

Impact of Lost Energy Efficiency Capacity

Eliminating energy efficiency (EE) programs would have a reverberating effect throughout the State's resource and transmission planning efforts that would increase reliability risks and raise overall ratepayer costs.

Here's why:

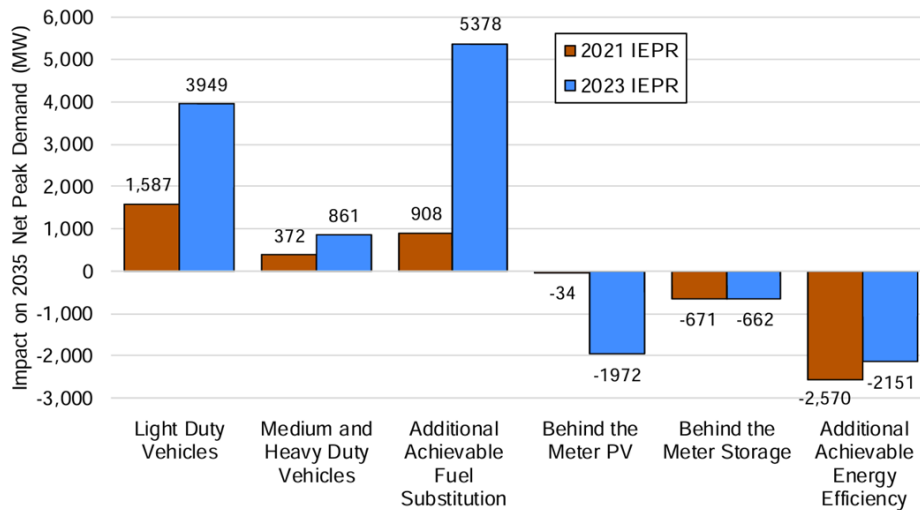
The California Energy Commission's (CEC) **California Energy Demand Forecast** (also referred to as the Integrated Energy Policy Report (IEPR) Forecast) is a load forecast that is conducted every other year and is updated during off-years. Among many other factors, the IEPR Forecast accounts for forecasted incremental Energy Efficiency savings and peak load impacts. This forecast is then used by the California Public Utilities Commission (CPUC) to inform its short-term (through the Resource Adequacy proceeding) and long-term (Integrated Resource Plan proceeding) resource procurement efforts. Similarly, the CAISO uses the IEPR Forecast as the basis of its Transmission Planning Process (TPP) which informs new transmission needs.

As the illustration below shows, the CEC forecasts that EE programs will reduce peak loads in 2035 by 2,151 MW relative to 2023.

If the funding for these programs is eliminated by the Legislature, this peak load reduction will not materialize and will have cascading impacts on short- and long-term resource procurement, and CAISO transmission planning. At the CPUC, the lost 2,151 MW will need to be backfilled with additional resource procurement at prices higher than the energy efficiency equivalent.

When the State is already struggling with late delivery of new generation projects, this additional incremental need will be especially challenging to meet. In addition, the CAISO would need to reassess its investment priorities in the TPP in the face of significantly higher loads which could create new transmission constraints.

Figure 13: Load Modifier Incremental Impacts to the Net Peak Load in 2035, From the 2021 and 2023 IEPR Planning Forecasts



In the 2023 IEPR forecast, transportation and building electrification account for the largest increase to the peak impacts between the 2021 and 2023 IEPR demand forecasts, making up nearly 20 percent of the total net peak load in 2035. Some of the increased load from electrification is offset by PV, energy efficiency, and load shifting.

Source: CEC. The 2021 IEPR Planning Forecast is the mid-mid case.

[Taken from 2023 IEPR, at p. 104]

The ultimate consequence of these outcomes would be higher ratepayer costs. At best, adding over 2,000 MW of new capacity when supply chains remain constrained and Resource Adequacy prices are very high will lead to higher costs compared to the cost of simply continuing funding EE programs. Any incremental transmission costs would also add to ratepayer costs and delay construction of new critical transmission that would otherwise have been built. At worst, this lost capacity and any associated transmission constraints could put grid reliability at risk. Should a blackout occur due to these factors, this will only add to the costs associated with the lost EE capacity.