

To: Facilitator, CAEECC
From: Southern California Gas Company
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SoCalGas Comments on Proposed Metrics Framework

Introduction

Southern California Gas Company (SoCalGas) appreciates PG&E's proactive approach to creating useful and informative metrics for the upcoming Business Plans.¹ It is important to gain alignment among the Program Administrators (PA) in the development of the Business Plans. This includes a consistent metric framework (Framework) including agreement on common terminology and format. This memo provides comments on the Framework for Business Plan metrics created by Grounded Research and presented by PG&E. Overall, SoCalGas looks forward to further discussion on metrics with the PAs and the proposed Framework but does have the following concerns:

- **The proposed metrics are not consistent with Commission direction.** The Commission directed the PAs to propose sector-level metrics in the upcoming Business Plans. However, the proposed Framework offers program strategy level metrics.
- **General program terminology not being applied consistently.** Alignment on the definitions of these basic terms is a fundamental underpinning of statewide consistency in the development of metrics and Business Plans. For example, the Framework suggests redefining the market barrier into two separate barriers, customer and market. This makes the incorrect assumption that barriers can be reduced independent of each other.
- **Metrics should be designed to easily mark the progress towards achieving desired market effect.** Market effects need to be simple and use commonly available program information to allow for continuous monitoring by the PA, implementer and Commission. Active monitoring is key to achieving desired outcome, not metric grading.

¹ Per Decision 15-10-028, PAs are preparing to file sector Business Plans on January 15, 2017. The Decision guides PAs to set their own program goals and metrics in their Business Plans, p. 42.

Level of Detail

SoCalGas is concerned with the level of detail presented in the metrics Framework reviewed at the Coordinating Committee meeting held on July 13, 2016. The Decision 15-10-028 (Decision) states that metrics should be tied to the **portfolio and sector** level,² rather than at the strategy level, as proposed by Grounded Research.³ Additionally, the Decision is very clear in the level of metrics required at the Business Plan level:

“PAs will still need to set more granular metrics than just sector-level metrics, but they will do so in implementation plans, not business plans. It is in the implementation plans that we want to see at least one metric for each program/strategy/sub-sector/intervention strategy; more than one where appropriate. The business plan is not the place for that additional level of detail.”⁴

Given that guidance, SoCalGas proposes the alignment on metrics for the Business Plans at the sector and portfolio level instead of focusing metrics at the strategy level (which is required in implementation plans). SoCalGas offers the following Framework for consideration:

Table 1. Sector Level Metrics Framework – Industrial (Sample)

Market Transformation Approach				
Problem Statement	Desired Market Effect	Market Barriers	Program Strategies	Sector Metric
Low adoption of energy efficiency solutions by micro/small industrial segment.	Adoption of EE solutions by micro/small industrial segment.	<ul style="list-style-type: none"> • Diffused Market • Product unavailability • Performance uncertainty • High first cost • Lack Information • Hassle and transaction costs • Access to financing 	<ul style="list-style-type: none"> • Partnering • Intelligent Outreach • Small Industrial Outreach • Strategic Energy Management • Whole Building • Customer Incentives • Comprehensive Direct Install • Midstream EE Equipment • Financing • Emerging Technologies 	Increase EE savings in small (<50k therms) industrial segment at XX% of EE economic potential by 2023.
Diffused industrial market makes it difficult and costly to move diverse customer segments to invest in deeper levels of EE.	Increase EE adoption levels across all industrial segments.	<ul style="list-style-type: none"> • Organizational practices • Diffused market • High first cost • Lack of information • High search cost • Performance uncertainties • Hassle or transactional cost 	<ul style="list-style-type: none"> • Partnering • Intelligent Outreach • Small Industrial Outreach • Strategic Energy Management • Customer Incentives • Comprehensive Direct Install • Midstream EE Equipment • Financing 	Achieve XX% of EE economic potential by 2023 in industrial sector.

² Business plans shall contain portfolio and sector level metrics for regulatory oversight (gWh, MW, therms, cost-effectiveness, and other metrics where applicable), including performance metrics for non-resource programs, p.47.

³ Conceptual Discussion of Business Plan Metrics, p. 9.

⁴ D.15-10-028, p.53.

Additionally, SoCalGas proposes not adopting the conservative, medium, and high metric success criteria, as proposed in the Framework.⁵ Such grading scales on metric success will likely lead to additional and unnecessary regulatory compliance oversight.

Terminology

The proposed Framework suggests definitions for terms for use throughout the Business Plan. Terms such as “program intervention strategies” and “sector metrics” have been used by all PAs in the development of their Business Plans. Alignment on the definitions of these basic terms is a fundamental underpinning of statewide consistency in the development of metrics and Business Plans.

For terms where statewide alignment on definitions is required, SoCalGas proposes modifications to the following definitions presented by Grounded Research:

- **Program Intervention Strategies**⁶ – Within the Business Plans, the term ~~intervention strategy~~ refers to the ~~categories of tactics~~ *activities* used within a sector or program *offering in order to achieve sector or program objectives*. ~~These intervention strategies can be at the customer level (e.g. providing rebates or technical assistance) or at the market level (e.g. building partnerships or training market actors). These are also referred to as “sector specific” strategies. Statements of an intervention strategy should include both the strategy and the purpose for that strategy. For example, an intervention strategy could be “technical assistance (strategy) to facilitate project completion (purpose).”~~
 - The proposed edits are consistent with the established and previously agreed upon definition of “program strategy” documented in the Commission’s Energy Efficiency Policy Manual.⁷
 - SoCalGas contends that there should be no distinction between customer level or market level strategies. This essentially divides strategies into mid/upstream (market) and downstream (customer), which is an unnecessary detailed distinction in the Business Plan development and creates inconsistencies that could result in confusion to stakeholders and PA rework.
 - SoCalGas also disagrees with the inclusion of a purpose for each strategy provided. This is inconsistent with the previously referenced definition as well as earlier PA deliverables to the CAEEC.
- **Sector Metrics**⁸ – A metric is a term that refers to the measurement of something. Sector metrics refer to specific items that will be measured at the sector level (as opposed to Program Metrics, which will be measured at the program level) *to gauge sector progress towards the achievement of the desired market effects*. ~~The metrics will be unambiguous and be appropriate measures of the specific sector intervention strategy (not the tactics~~

⁵ Conceptual Discussion of Business Plan Metrics, p. 6.

⁶ Conceptual Discussion of Business Plan Metrics, p. 3

⁷ Energy Efficiency Policy Manual, Version 5, July 2013, p. 60

⁸ Conceptual Discussion of Business Plan Metrics, p. 6.

~~associated with the strategy~~). The metrics will be *readily* measurable *using available data* at a reasonable cost. ~~Metrics will also be a mix of output and outcomes.~~

- SoCalGas recommends these edits because, as proposed, the sector metrics definition refers to strategy metrics. Additionally, defining terms like outputs and outcomes is more detail than required or necessary in the definition of sector metrics.

In addition, SoCalGas is not in agreement with the introduction of proposed terms for the development of such a detailed metric Framework. Terms such as “tactics”, “success criteria”, and “indicators”⁹ are not consistently used by the PAs in Business Plans nor have they been referenced for sector metrics by the Commission in Decision 15-10-028. Given the need for consistency among PAs, SoCalGas does not support modifications to existing Business Plan work for the purpose of developing a Framework that is inconsistent with the direction provided by the Commission and may arise in confusion to the stakeholders.

⁹ Conceptual Discussion of Business Plan Metrics, pp. 2, 6, and 11.