ACEEE
American Council for an Energy-Efficient Economy
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California Public Utility Commission
Re Rulemaking 13-11-005

Dear Administrative Law Judge Fitch,

The American Council for an Energy-Efficient Economy (ACEEE) has reviewed the Market Transformation Staff Proposal and commends the CPUC for initiating this proceeding in order to find a path forward for market transformation in California. California was a leader on market transformation in the 1990s and it is heartening to see California getting "back into the game". Prior ACEEE research has found that the market transformation approach can expand the range of energy efficiency opportunities beyond those available from the traditional resource acquisition approach, and successful initiatives can leverage large savings at moderate cost. We encourage the Commission to use a portfolio approach with regards to market transformation. Some market transformation initiatives will not be successful and some will be wildly successful. When the successes and failures are combined in a portfolio, performance is likely to be very positive, with large net benefits. But there should not be an expectation that all, or even most, initiatives will be successful.

We think the general approach outlined in the Staff Proposal is a good outline, but suggest a few refinements to the specifics as follows:

Market Transformation Accords: We support the concept of working out details and plans in an accord, but worry that the structure envisioned is too static. Market transformation initiatives are most successful when they can adapt to changing information and shouldn't be locked in cement. We suggest that dynamism be encouraged, not constrained.

Milestones and performance incentives: We support the idea of monitoring milestones and providing performance incentives based on key milestones. However, performance incentives shouldn't stifle the need for creativity and adjustments. We would prefer modest incentives if that is what is needed to allow flexibility. We also note that performance incentives should generally not be triggered by modest initial steps but instead incentives should be offered when substantial significant milestones are reached such as large increases in available models and supporting infrastructure and ultimately in achieving significant market share.

Benefit-cost ratio: A requirement for a B/C of at least 1.5 could be very constraining, particularly for residential initiatives where passing a B/C of 1.0 can be a challenge. We recommend that the 1.5 be reduced to 1.1, or at most 1.2. In assessing B/C, typically a period of around five years might be common, but periods of up to 10 years might be permitted for initiatives seeking important breakthroughs with large long-term benefits.

Canceling an initiative: If an initiative falls short of initial goals, it should be given a chance to revise its plan based on lessons learned, and proceed provided the long-term projected B/C is still greater than the required minimum. If the revised initiative falls short of its new goals, then cancelation should be considered. However, in some cases with compelling reasons, a third try should also be considered.

Initiative Committees: The idea of having some key allies and experts on an advisory committee for each initiative is a reasonable idea, but the committees should be small enough to be workable and not involve too

many face-to-face committee meetings. Instead, one-on-one conversations with key committee members or committee conference calls can be used to get input with only a few face-to-face meetings.

Budget cap: It is unclear the time period to which the proposed cap of $12 million/PA is to be applied. If this is an annual cap it is probably workable, even though this amount will only be a small share of California's roughly $1 billion/year in energy efficiency funding. But if $12 million/PA is a multiyear cap, then it appears to envision a very small effort and we suggest a higher cap be considered.

We have deliberately kept these comments brief, figuring that many other people will be commenting on the details. Please let us know if you would to discuss any of our recommendations. Thank you for considering them.

Sincerely,

Steven M. Nadel
Executive Director