**CAEECC-Hosted Market Transformation Working Group (MTWG)**

**3rd Meeting of the Phase II WG**

**November 16, 2020, 12-3:00 PDT**

**Draft Meeting Summary**

Facilitators: Dr. Jonathan Raab & Katie Abrams

There were approximately a 17 MTWG members and a half-dozen non-member participants on the call. A full list of meeting registrants is provided in Appendix A. Meeting materials are provided on the CAEECC website at: <https://www.caeecc.org/11>

# Goals and Meeting Summary Format

J. Raab provided an overview of the agenda and goals for the meeting.

The meeting summary highlights clarifying questions and discussion on each of the major documents that will be tied together into a MTWG report. J. Raab guided the discussion while scrolling through each document section by section. The meeting page contains the redline versions of the documents that J. Raab edited live during the meeting.

# Discussion on WG Context

A member asked how the issues fit in with demand forecasting and IRP, asking in particular if these issues are relevant to the Potential and Goals (P&G) discussions? Another member followed up with a question on how the options will be decided - by Energy Division (ED) or the Market Transformation Administrator (MTA, or “Administrator”)?

In the context of members’ questions, he asked C. Torak of the CPUC to speak to the sequence of how ED will review the CAEECC proposal, within the context of the MTA request for proposal (RFP) process. C. Torak replied that while she can’t speak to the RFP process, the goal is to put a bow on this WG, even if it’s non-consensus. ED doesn’t anticipate providing more definitive guidance before the MTA begins its work, so many outstanding issues are expected to get resolved through the bid process or a subsequent process once the Administrator is on board. When the MTA submits their application, that will trigger a Decision. Therefore, the longest it would take to receive guidance through a decision is 3 years, but she anticipates issues being resolved sooner through other means.

Throughout the meeting, members posed a variety of process question related to scope and the level of detail needed based on C. Torak’s opening comments on CPUC timing and process

* Since this proposal isn’t going directly to the Commission to inform a Decision, does it make sense to have these details worked out through an EM&V process that leverages robust stakeholder engagement?
* What evaluation group would further refine and decide this?
	+ Perhaps Project Coordination Groups, or a CPUC consultant, or EM&V WG
* C. Torak: Does the WG want these concepts vetted by EM&V, or prefer for EM&V to officially adopt one of these options or develop its own guidance? CPUC won’t have a decision either way, but the more that the WG can provide a proposed process, the more the CPUC can accomplish through negotiations and process onboarding with the MTA. In short, this report will be not be officially implemented but will help inform the process.
* Are the goals for the MTIs, and therefore the MTA, going to feed into energy savings planning for the demand forecast or Integrated Resource Plan (IRP), or solely savings attribution?
	+ C. Torak: We will certainly submit savings to the California Energy Commission (CEC), but we don’t yet know if MTI and MTA savings will go into demand forecast or Integrated Resource Plan (IRP). Once we have experience under our belt, this may begin to affect what we report. So, at this point, the Potential and Goals (P&G) process won’t be affected by Market Transformation.
	+ A member reflected that this makes it less critical to get all these pieces ‘exactly right’ since it won’t impact the demand forecast or IRP, though it’s important to get it right for reporting purposes

J. Raab reminded the group of CAEECC’s ground rule that when there are two or more options, members must pick among the options. In the first phase of the MTWG, we deviated slightly by allowing some WG members who felt both options were acceptable to put their names on both options.

# Attributing Savings Between MTIs and Other EE Efforts

## Savings Attribution between MTI’s and Resource Acquisition Programs

J. Raab showed a document presented at previous MTWG meetings, titled “MT & RA Savings Attribution (11-10-20)”, posted to the meeting page, linked above. He explained that the basic approach hasn’t changed since the last meeting: RA savings be subtracted from MTI savings.

M.Gardner who edited the draft to reflect discussions at last sub-WG on Savings Attribution explained that the biggest change since our last discussion was the sentence: “Some RA programs may calculate savings on a whole building or meter basis, and in these cases, an estimate must be made for the portion of metered RA savings that overlap with the MT measures”

*Clarifying questions and discussion/reservations*

* Can we link the following two bullets for clarity sake: “MT savings are derived by…” and “Verified RA savings…”? And can someone explain sub bullet on net-to-gross (NTG) (sub bullet begins with “In cases where the RA and MT programs are collaborating…”)?
	+ This concept is from the original CPUC proposal on Market Transformation, and is also featured in one of ED’s decisions in an appendix - is the possibility that an MTI could cause an RA’s NTG to decline, so one option is to freeze the NTG
	+ C. Torak: There is a synergy between RA and MTI– MTI may create both higher savings and higher free ridership; that’s the point. RA programs can help by providing more access. Goal is to make them more collaborative not competitive; it is reasonable to freeze NTG for a few years so it’s not necessary to parse out attribution and spillover; in return RA needs to realize that MTI may reduce RA savings, so may need to refocus RA towards end of MTI lifecycle. Initially, programs would use the same fixed value; and down the road, they may use independent evaluation or MTA’s evaluation resources to adjust.
	+ The main purpose of this document is to focus on second bullet. This is a widget based savings model, and complication occurs when deducting RA verified savings not units – this allows for the possibility that RA savings could be slightly different due to RA and MT administration processes being different
		- Suggested redlining “pre-RA adjustment”
* In the Strategic Market Plan Logic Model, the RA would only be able to exercise this option if they’re executing a portion of the Implementation Plan, which is essentially an overarching plan with different people executing different components. This would be evaluated on a frequent basis.
* Do we need to cross reference or put a pin in the Energy Efficiency (EE) Filing WG process – will we have two different requirements for how to handle DEER values and NTG values in typical EE programs and Market Transformation programs? Also, does this framework work for non-widgets? Perhaps that is less relevant given C. Torak’s IRP comments at the beginning of the meeting.
* If MTI increases or accelerates adoption and then decreases NTG, would that need to be taken into account in future P&G study?
	+ C. Torak: Yes, if we freeze NTG it could apply to P&G of RA programs
* We’ve seen real world examples with the TECH initiative implementers where there are potential conflicts between RAs and MTIs; important to consider competition
* Instead of “MT savings” can we distinguish “savings” from “market savings”, and add a footnote explaining RA, whole house, and metered savings?
* Text makes it appear that if there’s any MT activity it should go to MTI, but RA savings will have market effects that aren’t in CEDARS, and those need to be attributed to the RA programs.
	+ The Northwest (NW) has dealt with this for a long time and it’s extremely challenging and expensive to conduct detailed studies, so the NW has defaulted to net out RA units, even if it includes some spillover claims.
* It appears as though there’s a program design issue and a double counting issue. The simplest approach is to use whatever the CPUC counts.

J. Raab explained that members will have one final chance to review the document, but once finalized, it will be considered a consensus proposal.

## Savings Attribution between MTI’s and Codes and Standards

J. Raab transitioned to “MT & CS Savings Attribution (11-10-20)”, posted to the meeting page, linked above. As with the previous document on MT & RA savings, this document has been circulated and presented in past MTWG meetings.

J. Raab segmented to the discussion to focus first on sub-WGs consensus recommendations (1-6b), then non-consensus recommendations.

***“Proposal” sections 1-6b: Clarifying questions and discussion/reservations (organized by document section)***

* “Background”: A member proposed adding “above and beyond those embodied in planned C&S activities at the time the MTI is proposed” because changes are driven by DOE, ASHRAE, and CEC.
* #3: A member proposed a redline “near and long-term” performance criteria.
* #4: A member proposed redlines to add “and planned C&S activities at the time”.
	+ A few members disagreed with the redline changes. One said that planned savings from MTA should correlate to attribution. And another asked if the amendment opens the door for the C&S Administrator to plan everything, including things they wouldn’t normally do, such that it would be challenging to design an MTI without C&S elements?
	+ J. Raab highlighted in yellow the redlines that prompted concerns (added “and planned C&S and RA activities at the time an MTI is proposed”), to be revisited before finalizing the document
		- J Luboff said C. Yin chat’s may solve his concern: “An MTI can have pre-code savings, and post-code savings. If they are talking about both types of savings, then we need to talk about PA pre-code savings (from the RA program) and PA post-code savings (from C&S).”
* #6: A member proposed a redline to subtract RA savings
	+ Members disagreed on whether or not to discuss RA within the C&S section of the proposal

Transitioning to the non-consensus items, J. Raab summarized that the WG is at the point where we need members to pick which option they want to support if we can’t bridge the differences today with a consensus option (which would be our preference); since only about 4/18 members had voiced which option they support before the meeting.

***Section 6c and 6d – Attribution and Weighting “Factors” Option A (CodeCycle, Jay Luboff Consulting LLC)***

D. Suyeyasu and J. Luboff presented slides for Option A (see “MTWG 11-15-20 Option A Slides (11.16.20)”, posted to the meeting page).

*Clarifying questions and discussion/reservations*

* A member expressed reservations with this approach, suggesting that this option ignores the current evaluation process and body of evaluations that have already been completed.
* A non-member provided a link to recent evaluations: <http://calmac.org/publications/FINAL_NMR_MT_Practices_Report_20131125.pdf> and <http://calmac.org/publications/20010301PGE0023ME.PDF>
* A member supported the proposal; stating that this option is significantly different from traditional C&S so need to determine how to handle first tranche of funding; need to leverage economic expertise from groups like E3
* What is the “other” category on the table on the last slide?
	+ D. Suyeyasu: It could be a variety of things – RA, market, or other influences
* The table on the last slide shows that all savings would be split between C&S and MTI, but the “total” column doesn’t add up to 100%. How does the split work?
	+ D. Suyeyasu summarized that this option allows for RAs that specifically target MTI to receive attribution, but that typically the split would be for C&S and MTI

***Section 6c and 6d – Attribution and Weighting “Factors” Option B (SCE and PG&E proposal)***

P. Eilert and R. Higa presented Option B. In sum, they propose a CPUC-assigned evaluation team develop Ex Post EM&V protocols covering both C&S and MTI attribution to ensure that MTI and C&S impacts are accurately assessed. In addition, they provided feedback toAttribution “Factors” 4 - 6 from the Option A proposal:

4. Accelerating the rate of market adoption to meet market acceptance requirements

* This conflates NOMAD with attribution. Accelerating market adoption would change the NOMAD curve but would not directly contribute to adoptability.

5. Reducing the cost of a measure to meet the cost-effectiveness thresholds for regulatory adoption

* How does one separate reducing cost from cost effectiveness? Also, measure cost reductions occur independent of MTIs?

6. Completion of market transformation objectives in accordance with the MTI logic model

* Mere completion of an MT activity has no bearing on the success of a code proposal. Code readiness activities, for example, are embodied in one of the CEC’s success factors and MT activities should be assessed consistently to ensure equal treatment.
* Changes to evaluation protocols require rigorous review by evaluation professionals. Adding three more factors would further increase complexity. Assessment of MT activities requires evaluation of ET and RA.

In addition, members of the Option B team mentioned that items 4 - 6 are inconsistent with the foundation of the protocols which links support activities to the CEC’s code change success factors (cost effectiveness, feasibility, and compliance methods) which are based on Warren Alquist. IOU advocacy is assessed based on quality of support relative to these primary success factors and are weighted to capture the relevance.

P. Eilert and R. Hilga also had the following feedback to the Weighting Factors from the Option A proposal:

1. What were the relative levels of resources applied to each Factor?

* This incents spending versus results and may increase waste. For example, the MTI might be incented to spend $10 million when the code change need may be satisfied by a $1 M investment. Results matter, not level of spending.

2. What was the relative level of risk associated with each Factor? (i.e. a higher risk would result in a higher weighting)

* This seems a bit illogical because ratepayers are bearing the risk, not the MT implementer. Results matter, not level of risk.

3. To what degree did the Factor accelerate the adoption of the code measure as compared to an assumed base case with no ratepayer funded activities?

* May change the NOMAD curve but not impact attribution factors.

4. An effort should be made to avoid bias in the weighting of Factors that might unduly give a higher weight to events more recent in time merely because they are more vividly remembered.

* This is not unique to MT, for example, IOU work may occur 6-10 years before a code change.
* Appendix B recommends moving factor-weighting process forward to just after formation of the MTA to increase transparency. Rather than increase transparency, this shifts risks from MT to the ratepayer. During a code cycle which spans 4-5 year, input from the Energy Commission and industry representatives causes reassessment of needs, additional or different research, etc. so the importance of an activity to a code change cannot be determined until after code adoption.
* These recommendations further illustrate the need to engage independent evaluation professionals. While parties with potential future financial interest (including IOUs) can provide input, the development of a new protocols should be conducted separately by Commission-assigned evaluation consultants.

*Clarifying questions and discussion/reservations*

* Does the proposal suggest that work by the independent evaluator happen exclusively after the code is adopted
	+ P. Eilert: This element of the proposal defers to other entities and processes

***Proposal to bridge 6c-d Options A and B***

A member proposed that since this proposal isn’t going directly to the Commission to inform a Decision, does it make sense to have these details worked out through an EM&V process that leverages robust stakeholder engagement?

Another member expressed support for this proposal, further suggesting that this proposal lays a foundation that EM&V workgroups could refine by collaborating between this WG and an EM&V WG, or perhaps through the P&G and ex-post team.

***Section 7 – Pre-Allocation of Savings***

D. Suyeyasu and J. Luboff (CodeCycle, Jay Luboff Consulting LLC) presented the case for Option A. P. Eilert presented the case for Option B (SCE and PG&E proposal).

P. Eilert and R. Hilga had the following feedback:

• Rather than position MT for collaboration, Option A disconnects MT spending from the need to produce real results for California and ratepayers, so preallocation of savings will undermine MT efforts in the long-run.

• A key difference between Option A and Option B teams is that the IOUs are not asking for special treatment. We are simply asking that

- MTI savings are incremental to IOU activities

- ratepayers be protected through rigorous planning and evaluation, and

- that MT efforts do not undermine a highly successful program which directly supports state policy goals and ratepayers

• Achieving these objectives requires

- A seat at the table for the Statewide C&S PA lead when MTIs are evaluated for selection

- A clear hand-off to the Statewide C&S PA lead when it becomes clear that a measure will be included in an upcoming code cycle … advocacy has become a highly coordinated activity which evolves quickly when code setting bodies become involved

- Ex-post evaluations which estimate C&S and MT savings in the same way

J. Raab solicitied clarifying questions and discussion/reservations for both options, but only the proponents of options A and B (D. Suyeyasu and P. Eilert) spoke up.

D. Suyeyasu asked whether WG members, especially IOU representatives, are ok with higher market savings but lower IOU savings (i.e., in the event that savings are attributed from C&S to an MTI for providing additionality)? Can we define “incremental”?

* P. Eilert expressed an openness to ex-post evaluation but not pre-allocated savings. He clarified that “incremental” relates to NOMAD and what’s already being planned by RA and C&S

Then P. Eilert expressed that the option B team is interested in real results based on rigorous evaluation; to the extent that there is subjectivity in evaluation, it should be handled by an independent evaluation team ex-post, and not by the people who are doing the work. A key difference between Options A and B is that we’re asking for everything to be done on an equal basis. MTI needs to expand but not share the pie. Ratepayers need to be protected by rigorous planning and evaluation. Lead C&S PA needs to be involved in evaluation and selection of MTI; need a clear handoff to C&S lead. During the first three quarter of of 2020, C&S delivered approximately 76% of kWh and 57% of therm savings to IOU portfolios[[1]](#footnote-1); there needs to be additionality, and while we welcome ways to expand capacity, but remember that code setting bodies are at capacity, so really need to focus on big market problems

Other members declined to weigh in on the options.

**Setting Savings Goals for MTIs and Other EE Efforts**

J. Raab presented the “Setting MT Goals (11-10-20)” document (posted to meeting page, linked above), and walked members through a proposal on how savings goals could be set for the MTA.

J. Burrows (PG&E) expressed reservations with the approach of portfolio savings goals for the MTA, noting that there’s not consensus. He offered to propose an alternative, which J. Raab added in redline as “Option B: at the MTI level (for savings and other goals)”.

A few members expressed support for setting MTA goals at the portfolio level, citing, for instance, that the MTA decision outlines progress indicators that would lead up to a portfolio goal. Another member explained that in the NW, MTIs are managed around an overall forecast; the value of an overall portfolio goal is that it keeps the MTA focused on energy savings as the main priority. A portfolio level goal allows for risk taking. Options A and B aren’t mutually exclusive.

J. Raab summarized that the member (J. Burrows, PG&E) with concerns will need to develop a write-up specifying an alternative option.

J. Raab then transitioned to discussion of new issue raised by the CPUC: “MTI Goals if Implementer is a California Program Administrator”. C. Torak provided context by explaining that the CPUC is trying to determine if there could be an issue with IOU PAs participating directly with this work, because it wouldn’t help IOUs with their own savings goals and cost-effectiveness. Would this hinder collaboration? A staff proposal sets a goal where IOUs could receive credit towards MTA and PA implementer goal, but not for purposes of reporting to legislature for SB350.

J. Burrows stated that he, and perhaps the other IOUs would like to preserve their right to propose MTIs because PAs may want to propose work that has long-term value to ratepayers but that could have short-term impacts to EE portfolio. RA portfolio has some flexibility to juggle programs with different levels of cost effectiveness, although recent Annual Budget Advice Letters (ABALs) have demonstrated it’s increasingly challenging to juggle cost-effectiveness. This could be a useful testing ground.

# Other Issues for MTWG to Address

J. Raab recommended based on his consultation with ED, that the following four issues be taken up elsewhere and later – either through this WG, the MTA, or other means. The WG’s current focus is to wrap up savings and goals related issues.

* *Other potential topics WG topics from Prospectus:*
	+ How to ensure minimal duplication or negative overlap between market transformation initiatives administered by the MTA and Other EE Efforts.
	+ [Optional and only if directed by ED—Flesh out further the proposed cost-effectiveness framework for Market Transformation Initiatives vis a vis evolving overall EE cost-effectiveness framework issues.]
* Other potential topics identified during MTWG discussions:
	+ Setting non-Savings Goals, and evaluating the MTA performance
	+ Establishing baselines for MTIs

# Wrap Up/Next Steps

J. Raab proposed the following next steps, to be finalized by Co-Chairs and CPUC

1. **Savings: MTIs and RA:** close to done but needs some language tweaking and a footnote (need to assign a lead)
2. **Savings: MTIs and C&S**: 2 significant pieces that need work:
	1. **Factors and weighting**: explore whether there’s a bridge option that determines a reasonable process and group to take on proposal, looking at existing proposal by some MTWG Members as background. If this approach is unsuccessful, then WG can return to options A and B and weigh in on which option(s) support

                                                              i.      Jay and Dan to frame up options, including use of independent evaluator to bridge

                                                             ii.      J. Raab to consider facilitating a call to explore bridging this gap (Dan/Jay, and PG&E/SCE)

* 1. **Pre-allocation**: not hearing a bridging option, so need to move to finalize language by proponents of each option and then facilitation team will have WG Members weigh in on which option(s) each WG Member will support consistent w/CAECCC groundrules
1. **MTIs and Goals**: need alternative option B so we can discuss and have WG members weigh in on alternatives if non-consensus (J. Burrows, PG&E)
2. **Next official MTWG meeting in mid-January**– with significant pre-work done in advance, including moving all material into single text document (Facilitation Team)
3. **Post documents redlined during the meeting:**two Savings and one Goals document(Facilitation Team)

# Appendix: Meeting Registrants

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| **11.16.20 MTWG Meeting Attendance** |  |
| **Company** | **First Name**  | **Last Name**  |
| California Energy Commission | Brian | Samuelson |
| CEDMC | Serj | Berelson |
| CEDMC | Greg | Wikler |
| CEE | Bernie | Kotlier |
| Code Cycle | Dan | Suyeyasu |
| Concur | Katie | Abrams |
| CPUC | Ashlyn | Kong |
| CPUC | Christie | Torok |
| CSE | Stephen | Gunther |
| CSE | Raghav | Murali |
| Don Arambula Consulting | Don | Arambula |
| Energy Solutions | Teddy | Kisch |
| Enervee | Anne | Arquit Niederberger |
| Jay Luboff Consulting | Jay | Luboff |
| NEEA | Jeff | Harris |
| NRDC | Lara | Ettenson |
| PG&E | Jonathan | Burrows |
| PG&E | Pat | Eilert |
| Raab Associates | Jonathan | Raab |
| Resource Innovations | Margie | Gardner |
| SCE | Randall | Higa |
| SCE | Brandon | Sanders |
| SDG&E | Mike | McConnell |
| SoCalGas | Benjamin | Piiru |
| SoCalREN | Julie | Tan |
| The Energy Coalition | Marc | Costa |
| **Observers/Attendees** |  |  |
| 2050 Partners | Ted | Pope |
| Don Arambula Consulting | Frank | Spasaro |
| DVNGL | Nick | Brod |
| Lincus | Cody | Coeckelenbergh |
| Mendota Group | Grey | Staples |
| N/A | Craig | Tyler |
| SCE | Joni | Key |
| SCE consultant/Yinsight | Carol | Yin |

1. CEDARS Q3/2020 energy efficiency program results for the four CA IOUs. [↑](#footnote-ref-1)