

Notes from CAEECC Industrial Sector State 2 Subcommittee Meeting

5/5/2016 10:30am-4:00pm

Location: Energy Innovation Center, San Diego, and by Webcast

Meeting Co-Chairs: Darren Hanway & Richard Jett

Facilitator/Notes: 2050 Partners

Click <http://www.caeccc.org/#!blank-28/kcm5i> for meeting documents

Notes: Presentations are generally not summarized in these notes. Please see presentation slides on www.CAEECC.org website for context. Lack of attribution for meeting participant comments is intentional by agreement of Coordinating Committee.

Welcome and Background – Darren Hanway and Ted Pope

- Discussion of process (we're in Stage 2 of 4 stages)
- Role of the Coordinating Committee (CC) and Subcommittees (SC)
 - early opportunities to weigh in on BPs
 - stay high level
- Introductions around the room and on phone.

SoCalGas Stage 2 Presentation – presented by Shawn Fife

Comment: ED Staff White Paper out on existing baseline. It generally excludes industrial and agricultural programs for the new treatment. Please comment on this aspect of the White Paper.

Question: How did you go from CEI to SEM. *[presenter noted that SoCalGas shifted its focus from non-resource CEI (continuous energy improvement) programs to SEM (strategic energy management) programs going forward.]*

Response: CEI didn't work well. We've been working with Kay and others at the ED to create an SEM program design that would use metered savings as baseline. This approach would also allow for BROs (behavioral, RCx, and operational program elements).

Question: Regarding the "results" slide, a couple of the bars show actual savings much larger than the potential savings bar. I and other implementers working in this sector see much larger potential than we think the potential bars indicate. Is SoCalGas suggesting here that they also think the potential is much larger than is indicated by the potential studies?

Comment: That potential bar is probably market potential, not economic or technical.

Response: SoCalGas believes that the studies don't fully address industrial potential. And the potential is also much reduced by ISP dispositions.

Comment: I think a new Industrial Potential study is planned.

Question: Is there a RCx program that SoCalGas partners on with SCE.

Response: BROs program elements don't really have a home now in the Industrial sector.

SDG&E Stage 2 Presentation – presented by Michelle Costello and Sandra Webb

Comment: *[in response to SDG&E assertion that capital is less of an issue in Industrial Sector compared with Commercial Sector]* The capital challenge with industrial is that there are often

numerous facilities owned by a customer and there is high competition between their many facilities for resources.

Also, there are many audits on the shelf but they don't know how to proceed. How do you bridge the gap between having tools and services available to the customers and actually getting the projects delivered?

Response: Need a third party component to the solution mix. We expect to reach out and leverage third party players to get these audits converted to projects.

Comment: Most industrial customers have strict procurement processes. I'm not clear your proposed online bidding platform is going to be that helpful, if customers need to run the procurement process their own way. What's needed is that person-to-person push to move projects forward.

SCE Stage 2 Presentation

Comment: SCE believes that customer size is the best segmentation metric.

PG&E Stage 2 Presentation – Presented by Justin Kjeldsen and Sam Zimmerman

Question: How can we make benchmarking more relevant in Industrial markets?

Response: At the high level, the customer diversity prevents benchmarking providing any value. As you break markets into sub-sub sectors you start to get more consistent data sets where benchmarking may provide value. We need to work more on this question.

Response: Also, global companies typically already have internal benchmarking processes.

Comment: You made a comment that among other stakeholders, third party implementers do not speak in financial terms to customers effectively. I disagree and believe we communicate with the customer on their terms in their language rather than how the utilities communicate about energy efficiency.

Response: Good point. We look forward to those of you implementers with that skill set to help us document best practices in terms of communicating with customers.

Comment: I agree with the previous point. Too much of the IOU interaction with industrial customers is all about the PA process, but we have to act totally differently with the customers to bring them along. In many projects, we've been meeting with and talking to the industrial customer for years setting up these projects. Then the ED kills the project. It is totally frustrating because no credit is given to the implementer for all this behind-the-scenes ground work. Often we're involved in weekly meetings over time with customers...very significant involvement.

Question: How do we get better at documenting that effort?

Response: Let's have a collaborative effort, but ED staff only want to talk to IOUs. We want the ED to talk to 3rd Parties, too.

Comment: What about developing a long term plan to sort out these documentation and attribution challenges?

Response: We need to get everyone in the room...the challenges between the perspectives of ED, IOUs and 3rd Parties is largely a communication problem.

Comment: Part of the joint development work on SEM program is development of an activity tracker. Perhaps that tool or similar activity tracker could be put into use right away for existing programs to help document the work of implementation teams so that it can be provided more effectively to the ED during project reviews.

Response: I like that idea but the problem is that our staffs got decimated back in 2008 during the recession and so given that it is a performance pay program, that kind of detailed documentation work isn't required and doesn't pay so it isn't happening. I absolutely support SEM and we do a lot of that type of work as 3rd Parties, because that is what it takes to bring customers to the table. PAs need to make the full communication work between 3rd Party efforts and ED.

Comment: We need to better document these activities (both IOU and implementer) and we need to get clear from ED what is adequate documentation to show program influence.

Response: We (implementer) are happy to help but what documentation is sufficient to PAs? These unexpected dispositions are terrible for customers and our relationships with customers.

Response: Please give examples in your project submittals that detail your efforts over time to persuade customers to move forward.

Comment: When you **verify**? Large scale pumping services, there are lots of requirements and purchase decisions involved that take 4-5 years to fully implement. These kinds of customer processes do not line up well with 1-2 PA programs.

Comment: For example, we have a big aerospace customer. We try to influence everything we can once we get inside. To the PA the role is a feasibility study. The customer wants to line up the value for the customer...not interested at all in ISP and other EE program concerns. It takes lots of time to set these projects in motion.

Question: Why is it so hard for all of us to capture this ongoing customer development work? Maybe we need to work together to create standard forms and templates to help capture these influences.

Response: That's a good approach. We need to get the right people in the room to do that. Right now there is a lack of trust.

Response: After September 1, PAs want to work reviewing and reshaping Custom process. But in the meantime implementation teams have to do a better job of documenting influence because we're really getting dinged as it stands now. Suggested the ED help formulate lessons learned and what are good examples to leverage, but we'll deal with it after September 1.

Comment: Clearly there is a huge problem here. We need to get that group process started as soon as possible.

Response: Need to have ED staff in the room for these discussions. Also, influence might need to vary based on the segment of the project you are considering. Not a universal approach for all situations.

Response: Do we really have a big problem or is it a little problem – better communication between the group?

Response: There is a mix of both. The larger problem is arbitrary ISP dispositions and disagreement between PAs and ED. I felt ill when I saw that Industrial Sector was excluded in the Existing Baseline White Paper. Third party implementers believe that in fact there is a lot of pent up demand for industrial projects. Aliso Canyon and CEC plan that suggest a new thermal plan is on the plan, which we don't really need. Other concerns include ISP, Custom Measure

Review, baseline assumptions...there is a lot of scope creep in the contracts. The elephant in the room is how do we unleash the Industrial Sector potential.

Response: We were addressing that with our reference to the grant program (*see presentation*).

Response: Please don't make it a black box. Please put it out to the market to let people compete for that. The LCR model could be applied in a ? with some budget would provide more results if you could simplify the process.

Comment: At the end of the day, the conversations we are having now drive what programs come. It all comes down to bringing in projects and these are mostly custom. So we need to make progress now as part of the Business Plan development process. PG&E is going in the right direction with the "book" they've developed and which aggregates all decisions into a guidance booklet.

Response: Thanked everyone for their input on the PG&E "book". It takes 1600 pages of decisions and dispositions and compresses into 35 page book of rules. We've already gotten some input from ED staff and are sharing it with implementers. In fact, it is posted on the CAEECC website. It is still a work in progress but it provides a lot of information. I'm frustrated because people say they don't know what the rules are. But if you read the decisions and dispositions it is fairly clear. This book makes that easier.

Response: Yes, the book definitely clarifies and helps with interpretation.

Comment: ISP...the whole concept is similar to codes. But code is well documented and publicly vetted. ISP is a whole different animal. It is somewhat arbitrary. Furthermore, those ISP savings aren't attributed. The savings just disappear.

Response: Actually, they are captured or accounted for in the CEC forecast as naturally occurring efficiency. I want implementers to understand the market and move customers toward higher than normal efficiency. There are bigger studies that could be done (for ISP) but they are expensive. Documenting influence is a PA responsibility. Utilities are doing some studies. It's (ISPs) important but it is hard to implementer and hard to apply.

Response: We agree it is hard to implement and hard to apply. If a piece of equipment is burned out, then the customer is buying ISP equipment. We find so many T-12s in our projects. They don't upgrade as Jeff and the ISP suggests, they repair indefinitely. There are a whole host of laggards in the Industrial Market. Energy is a small part of overall costs. Often compressors are 30-40 years old, for example.

Response: ISP plays the same role as a code or standard does. We don't research or verify influence in every project or baseline for every project. It is what's in (or not in) the materials submitted for the project that send us down the questioning path. If it isn't clear from the documentation, then we start looking to answer the question for ourselves. Influence is the first question we ask. Where did the program influence come in. We ask if there is a range of things that were considered or only 1 or 2 options. Then we look for the influence the program could have had on those decisions. We see a wide range of implementer approaches. Sometimes, implementers come in after the plan was already made. If no influence is shown in the description of the approach, then we ask for the financial plans (as a way of discovering influence). If the financial plan takes into account the incentive from the program, then that is an influence. If there is no evidence in the financial plans that the program had influence, then they treat it as ISP. They also look to see if the program influenced the timing of the installation. That is an influence that we count towards attribution. There are not that many cases of truly repair indefinitely, though it does happen.

Response: Most of the equipment we look at on our projects that looks like an opportunity is WAY past is EUL. The key question is, “Do they have a do nothing option?”. Following the Early Retirement protocol is a lot of work but we are doing that. For operating equipment, we need a baseline.

Response: I disagree that existence of a “do nothing” alternative is definitive of need for existing baseline. In a lot of cases customers are upgrading their line, increasing their capacity, pursuing higher profitability, or improving reliability and that business case is driving the retrofit. I agree that smaller projects are a bit different.

Response: We agree on a lot and so if we can clarify going in... It feels like we are second guessed. A problem is that you want to get all your data from IOUs for implementers customer projects.

Response: I think you misunderstood. We do request the utilities’ data. We do ask for meetings with implementer or customer depending on the issues. We expect the IOUs to stop junk projects.

Response: Well, we’d like to further break down the issue. There are a lot of challenges to fully preparing utility staff to respond to ED questions on projects that only the implementers really know. There is no way to effectively prepare utility staff to answer all possible ED questions. The utilities do the best they can but there is way to expect them to provide the most accurate answers. The implementer has to be involved in the discussions.

Response: We agree that this is an issue of communication there. But there is also paperwork documentation that helps address the ED questions.

Comment: ISP is a big headache...is there a way to reduce attribution and give lower incentives to address uncertainty that way.

Response: Yes, we do that in terms of early retirement. Think of it as accelerated program activity.

Response: CPUC decisions restricts that a little bit. The activity is required to exceed code or ISP so Jeff’s hands are tied in terms of making such allowances. Last year, the ED proposed to set a class of products where you didn’t have to exceed code. When you are [redacted] only, “to code” influence is key.

Comment: ISP isn’t rigorous. ISP is a market [redacted]. Code is very clear. We’re concerned about the stranded opportunity. SB350 sets specific goal. OTC rule also has specific time frame by when these kind of interventions could be acquired to displace the new CEC power plant that is on the books. Timing is an important policy and market issue to be addressed in SoCal IOU business plans, especially address 2020 need for a new thermal plant.

Comment: There was a reference to ISPs that were going to be part of studies. Phase 2A. Points were made [redacted] in Technical Potential studies regarding “Stakeholder” vetted ISP’s to be included. Not sure exactly what a stakeholder vetted ISP is.

Response: We tend to reach impasse on many new ISPs when doing the studies. If we can’t reach a conclusion when doing ISPs than that can’t be part of the strategy.

Comment: Need to distinguish between big and small customers. Then we need to see these smaller customer through the process.

Question: Is there a role in ISP development for the CalTF?

Response: Maybe, one of the problems is the lack of correct scope of the study. Maybe we need to be more scientific in our study approaches.

Comment: I wanted to respond to the stakeholder vetted ISP concept. There were a series of MASI (“massy”) studies done by the IOUs. These studies were done without giving the scope to the CPUC ahead of time. There was a contract to do the work in place before the CPUC even knew about the effort. They were underfunded and weren’t all well executed. In general, they were a good idea, but we encourage the IOUs to share the scope with the CPUC ahead of time. The CPUC should probably see the study proposals ahead of time and the results.

Question: Here is how EE is being provided. There are two types of programs. Type 1 is programs where the customer approaches the IOU for incentives/assistance. Type 2 is where 3rd Party Implementers under contract to IOUs are reaching out and developing opportunities. Is there a distinguishing opportunity for the way this is treated. Can we treat differently? If so, this should be discussed in the Business Plans. For example, we might have an NTG of .3 for IOU programs where the customer approaches the utility based on findings, but for 3rd Party programs where we go find the customer, it should be a NTG of 1.0 because we are influencing them to do the project. The customer may already know that they have an opportunity...they usually know before we talk to them. I can think of some examples such as a cement factory where the plan manager laid out an agenda. He already knew more or less would needed to be done. But he and other customers need the project to be packaged and developed and they can’t or don’t know how to do that effectively. That is what we bring to the table.

Response: It isn’t clear to me whether that proposal really belongs in the Business Plan or not because it is a policy. To put it in your Business Plan you need to identify the policy barrier because they are very real.

Comment: We could raise this distinction in the Business Plan, but not clear what the policy barrier would be that we would call out.

Response: Interpretation is more of the issue than policy.

Response: Please send me a write up of this for us to consider putting in the Business Plan.

Response: Yes, SCE really wants stakeholder input on this.

Comment: At the ED, delivery of 3rd Party versus IOU viewed differently. Used to view 3rd Party as having very different NTG. But not all 3rd Party program implementers produce projects of good quality. NTG has been converging over the last couple of years. One strategy is to provide a lower incentive to address lower quality projects. Solving the project quality problem one project at a time really isn’t efficient.

Comment: The “Bus Stop” concept might work well for ISP. That gives some necessary transition time for deals in play. We need to talk about how implementers can do better. And ED needs to understand...

Question: Do we need to normalize the definition of what is a small, medium and large customer between the various PAs?

Response: These definitions are not very precise and doesn’t really affect the services available to them. That isn’t how we talk to customers. This is just for planning purposes.

Response: Yes this is for “pyramid” or size segmentation. It’s mostly for analysis not how they go to market. In AB802 world, there are vendors who can help target customers so it is mostly working out planning.