

PROPOSED ORDERING PARAGRAPHS:

1. [22-23] The new definition of a qualified demand response program for the Self-Generation Incentive Program Heat Pump Water Heater (HPWH) program is:

- i. For customers of electric publicly-owned utilities: A program **or pilot that whose technology or technologies (1) shifts onsite energy use to off-peak time periods or reduces demand from the grid by offsetting or reducing some or all of the customer’s onsite energy load, including, but not limited to, peak electric load; (2) is commercially available; (3) safely utilizes the existing transmission and distribution system; and (4) improves air quality by reducing criteria air pollutants and greenhouse gas emissions.**

- ii. For customers of electric investor-owned utilities (IOU), Regional Energy Networks, and Community Choice Aggregators:
 - a. A California Independent System Operator market-integrated supply-side program that counts toward a load-serving entity's resource adequacy obligations; or
 - b. Any demand response program that meets the definition of a qualified program established by the Commission in the Demand Flexibility Rulemaking 22-07-005 or the IOU Demand Response Programs Application 22-05-002; and
 - c. Where available, a program whose technology or technologies shifts onsite energy use to off-peak time periods or reduces demand from the grid by offsetting some or all of the customer's onsite water heater energy load, including, but not limited to, peak electric load (e.g., the WaterSaver program for Pacific Gas & Electric Company customers and the Smart program for Southern California Edison Company customers).