CALIFORNIA

Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

Monthly Member Readout

June 7, 2024

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Today's Agenda

- 2024 Council Filings - May
- Legislative Update
- Spring Symposium - Solicitations and Contracting - Survey Results and Recommendations for Reform
- DSGS & DEBA Coalition Letter / May Revise
- Proposed decision adopting a Societal Cost Test
- Update on joint modified Proxy Demand Resource proposal
- CEC workshop on BTM DER forecasting
- Quick hits

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2024 Council Filings - May

May 8 – **Oral Statement in Support of Third Edition of DSGS Program Guidelines**

May 13 – **Reply Comments on EM&V Dispute Resolution Process**

May 28 – **Joint Comments on CEC Workshop on BTM DER Forecasting**

May 29 – **DSGS & DEBA Coalition Letter to Legislators Opposing May Revise**

May 31 – **Comments on CAISO Day-Ahead Sufficiency Straw Proposal**

Issues/Topics

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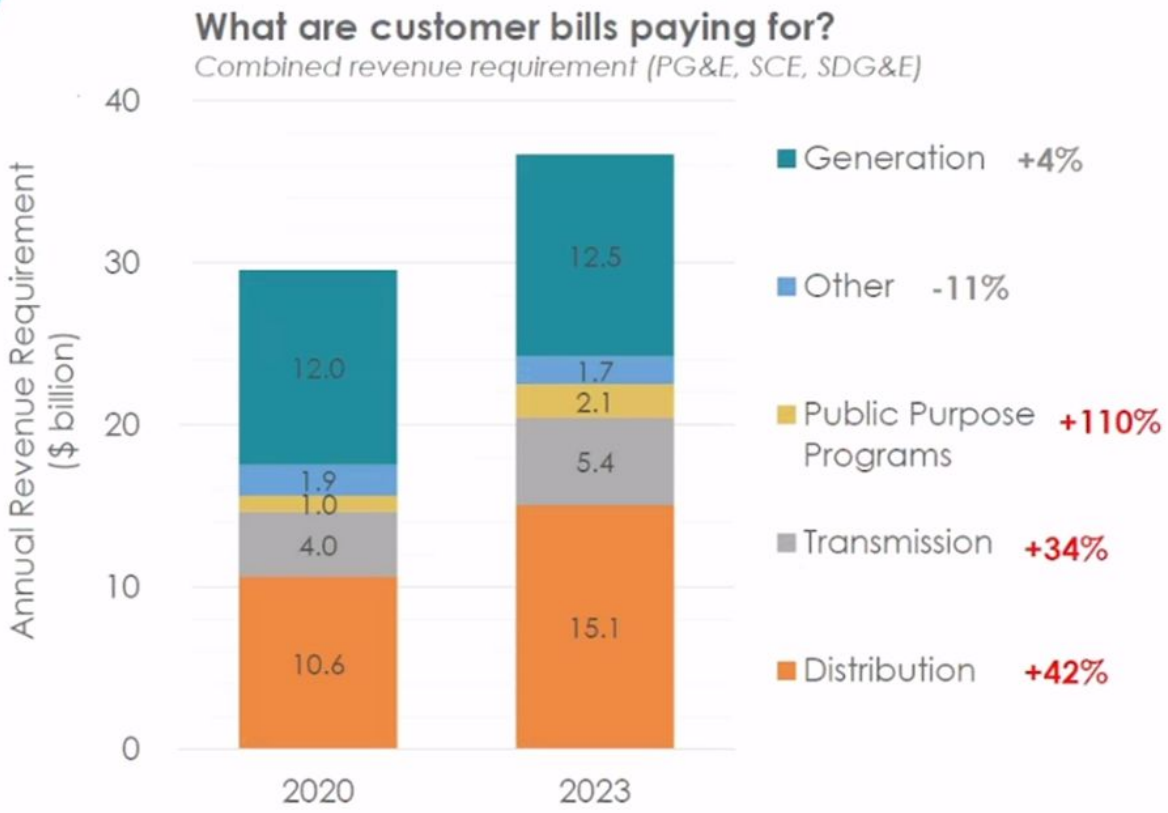
PAO Presentation & Select Comments

Assembly Utilities & Electricity

Oversight Hearing

March 6, 2024

Grid investments have rapidly increased in recent years



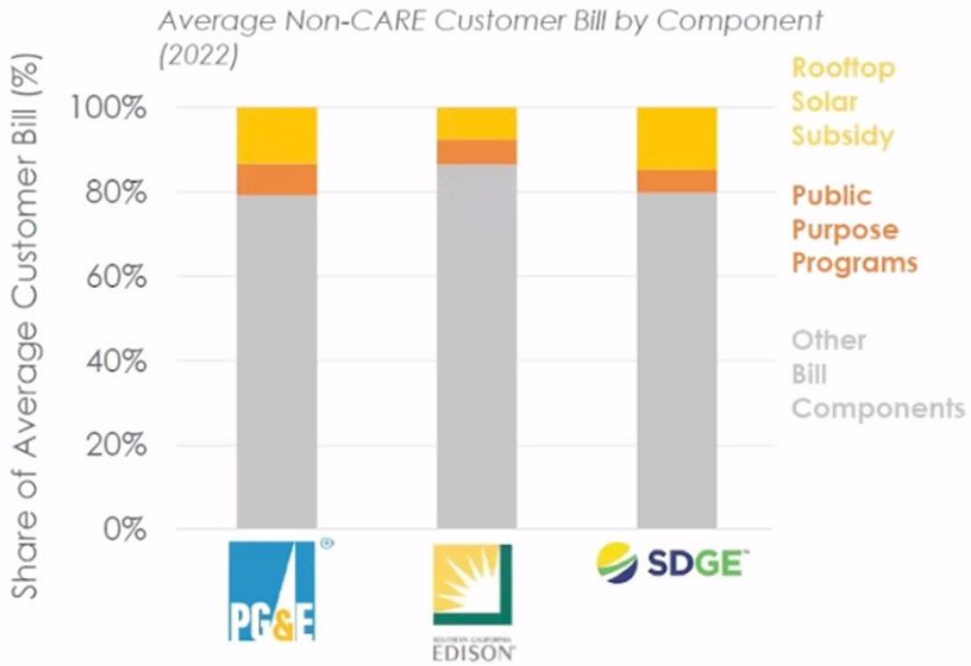
Notable Cost Drivers

- Wildfire-related expenses
- Distribution system maintenance & upgrades
- Transmission buildout

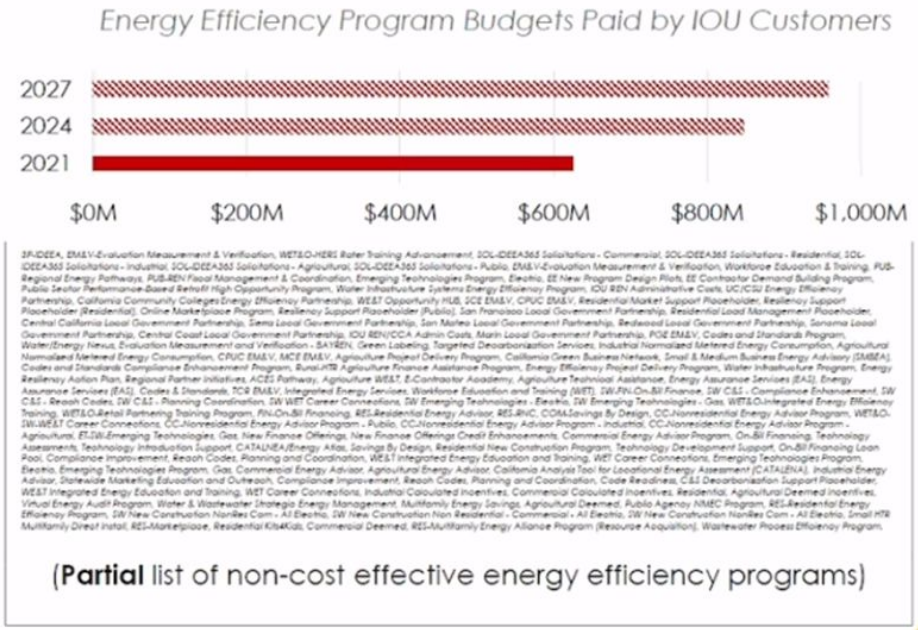
Source: California Public Utilities Commission. Recreated from data in 2023 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to PUC Code Section 913.1. (May 2023)

Utility spending is not the only driver of increases

Reason 1. Subsidies are driving rates up faster than how much utilities can collect alone



Reason 2. Bills pay hundreds of millions for non-cost effective programs each year



(**Partial** list of non-cost effective energy efficiency programs)

Source: California Public Utilities Commission. Recreated from data in *2023 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to PUC Code Section 913.1*. (Rooftop Solar Subsidy "Cost Shift"), Public Advocates Office analysis, including proposed program budgets (energy efficiency programs)

The Public ADVOCATES OFFICE

PAO comments at

So what can we do? Our objectives in the public Advocates office is to try to bend the cost curve down. So rate increases are lower than the rate of inflation. This will take a combination of immediate rate relief measures and long-term reforms. We look at Solutions through three lens.

06:19
First, hold utilities accountable to their authorized budgets. This means returning to basic budgeting and cost control measures. And also includes not authorizing new balancing accounts keeping for basic service. Keeping in mind that balancing accounts provide the utility guaranteed cost recovery from rate parents. The second lens is to make the clean energy transition, more affordable for all customers.

06:47
In the short term, we should take out all the fat in the utility bills. **This means eliminating cost ineffective programs**. And the longer term, we need to design electrification in a way that provides downward pressure on rates. And third, we need to adapt to increasing Wildfire mitigation and Disaster Recovery costs.

07:08
Right now, these specific costs are being worn on ratepayers immediately. We need to figure out a way to spread these costs over a longer period of time. In conclusion, I want to acknowledge that some very difficult decisions lie ahead in order to prioritize affordability and achieve the state's climate goals.

3P-IDEEA, EM&V-Evaluation Measurement & Verification, WET&O-HERS Rater Training Advancement, SOL-IDEEA365 Solicitations - Commercial, SOL-IDEEA365 Solicitations - Residential, SOL-IDEEA365 Solicitations - Industrial, SOL-IDEEA365 Solicitations - Agricultural, SOL-IDEEA365 Solicitations - Public, EM&V-Evaluation Measurement & Verification, Workforce Education & Training, PUB-Regional Energy Pathways, PUB-REN Fiscal Management & Coordination, Emerging Technologies Program, Electric, EE New Program Design Pilots, EE Contractor Demand Building Program, Public Sector Performance-Based Retrofit High Opportunity Program, Water Infrastructure Systems Energy Efficiency Program, IOU REN Administrative Costs, UC/CSU Energy Efficiency Partnership, California Community Colleges Energy Efficiency Partnership, WE&T Opportunity HUB, SCE EM&V, CPUC EM&V, Residential Market Support Placeholder, Resiliency Support Placeholder (Residential), Online Marketplace Program, Resiliency Support Placeholder (Public), San Francisco Local Government Partnership, Residential Load Management Placeholder, Central California Local Government Partnership, Sierra Local Government Partnership, San Mateo Local Government Partnership, Redwood Local Government Partnership, Sonoma Local Government Partnership, Central Coast Local Government Partnership, IOU REN/CCA Admin Costs, Marin Local Government Partnership, PGE EM&V, Codes and Standards Program, Water/Energy Nexus, Evaluation Measurement and Verification - BAYREN, Green Labeling, Targeted Decarbonization Services, Industrial Normalized Metered Energy Consumption, Agricultural Normalized Metered Energy Consumption, CPUC EM&V, MCE EM&V, Agriculture Project Delivery Program, California Green Business Network, Small & Medium Business Energy Advisory (SMBEA), Codes and Standards Compliance Enhancement Program, Rural-HTR Agriculture Finance Assistance Program, Energy Efficiency Project Delivery Program, Water Infrastructure Program, Energy Resiliency Action Plan, Regional Partner Initiatives, ACES Pathway, Agriculture WE&T, E-Contractor Academy, Agriculture Technical Assistance, Energy Assurance Services (EAS), Energy Assurance Services (EAS), Codes & Standards, TCR EM&V, Integrated Energy Services, Workforce Education and Training (WET), SW-FIN-On-Bill Finance, SW C&S - Compliance Enhancement, SW C&S - Reach Codes, SW C&S - Planning Coordination, SW WET Career Connections, SW Emerging Technologies - Electric, SW Emerging Technologies - Gas, WET&O-Integrated Energy Efficiency Training, WET&O-Retail Partnering Training Program, FIN-On-Bill Financing, RES-Residential Energy Advisor, RES-RNC, COM-Savings By Design, CC-Nonresidential Energy Advisor Program, WET&O-SW-WE&T Career Connections, CC-Nonresidential Energy Advisor Program - Public, CC-Nonresidential Energy Advisor Program - Industrial, CC-Nonresidential Energy Advisor Program - Agricultural, ET-SW-Emerging Technologies, Gas, New Finance Offerings, New Finance Offerings Credit Enhancements, Commercial Energy Advisor Program, On-Bill Financing, Technology Assessments, Technology Introduction Support, CATALNEA/Energy Atlas, Savings By Design, Residential New Construction Program, Technology Development Support, On-Bill Financing Loan Pool, Compliance Improvement, Reach Codes, Planning and Coordination, WE&T Integrated Energy Education and Training, WET Career Connections, Emerging Technologies Program, Electric, Emerging Technologies Program, Gas, Commercial Energy Advisor, Agricultural Energy Advisor, California Analysis Tool for Locational Energy Assessment (CATALENA), Industrial Energy Advisor, Statewide Marketing Education and Outreach, Compliance Improvement, Reach Codes, Planning and Coordination, Code Readiness, C&S Decarbonization Support Placeholder, WE&T Integrated Energy Education and Training, WET Career Connections, Industrial Calculated Incentives, Commercial Calculated Incentives, Residential, Agricultural Deemed Incentives, Virtual Energy Audit Program, Water & Wastewater Strategic Energy Management, Multifamily Energy Savings, Agricultural Deemed, Public Agency NMEC Program, RES-Residential Energy Efficiency Program, SW New Construction NonRes Com - All Electric, SW New Construction Non Residential - Commercial - All Electric, SW New Construction NonRes Com - All Electric, Small HTR Multifamily Direct Install, RES-Marketplace, Residential Kits4Kids, Commercial Deemed, RES-Multifamily Energy Alliance Program (Resource Acquisition), Wastewater Process Efficiency Program.

•(**Partial** list of non-cost effective energy efficiency programs)

Almost all of the programs listed as 'non-cost effective energy efficiency programs' by the PAO are not resource acquisition EE programs.

For example, the list includes NMEC, which is a pay-for- performance program which poses no risk to ratepayers, worker training programs that are designed to support electrification, codes and standards programs, EM&V required by the CPUC, targeted decarbonization programs, on-bill financing, residential new construction, California Analysis Tool for Locational Energy Assessment (CATALENA) - a tool supporting distributional equity analysis that was transferred to the CEC in 2023, technical services in support of decarb, equity and education, and local governments, to highlight just a few.

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Spring Symposium - Solicitations and Contracting - Recommendations for Reform

- **Survey Results on Energy Efficiency Program Issues**
- **Recommendations for Improving Program Design and Implementation**
  - Recommendation for utilities to have consistent RFP templates to reduce costs.
  - Need more granular customer data in RFPs to design better programs.
  - Recommendations to streamline documentation and expedite reviews and approvals.
- **Ongoing Challenges with Policy and Metrics**
  - Concerns that reliance on TRC metric at project level leaves good projects unfunded.
  - Suggestions to use PAC or UTC instead of TRC to allow more projects.
- **Challenges with avoided cost calculators (ACC) and net-to-gross ratios**
  - ACCs typically reducing benefits over time, requiring program redesigns.
  - Net-to-gross ratios should consider program segments
  - Argument that net-to-gross ratios of 0.5 make no sense for hard-to-change industrial customers like water/wastewater and should be closer to 1.0

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Spring Symposium - Solicitations and Contracting - Recommendations for Reform (Cont.)

- **Additional Challenges**
  - Further issues raised around TRC requirements, load profiles, and solicitation/negotiation timelines.
  - Comments that solicitation process takes 18-24+ months, causing redesign needs at negotiation table due to changes. Shorter timelines suggested
  - Discussion that TRC requirements of 1.0 or greater prevents going after complicated industrial projects with good savings potential.
- **Next steps and recommendations**
  - CEDMC shared survey results with CPUC ED staff; Plans to discuss with CPUC with a working group
  - possible Challenges with the custom review process
- **Challenges with the custom review process**
  - Issues discussed around lengthy custom project review times of 6-24 months on both and inconsistent application across utilities
  - Argument for higher net-to-gross if customer sat around that long.
  - Templates need updating

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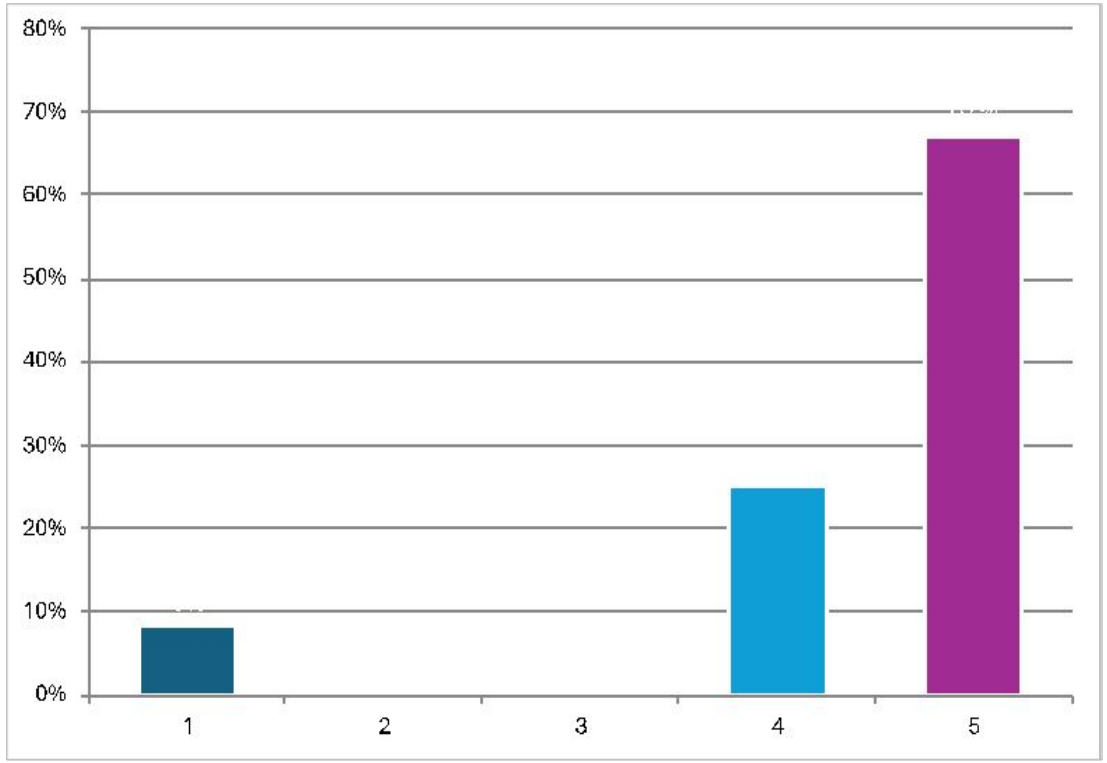
Q1

1. **RFP Document Consistency Across IOUs:**
   The IOUs all have very different RFP requirements and documents. Would it be helpful for the IOUs to develop a standard RFP template?

   1-star if it is not very helpful, 5-stars it would be very helpful

4.42
Average Rating



Q3

3. Additional Comments

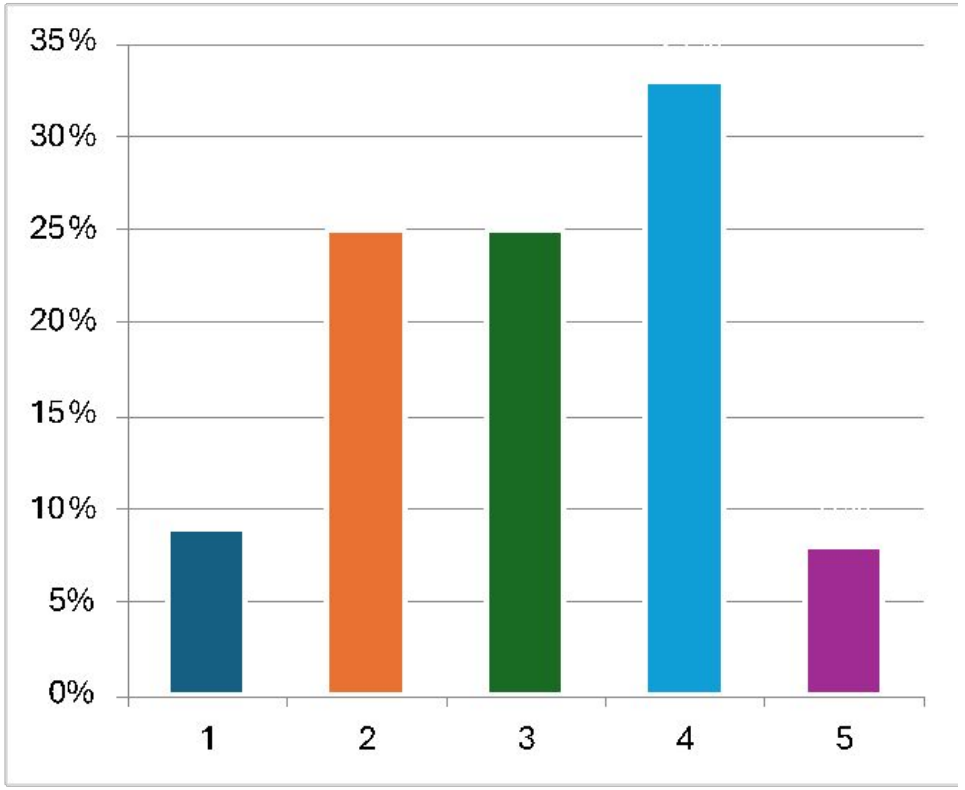
ID ↑	Name	Responses
1	anonymous	Assuming this is for Q2. The 2-stage is OK only if the first stage is very simplified.
2	anonymous	I value the two-stage process only 1) if the RFA stage is kept extremely simple (e.g., a detailed M&V plan should not be required at the RFA stage), and 2) if the IOUs would consider giving bidders feedback on abstracts to help shape them appropriately for the RFP stage (e.g., in terms of allowability of their proposed program concept).
3	anonymous	A standard template for RFP responses is much more helpful than a standard template for presenting the RFP to potential bidders.
4	anonymous	Consistency won't necessarily help. Two-stage also won't necessarily help. For Q#7, debriefs, my open ended response: IOUs do not consistently provide debriefs.
5	anonymous	Would prefer longer response period, (6-8 weeks) to a single-stage RFP.

Q4

4. Do you believe that the Q&A process provides clarity and direct answers to a bidder's questions?

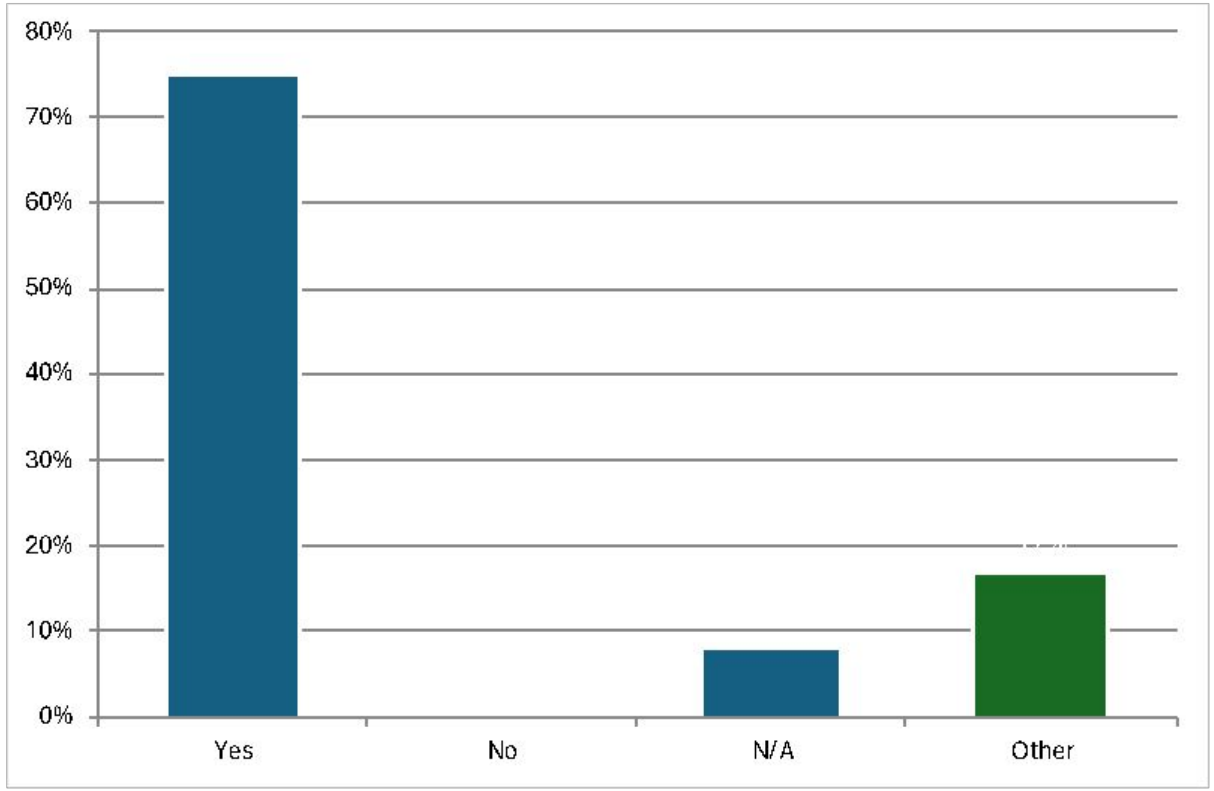
1-star does not provide clarity/answers, 5-stars provides great clarity/answers.

3.08
Average Rating



Q5

5. Would you like to see more information on segment-specific data? (For example, if you are bidding an Industrial program, would it be helpful to break out the Industrial segment NAICS codes, customer size and customer count)?



Q6

6. Additional Comments

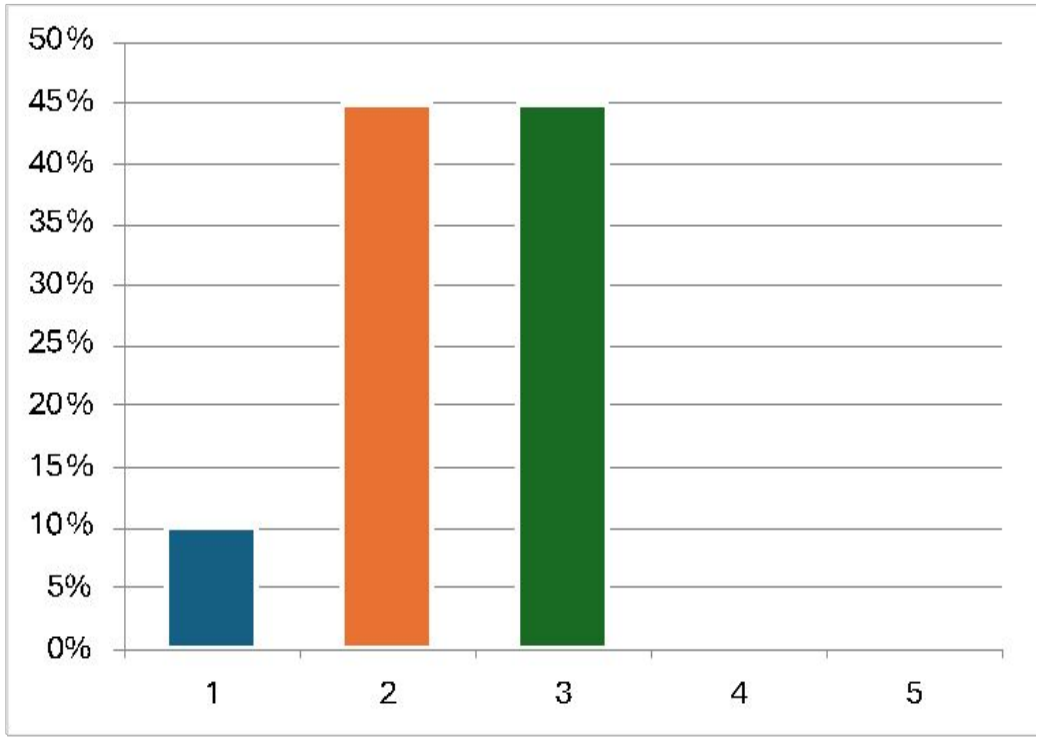
ID ↑	Name	Responses
1	anonymous	Granularity helps immensely. CPUC already has ordered utilities to provide usage data to all parties (prior to even contracting) bidding into a program. This information will be very helpful not just for effective EE programs but also for DER programs.
2	anonymous	Q&A helpfulness can vary by IOU and solicitation lead. What is most helpful is if the IOU answers the bidder's question directly instead of pointing them to a document or a ruling that they must try to find, read, and interpret. Having segment-specific data is essential to being able to develop realistic program participation and savings goals.
3	anonymous	It would also be helpful to know which other existing or proposed programs will be competing in the same space, as we have assumed (incorrectly) that any proposed subsector is available to us for enrollment.
4	anonymous	Bidders should be able to access information that is equivalant to the incumbent, otherwise, they always have an advantage when it comes to pricing.

Q8

8. **Statewide Program Coordination:**
How have IOUs handled coordination on Statewide programs (e.g. customer data access, OBF policies/processing, custom review process consistency, etc.):

1-star is no coordination, 5-stars is great coordination.

2.36
Average Rating



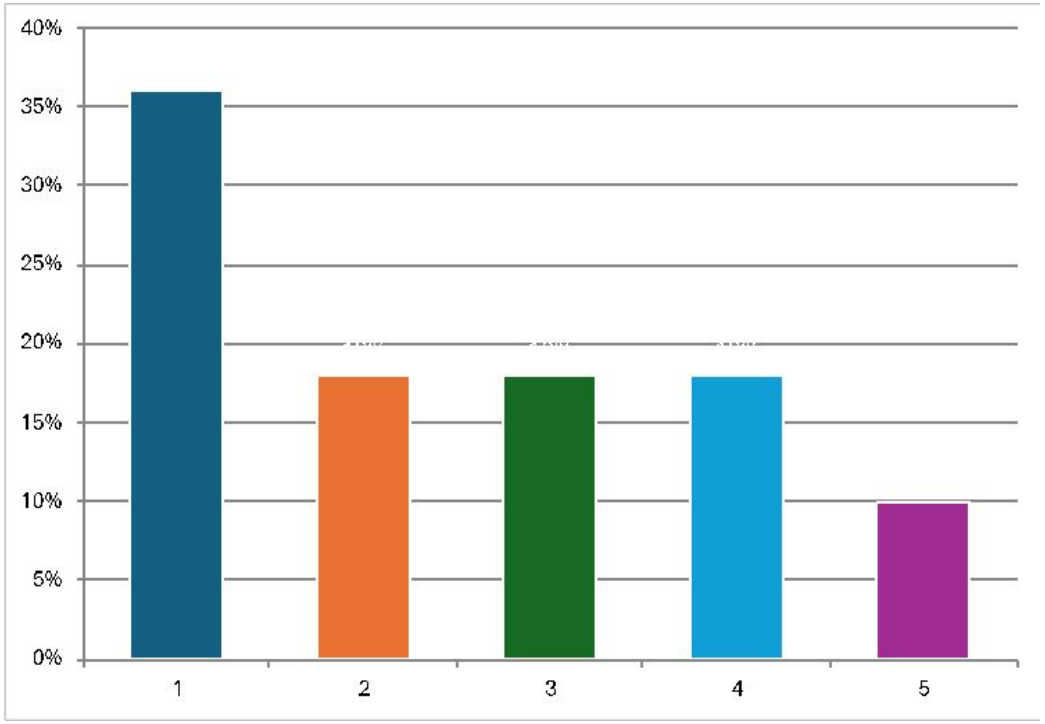
Q10

10. **General Policy Observations:**

Are policy issues affecting your company from effectively doing business in California and bringing innovative programs into the market?

1-star is greatly affecting our work in CA, 5-stars is not affecting our work in CA.

2.45
Average Rating



Q11

11. What policies or processes are most concerning to you or need improvement in CA?

1	anonymous	Net to Gross, Avoided costs, Custom project requirements and Pay for performance requirements
2	anonymous	NMEC eligibility needs to expand. Required approvals and reports need to be streamlined and expedited. Many requirements (permitting, workforce standards) seem designed for deemed programs - to flow these requirements to other types of programs is overly complex and onerous for the implementer.
3	anonymous	Risks associated with completely throwing out projects due to an evaluator's opinion on baseline or influence. The outcomes for projects should not be to simply reject if other levers can be pulled to reduce savings claims or incentive costs.
4	anonymous	Custom, Deemed, Overall EE policy too complex, burdensome and voluminous. EM&V too long after program implementation and focuses on wrong issues.

Q11 (Con't)

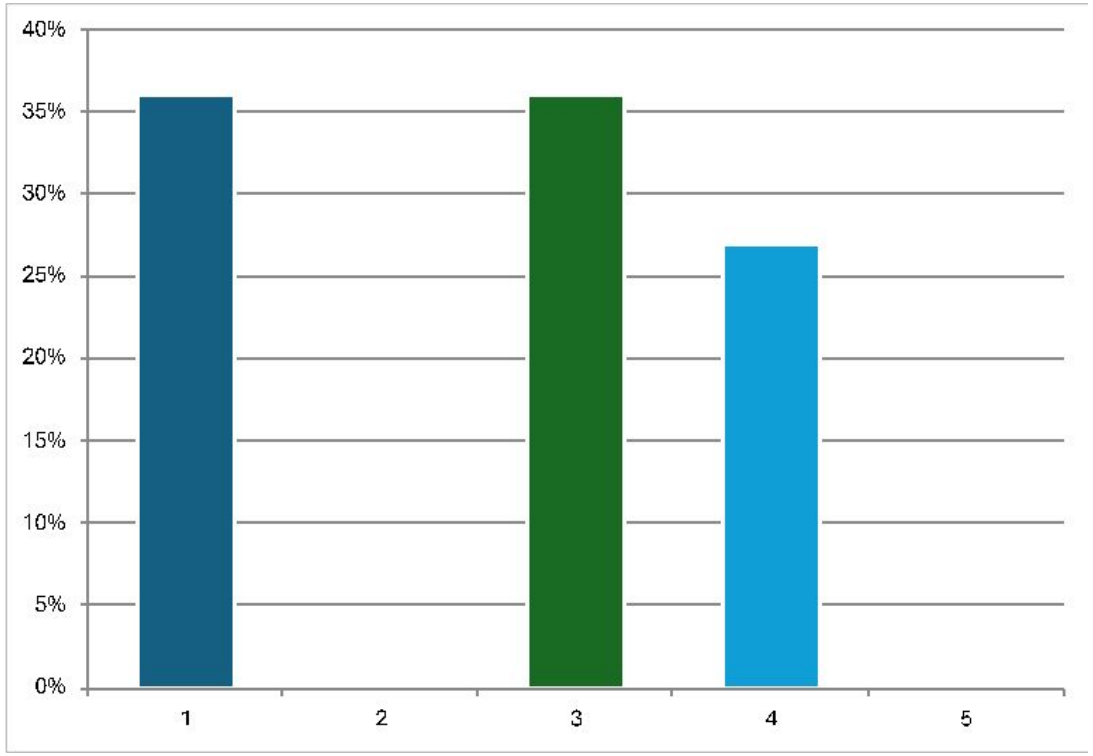
5	anonymous	Issues in pop-NMEC, especially "contaminating events" like adding PV or EVs during the post-install period. Access to usage data.
6	anonymous	NMEC policy outside of AB 802 conformance, dysfunctional custom review process & absence of measure packages with unrealistic requirements for deemed applications
7	anonymous	CPUC Review process is too long for both Custom and NMEC projects. NMEC projects are being highly scrutinized and held to near custom standards, even though implementers bear the responsibility and risk for project outcomes. A project should be defined at the project level, not at the customer level, this policy makes it nearly impossible to take multi-sites projects under the same customer through the custom or custom lite pathway.
8	anonymous	Custom processes, utility ability to incorporate equity design, internal systems like Energy Insight and EECB.
9	anonymous	Custom review policies and processes are inconsistently applied across IOUs

Q13

13. **Do you believe that both reporting on TSB and getting compensated for TSB, but still having a TRC greater than 1.0 is working:**

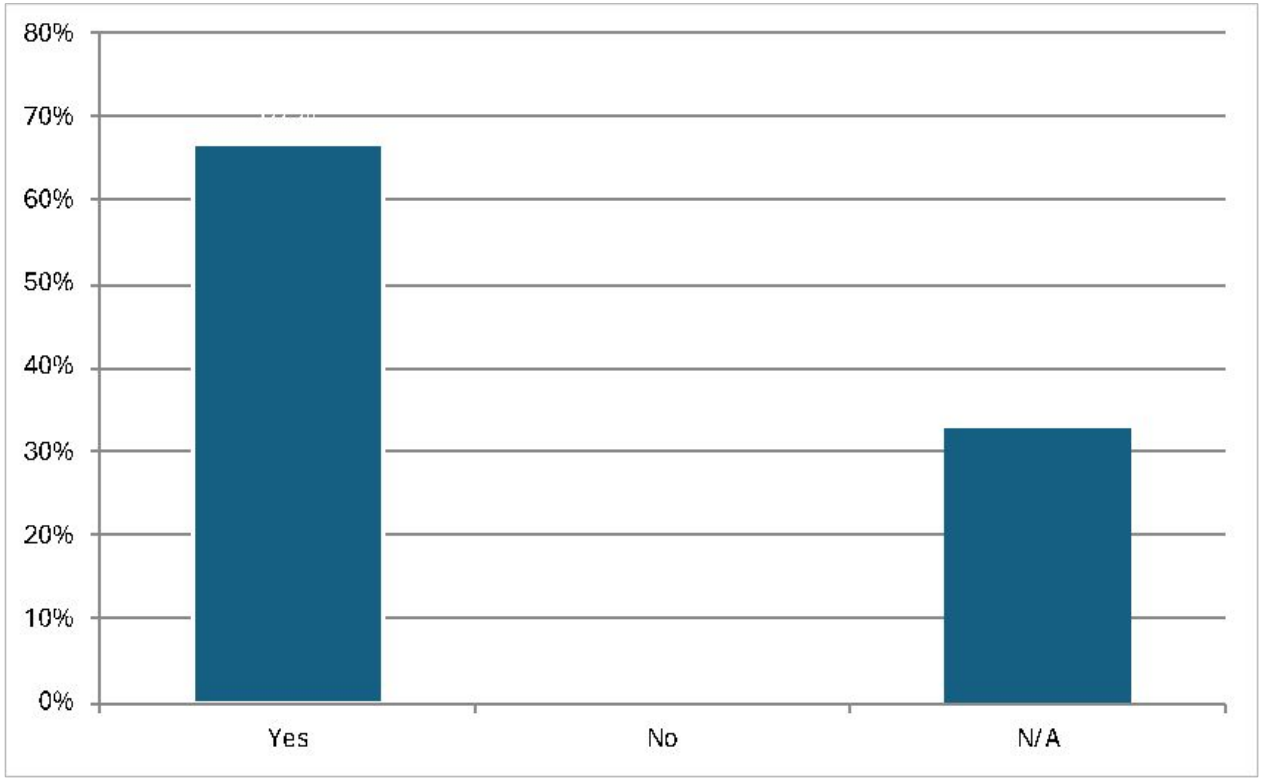
1-star is not working, 5-stars is working great.

2.55
Average Rating



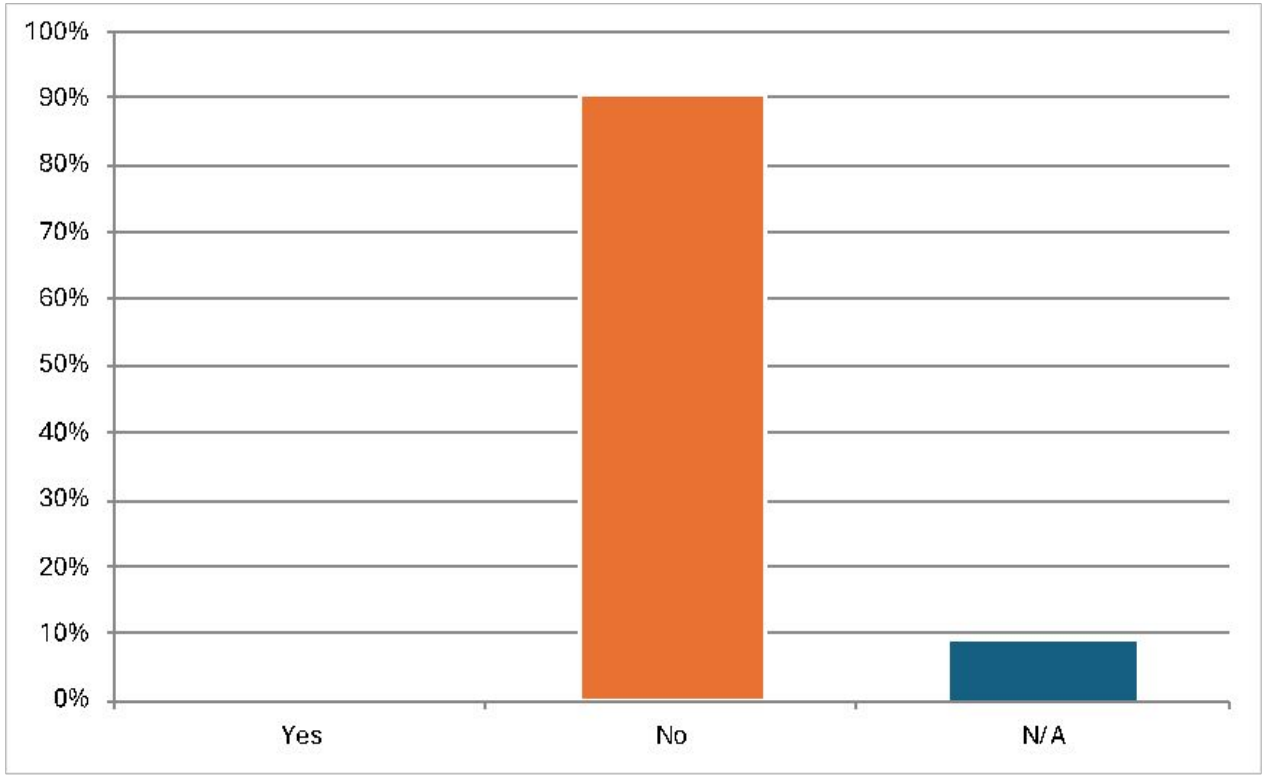
Q14

14. Is there another method other than TRC (e.g. PAC) that could protect ratepayers from overspending on EE projects?



Q18

18. **Net-to-Gross Ratio (NTG):**
Do you feel that your program's NTG ratio is appropriate for your program/segment?



DSGS & DEBA Coalition Letter / May Revise

Tuesday, May 28, 2024

Senate President pro Tempore Mike McGuire
1021 O street, Suite 8518
Sacramento, CA 95814

Assembly Speaker Robert Rivas
1021 O Street, Suite 8330
Sacramento, CA 95814

Senator Scott Wiener
1021 O Street, Suite 8620
Sacramento, CA 95814

Assemblymember Jesse Gabriel
1021 O Street, Suite 8230
Sacramento, CA 95814

RE: Maintain Funding for Clean Energy Programs DSGS & DEBA in the 2024-25 Budget

On 5/28, the Council joined a coalition of 24 stakeholders led by Advanced Energy United in a letter submitted to legislative leaders urging them not to cut funding for the Demand Side Grid Support (DSGS) Program (by $187M through 2024-2025) and the Distributed Energy Backup Assets (DEBA) Program (100% of funding immediately) as proposed in the May Revise

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DSGS & DEBA Coalition Letter / May Revise (Cont.)

Demand Side Grid Support (DSGS):

DSGS compensates existing electric customers that provide load reduction and backup generation, critical during grid emergencies. This program was initially deployed in the Summer of 2022 and has since grown to 1,300 participants.

The May Revise proposal would reduce DSGS funding by $186.5 million through 2024-25, causing uncertainty and disruptions for operators and customers.

As the program relies on aggregators to deliver distributed resources, the disruption of funding would severely impact their ability to implement and scale the program, undermining the immediate success of this program and California's future load flexibility efforts. Aggregators need to have predictability to invest in market development, customer onboarding, and program setup. Customers need certainty in program length to calculate potential returns on their participation.

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DSGS & DEBA Coalition Letter / May Revise (Cont.)

Distributed Electricity Backup Assets (DEBA):

This program supports the construction of new cleaner, more efficient distributed energy assets, such as energy storage and microgrids, which would serve as on-call emergency supply or load reduction during extreme events, reducing our dependence on fossil-fuel-based emergency resources. It also provides new capacity in the form of virtual power plants (VPPs) and load flexibility aggregation programs, which are incremental to the state's resource adequacy supplies and significantly improve grid reliability.

The May Revise proposal would lead to a complete halt of the program.

The California Energy Commission and many stakeholders have spent thousands of hours and significant resources in program design conversations and technical contributions to ensure its successful rollout in Q2 of this year, with a grant funding opportunity nearly finalized and ready for release. The prospect of funding returning in 2025-2026 through GGRF funds, as proposed by the administration, means all that effort will do nothing to address our urgent need for more reliable clean energy and does not provide prospective participants with any confidence in the program's future or the state's commitment to clean distributed power.

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Proposed decision adopting a Societal Cost Test (SCT)

- On 5/24, CPUC issued a proposed decision in R.22-11-013 adopting a SCT on an information-only basis in all DER proceedings
- The SCT would be non-binding - it would augment the Total Resource Cost (TRC) test by informing on societal costs of DER programs; PD expressed concern that a binding SCT would increase the value of DERs, displace less use-limited resources, and push up electric rates
- The SCT would include the following input values
  - Social Cost of Carbon (SCC)
    - Base SCC of $53/metric ton in 2020 and $81 in 2045 (avg. climate impacts)
    - High SCC of $155/metric ton in 2020 and $249 in 2045 (high climate impacts)
  - Social Discount Rate of 3%
  - Base Value of Methane Leakage of 2.3% (based on national avg.)
  - Statewide Air Quality Adder of $14/MWh
- As a starting point, will refer to Council's 4/28/23 comments on the January 2022 Energy Division SCT proposal
- Next steps: Opening comments due on 6/13 and replies on 6/18

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Update on joint Modified Proxy Demand Resource (mPDR) proposal

- As part of the CAISO's process to develop a catalog of discretionary policy proposals, the Council, Leap, and Renew Home had submitted a joint proposal on 2/28 for a mPDR
- A Proxy Demand Resource (PDR) is one of two primary CAISO market products for DR; under current rules, any BTM energy storage output that is exported is not counted which has stranded over 800 MW of capacity with at least 1.4 GW forecasted by 2030
- The mPDR would count these exports as long as the mPDR maintains a positive net load
- On 5/10, 16 stakeholders submitted a letter of support to Anna McKenna, CAISO VP of Market Policy & Performance in support
- On 6/5, CAISO released its draft policy catalog which included the mPDR proposal
- The CAISO will hold a 6/12 stakeholder call to review the draft catalog; stakeholders can then submit written comments on prioritization

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CEC workshop on BTM DER forecasting

- On 5/16, the CEC held an informational workshop with the CAISO on how it forecasts the behavior of BTM DERs to identify research needs that could be supported by future EPIC grant funding opportunities
- CAISO presented on how it performs operational forecasting of BTM DERs
  - The highest quality forecasting is BTM PV (5-minute), moderate quality is Supply Side DR (2-week delay in settlement data), lowest is Load Modifying DR (ex post data not available until annual LIP study)
  - Load Modifying DR is challenging to integrate into load models because LSEs provide hourly forecasts at less granular than subLAP
  - BTM batteries can cause a lot of charge/discharge volatility, esp. w/ large batteries and no telemetry
  - EV charging profiles coincide with higher errors in evening peak
  - CAISO needs real-time visibility of DERs to manage distribution-level constraints in coordination w/ distribution operators; needs to be a common data-sharing platform

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CEC workshop on BTM DER forecasting (cont.)

- On 5/28, the Council/Leap/Renew Home submitted joint comments on the workshop
- Key points
  - Highlighted the expected growth in heat pumps, EVs, CEC load shift goal that will drive smart devices from ~5 GW today to ~20 GW by 2030
  - In light of these forecasted trends, CEC should sponsor research into device-level measurement (DLM) to enable more accurate DER forecasting
  - Correlating device performance to factors such as device type, weather, and home characteristics could be used to generate temperature-sensitive performance predictions
  - Similar models could be developed based on DLM of energy storage, EVs, and smart water heaters
  - DLM could also significantly reduce barriers to customer enrollments by avoiding the click-through authorization process

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Quick hits

- Status of joint Application for Rehearing (AfR) of Decision (D.) 24-03-071
  - On 6/5, the the Council joined Leap, Renew Home, and Voltus on an ex parte call with Jake McDermott, Advisor for Commissioner John Reynolds
  - We explained that the decision, which adopted a DR participation requirement for SGIP participants, lacked an evidentiary basis for the DR programs that customers could enroll in to meet the requirement
  - We will meet w/ Commissioner Houck's office on 6/13; other Commissioners declined our request
  - CPUC Legal Division will prepare response and commissioners will vote in closed session
- Automated Response Technology (ART) Program update
  - On 2/28, PG&E submitted an advice letter for its ART program, a best-efforts aggregator program for residential customers w/ smart devices
  - Funding had been approved through the end of June to transition ~100,000 customers from the Smart Thermostat Control Pilot
  - Energy Division (ED) review has been lagging which risks losing these customers and delaying program benefits
  - After intervention by PG&E senior management, ED is accelerating the review process and is aiming for approval on 8/1 or 8/22

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Discussion & Q&A

Thank You!

Please contact us if you have any questions.

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Kira Kimick – admin@cedmc.org

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