BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

COMMENTS OF
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON THE
PROPOSED REFERENCE SYSTEM PLAN AND RELATED COMMISSION POLICY
ACTIONS

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I. INTRODUCTION


II. BACKGROUND

The Council is a statewide trade association of non-utility companies that provide efficiency, demand response and data analytics products and services in California.¹ Our member companies employ many thousands of Californians throughout the state. Our member businesses include implementation and evaluation experts, demand response companies, engineering and architecture firms, data analytics firms, contractors, financing experts, energy service companies, workforce training entities, and manufacturers of energy efficiency products and equipment. The Council’s mission is to support appropriate energy efficiency and demand response policies,

¹ More information about the Council, including the organization’s current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at http://www.cedmc.org/. The views expressed by the Council are not necessarily those of its individual members.
programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

The Council appreciates the opportunity provided throughout the proceeding to provide feedback on the Reference System Plan (RSP) and its role in Integrated Resource Planning (IRP) and related planning processes.

III. DISCUSSION

The Council generally supports the framework of the Proposed Reference System Plan (RSP), the greenhouse gas (GHG) targets for the Integrated Resource Plan (IRP), and planned efforts to better integrate demand side resources, such as energy efficiency and demand response, into the optimization of future IRPs, including staff efforts to develop a Common Resource Valuation Methodology (CRVM). However, energy efficiency is not modeled at mandated levels, which limits (or decreases) its value as a plan to reduce greenhouse gas emissions and to meet state policy goals. We recommend changes below to rectify this situation. The comments below include responses to certain Questions for Parties posed in the Ruling, as well as general comments.

1. Question 2.2, #1: Please comment on the appropriateness of the baseline resources included in the RESOLVE model. What changes would you make and why?

   The Council recommends the use of a baseline resource level for energy efficiency that considers fully the adopted Senate Bill (SB) 350 seeking to double energy efficiency and the very near-completed work of the California Energy Commission’s (CEC) work to establish targets to double energy efficiency.

   The default baseline energy efficiency resource in the proposed RSP is 1.5 times the 2015 Additional Achievable Energy Efficiency (AAEE)\(^2\) or equivalent to the CEC 2016 Integrated Energy Policy Report (IEPR) Mid AAEE plus Assembly Bill (AB) 802.\(^3\) At the July 27, 2017 Workshop on Preliminary RESOLVE Results and at the September 25-26, 2017 Workshop on

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\(^2\) Ruling Seeking Comment on Proposed Reference System Plan and Related Commission Policy Actions, Attachment A, slide 13. (Unless otherwise noted, references of Attachments refer to this Ruling and Attachments.)

\(^3\) Attachment A, slide 27. It is also not clear the extent which these descriptions (on slide 13 and slide 27) denote equal levels of baseline energy efficiency.
the Proposed RSP, the Council inquired as to why energy efficiency was not assumed to be doubled in the default scenario. Commission staff cited the CEC’s efforts at the time to establish the energy efficiency doubling targets as reason to treat this doubling of energy efficiency as pending, and therefore not necessary for use as the default. While Commission staff noted that the “doubling of energy efficiency” was considered, it was only included in the sensitivity analysis because energy efficiency, among other demand side resources, could not be optimized in the RESOLVE modeling.

Considering the lengthy timeline between this proposed RSP and the next round of IRP, it is inappropriate and imprudent to ignore the legislated target and the significant work by the CEC to establish the targets. A draft report on the doubling of energy efficiency was released on August 28, 2017 and its adoption is anticipated next month; it is no longer justifiable to cite uncertainty about a goal that is both adopted into law and is actively being implemented. The CEC draft report set targets just short of doubling energy efficiency from existing energy saving approaches. The draft report still maintains that there is a gap, but also proposes measures and activities that can fill that gap (such as conservation voltage regulation); the CEC is confident that the state will be able to identify and implement savings to meet those targets. Based on this, the doubling scenario should be included as the default baseline in the RESOLVE modeling.

The Council notes that sensitivity analyses have been completed for a scenario for “adoption of energy efficiency, consistent with the SB 350 doubling goal;” it therefore should not be prohibitively difficult to use the “doubling of energy efficiency” scenario as the default (and for the load serving entities (LSEs) to include their most updated energy efficiency numbers in their own IRPs).

Lastly, as the Council commented at the prior workshops, energy efficiency is a resource and even when not optimizable, as is the case in this draft RSP, energy efficiency should be displayed visually as a first-in-loading-order baseline resource in the IRP. While the draft RSP includes an asterisk on its slides denoting that demand side resources are embedded in the baseline, it is important to properly recognize these resources with a visualization of the baseline resources being assumed in the RSP. The Council requests that a slide be added that visualizes energy efficiency among other demand side resources included in the default baseline scenario.

4 Ibid., Slide 183.
2. **Question 3.3, #9: Do you agree with the recommendation to utilize the 42 MMT Scenario for IRP planning purposes? Why or why not?**

   The Council supports the proposed RSP target of 42 MMT for planning purposes. This scenario supports state goals to reduce greenhouse gas emissions and will provide the necessary longer-term outlook and trajectory needed now to meet these important goals in the future.

   Further, the Council notes that “The same quantity of baseline resources are assumed in the Default, 42 MMT, and 30 MMT Core Cases.” This highlights a significant limitation on this current RESOLVE model, in that demand side resources, such as energy efficiency and demand response, are not optimized, and thus cannot be valued and properly included in the context of these different goals. When the Proposed RSP notes that the “42 MMT target results in lower overall costs and financial risk than a 30 MMT target in 2030,” it should be considered that costs and risks associated with 42 MMT and 30 MMT scenarios may be inflated if demand side resources, such as energy efficiency and demand response, are assumed to be static. These resources would likely be increased and the costs reduced in the scenarios calling for increased reductions in GHG. As further example, in the sensitivity analysis, the more energy efficiency that is included in the model, the fewer supply side resources are needed and the greater cost savings are achieved.

3. **Question 6.2, #24: Should the Commission utilize the GHG Planning Price as an input to the IDER avoided cost calculator, as described in this ruling?**

   The Commission should utilize the GHG Planning Price resulting from the RESOLVE model and under the 42 MMT scenario. This would be consistent with expectations laid out in D.17-08-022, which adopted an Interim GHG Adder and allowed for a waiver on updating the Avoided Cost Calculator “until May 1, 2018 or until a permanent greenhouse gas adder is adopted by the Commission, whichever comes first.”

   Adoption of this GHG Planning Price, and the linear trajectory proposed by CPUC staff

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5 Ibid., slide 26.
6 Ibid., slide 8.
7 Ibid., slide 185.
8 D.17-08-022, pg. 18.
will support, even more than the Interim GHG Adder adopted under R.14-10-003, the necessary ramp up of energy efficiency to meet various state policies, including state GHG goals, and the doubling of energy efficiency. This permanent GHG Adder will help for better valuation of energy efficiency and demand response in related proceedings and future rounds of IRP where these resources will be optimized.

Adoption of the permanent GHG Adder, will allow for the necessary work in other proceedings, such as R.14-10-003 (Integrated Distributed Energy Resources (DERs)), to move forward and align with work in this proceeding. The Council encourages the Commission to continue its efforts to align the work in the various proceedings that ultimately interact with one another, particularly in terms of policymaking around energy efficiency, demand response, and their valuation in the context of other DERs.

4. Question 6.2, #25: If the Commission were to engage in development of a CRVM, a) What resource areas should be prioritized for incorporation into the CRVM?; b) Do you have specific recommendations for the appropriate structure of a CRVM? Include examples from other jurisdictions where possible; and c) What would be the appropriate application of such a method?

The Council is encouraged by and is committed to participating in efforts by CPUC staff to develop a CRVM proposal to ensure that costs and benefits used in the IRP are reflected in bid evaluation and program funding authorization across resource types.

An important first step is to formalize the intent to treat demand sides resources as optimizable resources. Energy efficiency and demand responses are resources that would clearly benefit most from prioritization into the CRVM. Discussion around the “Path to Future All-Resource Planning” begins to do this; Commission guidance would be beneficial to guiding the CRVM efforts.

It is not clear, in the request for which resources to prioritize, whether a methodology is being developed for each resource separately or if a general methodology is being developed for application across resources. Development of a CRVM should provide for some consistent valuation and application across DERs, while still allowing for certain characteristics of each DER to be accounted for in the methodology. It would be helpful to better understand the CPUC’s proposed process to develop a CRVM; including a stakeholder process that ensures representation from the different applicable DERs. The Council would agree that special
attention or priority be given to resources not currently included in the IRP optimization analysis, including energy efficiency and demand response.

The Council looks forward to learning more about the various DER valuation structures that exist in other states, and analyzing their advantages and disadvantages, before making a specific recommendation on which methodology might be most informative to the Commission’s CRVM efforts.

5. **Question 7.2, #27: Please comment on the slides in Attachment A titled “Path to Future All-Resource Planning” with respect to the following: a) Are any of the conclusions, implications, or action items inappropriate? If so, how would you amend them? Are there any conclusions implications, or actions missing that the Commission should consider? Explain.**

The Council appreciates the opportunity to provide comments on the energy efficiency and demand response “Path to the Future All-Resource Planning” slides, and looks forward to working with the CPUC Staff on the next steps in this important process “to optimize more resources such as energy efficiency, demand response, and electric vehicles in future cycles.”

**Energy Efficiency**

- **Conclusions:** The conclusions are generally appropriate. The Council would expand the second conclusion, “Inputs used in current IRP analysis may understate EE costs, thus potentially resulting in overstated benefits,” to recognize that the cost of energy efficiency, like other resources, is a product of multiple factors, some of which the Commission, staff, and policies have direct impact. As an alternative, the Council would propose the conclusion, “Realization of the benefits of energy efficiency in the current IRP analysis will require continued work to improve policies that support and properly value energy efficiency.”

- **Implications:** The implications are generally appropriate. The Council remains concerned that energy efficiency is not visible and its importance as a baseline resource is not

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9 Attachment A, slide, 130.
10 Ibid., slide 132.
11 The Council also notes that costs of other resources are equally uncertain in many cases, and therefore this uncertainty should be noted in, for example, the gas price section and treated with similar sensitivity.
formally recognized. As such, the Council proposes an additional implication, “It is critical that energy efficiency, as the first-in-loading-order resource, and a significant component of the baseload and overall mix, is properly accounted for in the IRP modeling process so the full extent of its impacts on cost, GHG, and other benefits are included in modeling results.”

- **Action Items:** The Council agrees with the listed action items, and has no additional action items to offer at this time.

**Demand Response**

- **Conclusions:** The Council agrees with the listed implications, and has no additional implications to offer at this time.

- **Implications:** The current list of implications illustrates that the full value of demand response resources is not clearly understood; in particular the different valuations of types of demand response. The Council recommends that a broader implication be added, “Additional research is necessary to fully understand the potential value demand response resources offer; the current IRP may be understating the types of benefits demand response can offer.”

- **Action Items:**
  - The first proposed action item, “Develop a transition plan that can address gaps that RESOLVE does not” is too general and already implicit in the CPUC staff’s efforts proposed under the Path to the Future All-Resource Planning; this action would be applicable to all resources.
  - The Council appreciates the recognition from the CPUC that current resources should be maintained while we also build new resources to meet long-term needs. We caution the Commission in drawing long-term certainties from the draft RSP and results on demand response: If demand response (along with energy efficiency) have been undervalued and its need understated, it could result in a plan that over-estimates the need for other resources. This is problematic if it skews the RSP/IRP towards including less lower-cost first-priority resources (e.g. demand response and energy efficiency) and procuring other resources that are not at the top of the loading order that could cause higher than needed ratepayer
costs.

- The Council advises that the Commission consider the pending work of the Demand Response proceeding (R.13-09-011) on new models of demand response before affirming the action item of pursuing steps to make “shift” and “shimmy” DR resources a reality.

- The Council agrees that the Demand Response proceeding (R.13-09-011) should evaluate how IRP results could and should affect demand response targets and budgets.

6. **The Council strongly supports the Commission and its staff's efforts to pursue inclusion of energy efficiency, demand response, and other demand-side resources, as an optimizable resource in future IRP.**

   The Council recognizes the intention by CPUC staff to incorporate demand side resources more fully into the IRP process. The proposed work on a CRVM and discussion on future all-source planning are encouraging; it is critical that this work begin in earnest, as there is much work to be done ahead of the next IRP cycle, especially where this work seeks to align IRP with other processes and proceedings.

   Guidance from the Commission is ever-important at this juncture in laying out clear objectives, timelines, and identifying important interactions between this work and its potential impact in other proceedings. This work is urgently needed; in this RSP and round of IRP, certain demand sides resources are simply not visible and recognized or valued as resources in LSE portfolios and therefore are not properly considered in procurement and planning decisions.

   The Council encourages the Commission to adjust the current RSP and provide clear expectations on the path forward to achieving these significant milestones.

IV. **CONCLUSION**

   The Council congratulates the CPUC Energy Division staff and their consultants on the work completed on the proposed RSP, and appreciates the opportunity to comment and participate in this proceeding.
Dated: October 26, 2017

Respectfully submitted,

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