



November 21, 2016

TO: SCE, SDG&E, SCG, PG&E, Marin Clean Energy, SoCal REN, Bay REN, Lara Ettensen, Co-Chair of CAEECC, Ted Pope, Facilitator of CAEECC

RE: Comments on Draft Business Plans

Dear Program Administrators:

The Efficiency Council appreciates this opportunity to comment on the program administrator's (PA) business plans. We firmly believe that the establishment of the California Energy Efficiency Coordinating Council (CAEECC), and the transparent process it provides has been an improvement over the formal proceeding processes in the past. This new process has informed stakeholders on what is being planned and has provided an open forum for more discussion on key areas of disagreement – allowing us to focus on solutions to move forward.

Overall, we appreciate the extensive work that the PAs put into the draft business plans and believe they are headed in the right direction. While it would have been beneficial to have greater detail on goals and budgets by sector, we look forward to the application filing in January to see this material and the business plans in their totality. Thus, these comments focus on areas where we recommend that the PAs include more specific details in the business plans that will be submitted in January.

1. Solicitation Plans

The PAs were directed by the California Public Utilities Commission (CPUC) to outsource a minimum of 60 percent of their portfolio by 2020. This will likely result in a major shift in how programs are developed and will have a significant impact on procurement approaches. Only two PAs, Southern California Edison and San Diego Gas and Electric (SDG&E), provided draft language on this topic and then only with limited detail.

The Efficiency Council respectfully requests all the PAs (investor-owned utilities (IOUs), regional energy networks, community choice aggregators, and local governments) add the material below to a solicitation-process section in the business plans. Inclusion of this information will allow market actors to effectively prepare to respond to solicitations and support a vibrant and competitive market that can offer viable and cost-effective solutions. We believe that it is in the interest of the PAs, ratepayers and third parties to facilitate a robust market for energy efficiency services.

The information requested is critical for the market to prepare to deliver the resources where and when they are anticipated to be needed by the PAs. Only by planning ahead with clear roles, processes, and schedules, can we efficiently bid and process virtually the entire California energy efficiency portfolio in the next three years. A big cost to all parties would be to have the solicitation and contracting processes derail due to poor planning.

Another big cost would be if current programs are disrupted because of lack of adherence to contracting and transition schedules. Consequently we urge the PAs to work with the procurement (or peer) review groups (PRGs) and the CAEECC to clearly delineate the “existing program to new activities” piece of the transition.

In California, the acronym “PA” means “*program administrator.*” However, given the clear direction to move toward third-party design and implementation of programs, and the ever increasing importance of utilities (and others) as administrators, we urge PAs to think of themselves as “*portfolio administrators.*” No other entities are assigned with the responsibility and task of managing the portfolio of programs and research on behalf of ratepayers. As such, thinking deeply about when and how to acquire the desired resources is a crucial piece of a PA’s performance – yet less than three pages of the business plans address this subject in the thousands that were produced for the draft plans.

Similarly, the IOUs have executed energy efficiency solicitation and contracting for years, but there is no mention in the business plans of how the new solicitations will be conducted over the next three years, what kind of peer or procurement review process will prevail, and an estimate or template of a schedule.

We summarize below requests made by both the Efficiency Council and other stakeholders during prior CAEECC meetings with some supplemental recommendations for information that should be included in the solicitation section for each PA’s plan:

- Explanation of the overall strategy. For example, is the PA going for big volume/low cost first? How will it fill niches? Replacing oldest programs first or underperforming areas?
- A clear schedule of when procurement solicitations will be released in each area, and when the solicitation process is expected to be completed. SDG&E’s schedule shown on page 12 is a good start but additional detail is requested to inform the market;
- A description of the types of solicitations planned over the schedule (e.g. open program requests for proposals (RFPs), targeted program RFPs, request for offers RFOs, master-service agreements or other vehicles). This would also include the types of requirements that a bid might contain, such as any guarantees;
- An estimate of the desired savings and budget (at an appropriate level) for each area over the next three years to achieve at least 60 percent third-party implementation;
- An estimate of the cumulative third party program percentage anticipated each year through 2020 as programs and services are contracted to reach more than 60%;
- An explanation of which activities will be held internally and why;

- A description of procurement for emerging technologies and new innovations over time (for example, will funds be reserved for this every year? If so, how much and when will the solicitations happen?); and
- A commitment that all RFPs will be publicly posted on the “Proposal Evaluation & Proposal Management Application” web site, even if they are also posted elsewhere. There need to be one guaranteed location where all bidders can find the RFPs.

A. Moving from bids to contracts. The Efficiency Council is particularly concerned about ensuring a smooth and fair process to move from bids to contracts. While a CAEECC subcommittee is working on this issue, including the role of a peer or procurement review group and an “independent evaluator,” the PA’s business plans should outline how the PAs will move from bids to signed contracts on an expedient schedule with the right level of CPUC and stakeholder oversight. The “bid to contract” schedule as a template and the roles and responsibilities of invested parties is crucial to have settled as soon as possible ahead of business plan approval since it will likely take well over a year to execute the solicitation process after approval. Now is the time to describe the process at a “template” level in the business plans.

Our understanding from statements at CAEECC meetings is that at least one utility is interested issuing solicitations in the very near future – in advance of business plan approval. If that is still under consideration, the PRG and solicitation process in development by the CAEECC subcommittee on this topic could be used by this utility to learn and adapt the process for the next set of solicitations.

B. Reducing costs by combining & standardizing some efforts. We would like to see each PA commit to working with the other PAs to standardize some aspects of the solicitation effort. For example the basic solicitations could have the same structure and request the same types of information at the general level, thus reducing the cost of market actors to respond.

2. Strategic Energy Management.

The Efficiency Council greatly appreciates the PAs choice to remove Strategic Energy Management (SEM) from the list of statewide (SW) downstream programs.¹ As we have previously commented² we continue to urge the PAs to develop SEM as a tool or approach that can be used by any implementer to work with customers to deliver savings. We hope that the final business plans reflect this opportunity. We would also urge the PAs to include opportunities for implementers to participate in discussions on how to get SEM off the ground throughout the state, since they will have valuable input on the structure of the approach.

¹ This announcement was made at the November 16, 2016 CAEECC meeting.

² See http://media.wix.com/ugd/0c9650_5811d90f7e3c4f008ac9598b1d1962ec.pdf.

3. Small Edit.

Each PA has a table that is blank at this point, but shows goals and budgets from 2017 to 2025. We ask that these tables also include 2016 as a base year so stakeholders can easily reference how the plan changes things from today.

4. Clarification on purpose of statewide downstream pilot.

The current draft plans do not include a description of the SW downstream pilots because the energy efficiency target area and lead PA were identified very late in the process. However, when the downstream pilots are included in the January filings, we encourage the PAs to facilitate a discussion with the CPUC and stakeholders on the purpose of the “pilot.” Our interpretation of D.16-08-019 is that the intent is to ensure that SW programs are “uniform” and reduce costs, but we suspect there may be other attributes that the pilot is intended to test. It would be helpful to know the hypothesis being tested in piloting downstream programs before they start so that the success of the pilots can be properly evaluated.

Thank you for the opportunity to comment on the business plans. Please do not hesitate to contact me if you have any questions.

Regards,

/s/

Margie Gardner
Executive Director