BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.	RULEMAKING 13-11-005 (Filed November 14, 2013)

Comments of the Center for Sustainable Energy® in response to the Administrative Law Judge's Ruling Seeking Comment on Market Transformation Staff Proposal

Center for Sustainable Energy®

October 5, 2018

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I. INTRODUCTION

The Center for Sustainable Energy® (CSE), a 501(c)(3) mission-driven organization who works to accelerate the transition to a sustainable world powered by clean energy, welcomes the opportunity to provide comments in response to the *Energy Efficiency Market Transformation Staff Proposal* (Staff Proposal). CSE's goals are to transform and advance the market for clean and sustainable energy technologies, and over the past 22 years, we have administered and implemented dozens of innovative market transformation (MT) programs to encourage adoption of renewable energy, clean vehicle technologies, energy efficiency (EE) solutions, and behavior change. These programs include the California Solar Initiative (CSI) Program, Self-Generation Incentive Program (SGIP), and Clean Vehicle Rebate Project (CVRP). This extensive program administration and implementation experience has established CSE as an innovative and trusted source of market-informed guidance for policymakers and energy industry stakeholders.

CSE commends the California Public Utilities Commission (CPUC or Commission) for its continued efforts to address EE MT approaches in this proceeding and support the implementation of EE MT initiatives in California pursuant to the requirements of Senate Bill (SB) 350 (Stats. 2015, ch. 547). Statewide MT investments will be necessary to double statewide EE savings in electricity and natural gas end uses by 2030 in accordance with SB 350 targets. Accordingly, CSE generally supports the Staff Proposal and recommends the Commission continue to develop the framework with consideration of the following comments and inclusion of the recommendations provided in response to the Staff Proposal.

II. MARKET TRANSFORMATION POLICY FRAMEWORKS

CSE appreciates that in drafting its MT Staff Proposal, Energy Division (ED) Staff considered recommendations made by Ralph Prahl and Ken Keating in their 2014 whitepaper, *Building a Policy Framework to Support Energy Efficiency Market Transformation in California*. Moreover, we are pleased to see strong engagement with the Northwest Energy Efficiency

Alliance (NEEA), both in the drafting of the Staff Proposal and in the workshop discussion. We encourage the Commission to continue to build upon these and other best practices of successful MT efforts so that we may double statewide EE savings by 2030 and meet SB 350 targets.

III. ENSURE ADEQUATE FUNDING TO ACHIEVE LASTING CHANGE AND SIGNIFICANT SAVINGS

CSE recommends investigating the costs associated with MT initiatives comparable to those envisioned by ED Staff to determine whether $12M per Program Administrator (PA) is sufficient to achieve lasting change and thus transform the market. Given that the $12M budget must cover the cost of developing the MT Accord in addition to implementation of the MT initiative, CSE fears that the $12M may not be adequate and would consequently drive the PAs toward EE technologies that have short product development life cycles. This could steer the PAs away from markets that present huge opportunities for both energy savings and non-energy benefits.

It is unlikely that $12M will be sufficient to achieve MT for technologies that require significant market interventions in all directions (i.e., upstream, midstream, downstream), along with workforce education and training, even with the opportunity to fold efforts into the EE Rolling Portfolio. CSE recommends reviewing the costs and timelines of efforts to transform the solar industry via the California Solar Initiative (CSI). The California market for solar photovoltaics (PV) was transformed over 10 years for approximately $1.9 billion[1] in ratepayer funds, with additional market-driving programs being implemented simultaneously. While CSI does not directly mirror the envisioned EE MT initiatives, there are parallels. For example, a typical residential solar PV system is now less expensive than a whole-home ductless heat pump (DHP) system. The resources necessary to ensure an

[1] California Solar Statistics, Program Achievements Currently Forecasted: https://www.californiasolarstatistics.ca.gov/reports/budget_forecast/, updated September 26, 2018.

adequate supply of ductless heat pump technologies and trained installers, coupled with demand for DHPs sufficient to drive market transformation will likely exceed that proposed by the Commission. Similarly, NEEA is presently working to transform the market for heat pump water heaters in the Northwest and has spent $25M over 10 years to achieve only five percent market share. To see transformation of similar markets, additional funding should be made available to support the necessary interventions.

It should also be assumed that the PAs will attempt MT initiatives and fail, thereby requiring a "reset" of activities, beginning with development of a new accord. Funds expended on failed MT efforts will invariably limit the ability of the PAs to achieve lasting change in a second round with only funds remaining from the original $12M outlay. Accordingly, additional funding should be made available to support potential second round efforts.

IV. CONSIDER SAVINGS FROM CODES AND STANDARDS ADOPTION

Based on the discussion at the September 25, 2018 workshop, CSE understands that energy savings associated with market adoption after a code or standard has been adopted will not count toward the overall cost effectiveness of the MT initiatives. CSE fears this will limit the ability of the PAs to achieve the desired TRC of 1.50 over the life of the initiative. CSE additionally notes that there remains a need for MT initiatives alongside code requirements to ensure adequate contractor and salesforce training and to make technologies more affordable to end-use consumers. These efforts will ensure successful code compliance and uptake of new, efficient technologies.

CSE recommends applying California's cost-effectiveness tests to several of NEEA's MT efforts to determine the appropriateness of the 1.50 TRC goal and the feasibility of achieving this goal without the savings captured after codes or standards have been adopted. Furthermore, CSE recommends that ED Staff work with California Energy Commission staff to explore a methodology for allowing some attribution of codes and standards savings to be

allocated to MT activities. In addition, CSE recommends ED Staff instead use the TRC as one consideration in reviewing and approving proposed MT initiatives; other considerations might include non-energy benefits, peak period savings, carbon reduction, etc.

V. COORDINATION WITH NON-IOU PAS

It is unclear to CSE how the MT PAs will be expected to coordinate activities with non-IOU PAs implementing resource acquisition programs that "affect measures or markets that are targeted by the proposed Market Transformation Initiative."[2] CSE is concerned that non-IOU PAs (particularly CCAs) may not respond favorably to requests to cease offering incentives for technologies that fall into MT initiatives, particularly if the CCA is already working to offer programs designed to promote MT outside of the purview of CPUC funding. This requirement may deter CCAs from participating in CPUC-regulated/ratepayer-funded EE programs in the future. CSE wonders whether it is feasible to "demonstrate that all PAs agree not to initiate new resource programs that would directly compete or interfere with the Market Transformation Initiative"[3] or "set a pre-determined (i.e., fixed) level of free ridership for the resource acquisition programs",[4] particularly where those programs are administered by non-IOUs. CSE recommends the Commission seek direct feedback from CCAs to determine their interest and willingness to coordinate activities as laid out in the Staff Proposal.

VI. CLARIFICATION ON EE ROLLING PORTFOLIO INTEGRATION

CSE agrees with ED Staff's recommendation to initially begin the development of MT initiatives separately from the EE Business Plan portfolios. Doing so will insulate EE MT initiatives from some of the uncertainties associated with the EE Rolling Portfolio and allow the impacts of EE MT initiatives to be viewed and evaluated on their own. However, we

[2] *Draft Energy Efficiency Market Transformation Staff Proposal* (Staff Proposal), August 28, 2018, page 23.

[3] *Id.*

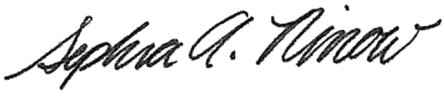
[4] *Id.*

respectfully request clarity regarding the proposal that MT initiatives can be integrated into the EE Rolling Portfolio. How does ED Staff envision the integration occurring aside from the procedure of submitting a revised Business Plan? How would costs be accounted for and savings attributed? Would other PAs be allowed to take up market-related resource programs at that point? How would the CPUC view an effort to transform the market for a technology that bridges EE and demand response, such as a home energy management system, particularly with respect to integration into the EE Rolling Portfolio? CSE believes a few hypothetical scenarios may be useful to help demonstrate ED Staff's thinking on this matter. Moreover, CSE requests an additional workshop to discuss the Staff Proposal among stakeholders after comments have been submitted and prior to adoption of the Staff Proposal, perhaps after ED Staff releases a revised staff proposal, if applicable.

VII. CONCLUSION

CSE appreciates the opportunity to provide these comments regarding the Staff Proposal and supports continued development of the proposed framework incorporating the recommendations provided in these comments.

October 5, 2018



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