CALIFORNIA
Efficiency + Demand Management
COUNCIL

Notes: CEDMC Member Survey

Session- Solicitations and Contracting – Recommendations for Reform

CEDMC Spring Symposium 2024-05-16

Survey Results on Energy Efficiency Program Issues

Discussion of survey results on barriers to effective energy efficiency programs.

- Moderator introduces survey results discussion and asks panelists to respond. 03:02
- Discussion of survey results showing below average coordination on statewide programs. 10:46
- Discussion of survey results on policy issues negatively impacting business and innovation. 15:16

Recommendations for Improving Program Design and Implementation

Panelists provide recommendations based on survey results and discussion of open questions.

- Recommendation for utilities to have consistent RFP templates to reduce costs. 05:06
- Need more granular customer data in RFPs to design better programs. 09:02
- Recommendations to streamline documentation and expedite reviews and approvals. 14:20

Ongoing Challenges with Policy and Metrics

Discussion of challenges with policy implementation, avoided cost calculator updates, and reliance on TRC metric.

- Open Questions: Concerns that reliance on TRC metric at project level leaves good projects unfunded. 17:01
- Suggestions to use PAC or UTC instead of TRC to allow more projects. 17:49
- Open Questions: Discussion of impact of avoided cost calculator updates on programs. 19:55

Challenges with avoided cost calculators and net-to-gross ratios

Discussion of issues with avoided cost calculators decreasing benefits over time and inconsistent net-to-gross ratios across programs and segments.

- Discussion of avoided cost calculators typically reducing benefits over time, requiring program redesigns. Net-to-gross ratios should consider program segments. 20:01
- 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. 27:09

Transcript Excerpt:

"So question number 13 is regarding TSB. So do you believe that both reporting on TSB and getting comments in on for TSB but still having a TRC greater than one is working? So this has to do with how program designs have shifted in recent years, right? So earlier we were

designing a program in gross savings, kilowatt hour, KW terms. And then it shifted to net savings. And then slowly then it shifted to having to have a cost -effective portfolio. Now you are shifting to TSB savings where total system benefit. You need to have good impact on your system.

So this question is trying to figure out has that change been effective. So we've talked to implementers, and they are starting to see TSB requirements in their contracts. That's a shift. And we agree with that. We're moving away from the first -year energy savings. But there's still the requirement to have a TRC greater than one.

Now people will say all TSB is king. But if you have a project, especially like programs now, are required to be above 1 .0 TRC in your contract, you might have a project that's a million dollars in TSB but with a TRC of 0 .7. That project will never happen. But yet you can have a project with a TSB of $1 and a TRC of 1 .5, and hence that project will go through.

But which one is better for the state? It would be the project that has both the TSB and a reasonable TRC. And then not run it project by project level, the TRC requirement. Do it at a portfolio level or we have to do it at a program level. But it's really supposed to be a 1 .0 TRC for the portfolio. And so I think we've moved away from that.

So great point, Harman. Now because that one project with $1 of TSB with a TRC of 1 .5, we have to do that a million times to catch up. But from a program implementation standpoint, think about what that does to your budget. And, you know, we're leaving really good projects on the table because of the TRC requirement.

So the TRC is still holding us back. And so we have some thoughts about in the survey in terms of I know it will never happen, but replacing the TRC with some other type of metrics. So great segue to the next one.

So the next question is, is there another method other than TRC that could protect rate payers from overspending on EE projects? You want to start, Harman? Yes. So when we sell a project, there's two avenues. If a customer in that example of a .7 TRC, if the customer wants to do a project and they're willing to pay for a project, and we've convinced them about that project, we can't offer that because of the TRC requirement. If the customer is sold on lifecycle costs and net present value, that takes care of the customer's protection because it's a good project. If you use PAC, you take the equipment costs out of the equation, that would be one avenue where you get more projects through because of the fact that you're not taking into account the cost of the equipment that the customer is going to pay for. What we're trying to say is that the PAC would protect the utility and the rate payers in terms of the funds used for the incentives themselves.

So there's other measures. There's other – UTC is another one. Many states have been moving towards this direction, and we'd like somebody to think about it, but that's my wish list. I think Antonio was smiling because he's like, yeah, good luck. Especially with PAC, right? So you are looking at – when you're talking about benefit to cost ratio, with PAC you are looking at what is the cost to the rate payer to run this program. It's not looking at what is the cost to the rate payer and the participant to run the program. And it's more in line with using TSV, which is the benefits of the program.

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. 24:12
- Discussion that TRC requirements of 1.0 or greater prevents going after complicated industrial projects with good savings potential. 30:16

Next steps and recommendations

Discussion of sending survey results to CPUC and need for working group to discuss changes through legislation/regulation.

- Question about ability to take recommendations to CPUC since they solicited feedback. CEDMC will send survey and discuss with CPUC in working group. 30:27

Challenges with the custom review process

Issues discussed around lengthy custom project review times of 6-24 months and inconsistent application across utilities.

Discussion of lengthy 6-12 month custom project review times on both ends and argument for higher net-to-gross if customer sat around that long. Templates need regular updating. 31:06