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FILED
6-08-16
09:57 AM

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)

**ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON
EVALUATION, MEASUREMENT, AND VERIFICATION
AND ENERGY SAVINGS PERFORMANCE INCENTIVE ISSUES**

Summary

This ruling attaches a California Public Utilities Commission (Commission) staff proposal on evaluation, measurement, and verification (EM&V) issues, as well as energy savings performance incentive (ESPI) issues, with recommendations for revisions to the existing processes in light of the rolling portfolio cycle process adopted in Decision (D.) 15-10-028.

Comments in response to the Commission staff white paper (attachment) and to the specific questions detailed below in this ruling are requested to be filed and served by no later than June 24, 2016; reply comments should be filed and served no later than July 1, 2016.

Discussion

D.15-10-028 set up a new rolling portfolio cycle process for the funding and program planning for energy efficiency activities. The frameworks for both the EM&V and ESPI processes pre-dated the rolling portfolio concept and were set up in earlier decisions D.14-04-029 and D.13-09-023.

In order to harmonize the EM&V and ESPI processes with the rolling portfolios, some changes may be warranted either to the content of the work, the timing of it, or both.

Commission staff has considered these issues and written a white paper that is attached to this ruling, recommending several changes to better align activities, responsibilities, and budgets for EM&V, as well as activities to support the ESPI mechanism. Parties are invited to respond to any aspect of the attached white paper and/or to suggest alternative recommendations.

Parties are also requested to respond to the following specific questions in their comments on this ruling:

Questions on EM&V topics:

1. Priorities for EM&V: Should the EM&V priorities adopted in D.10-04-029 be revised? If so, why and how?
2. Accountability for priorities: Are clarifications or changes needed in assignments of priorities to particular entities? Why or why not?
3. Response to Legislation: Do Assembly Bill (AB) 802 or Senate Bill (SB) 350 create the need to reassign or rearrange responsible parties for achieving the priorities? Why or why not?
4. Funding levels for EM&V: Is the overall EM&V funding level set at 4 percent of total budget sufficient to meet the EM&V priorities? Why or why not? If not, what funding level is justified and why?
5. Proportional distribution of EM&V funds: Is the current funding split appropriately between the right entities to meet the EM&V priorities and fulfill the assigned roles and responsibilities?
 - a. Are the funding mechanisms and accounting processes clear for non-utility program administrators to get the necessary funds in their accounts?

- b. Will the funds available after distribution be sufficient to meet the priorities and fulfill the assigned roles and responsibilities?
- 6. Schedules and timing: Are there any necessary changes in the schedule for EM&V to meet new priorities in AB 802 and/or SB 350 or in the rolling portfolio regulatory process? Explain.
- 7. Collaborative process: Are there any necessary changes in the collaborative process for EM&V as described in D.10-04-029 to meet the priorities or improve efficiency with other coordinating entities?

Questions on ESPI topics:

- 8. The paper suggests five high level issue areas as a way to group the estimation of portfolio savings. Comment on the appropriateness of this approach or if there is a better way to capture the overall portfolio achievements (e.g., by collapsing the number of measures or some other method).
- 9. Do the modified ESPI metrics strike the right balance between flexibility and specificity, to allow for process improvements while still making the scoring process predictable and clear? Why or why not?
- 10. As we move forward in a post-AB 802 era, is there a more useful way to weight the savings estimates for different categories of savings, other than the historic distinction between “deemed” and “custom” projects and measures?
- 11. Are there additional metrics that would be helpful to inform program administrators’ efforts and effectiveness in administering the *ex ante* review process?

12. Is the proposed timing and structure of feedback adequate to allow program administrators to make timely mid-course adjustments to their program designs, savings estimates, and implementation processes? Why or why not?

IT IS RULED that:

1. Interested parties may file and serve comments in this proceeding on the attachment to this ruling by no later than June 24, 2016. Parties are requested to include responses to the specific questions outlined in the text of this ruling.

2. Interested parties may file and serve reply comments by no later than July 1, 2016.

Dated June 8, 2016, at San Francisco, California.

/s/ JULIE A. FITCH
Julie A. Fitch
Administrative Law Judge

**White Paper Regarding Evaluation, Measurement
& Verification and Energy Savings Performance
Incentive Issues in 2016 and Beyond**

White Paper Regarding Evaluation, Measurement & Verification and Energy Savings Performance Incentive Issues in 2016 and Beyond

Commission Staff recommendations for consideration in energy efficiency rulemaking to inform 2016 Business Plan submission

Overarching Issue: Several evaluation, measurement, and verification (EM&V) issues need to be resolved prior to submission of the business plans in fall of 2016. The key issues and proposed solutions from a Commission staff perspective are presented in this white paper.

Background:

The Commission has modified the EM&V model multiple times in various decisions. Around 2005 the Commission assigned Commission staff a key role in conducting the impact evaluations and other evaluations needed for oversight of the energy efficiency portfolio, along with the *California Energy Efficiency Evaluation Framework and Protocols* documents as guidance. After the first program cycle (2006-2008) evaluations the Commission adopted a framework for collaboration with program administrators, as well as key priorities for evaluation, in D.10-04-029. In subsequent decisions, only minor changes have been made in the EM&V framework. The scoping memo for the current energy efficiency proceeding (R.13-11-005) noted that a re-visit of EM&V would be appropriate. Given additional legislation and some unresolved issues on funding for non-IOU program administrators, these issues have ripened earlier than Phase III of the proceeding.

In this whitepaper staff provides a list of areas (posed as questions) that need consideration and resolution prior to the Business Plan submissions. Staff also offers initial positions for the following areas:

- Priorities for EM&V
- Funding levels for EM&V
- Proportional distribution of EM&V funds
- Schedules and timing
- Collaborative process
- Energy Savings Performance Incentive

A. Priorities for EM&V - *Should the EM&V priorities adopted in prior decisions [D.10-04-029] be revised?*

The Commission adopted five priorities for EM&V, clearly assigned Commission staff as responsible for impact evaluation, and gave room for program administrators to conduct process evaluations. These are listed in Table 1; and more detailed description is provided in the EM&V Joint Plan.¹

Commission staff believes that these five priorities continue to capture the needs for evaluation oversight and planning needs and that no change is needed in the core priorities, even with consideration of new legislation. One missing piece, however, has been comprehensive assessment of the current status of the portfolio. This has been captured in final reports on the

¹ <http://cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=10871>

program cycle implementation (see Commission staff Summary reports from 2006-2008, 2010-2012) and systematic review of progress and adaptations to legislative goals. This activity should be led by Commission staff to fulfill their portfolio oversight role, but informed by input from stakeholder groups.

Commission staff recommends that core priorities should not change, but an additional priority of sector and portfolio level review should be included.

Table 1. Evaluation Priorities and Clarification of Responsible Parties

Priority:	Purpose	Responsible Party /Approach
Savings Measurement and Verification	<ul style="list-style-type: none"> • Evaluate progress against savings goals adopted by the Commission • Assessing cost effectiveness of investments • Updating savings estimates for future program cycles • Improving accuracy of demand forecast 	Commission staff via goals and potential analysis, ex ante review, DEER Updates & ex post impact evaluations
Program Evaluation	<ul style="list-style-type: none"> • Improving program processes and implementation • Developing feedback on new programs or measures 	Program Administrators, Commission staff conducts via process evaluations
Market Assessment	<ul style="list-style-type: none"> • Assessing the potential for remaining energy savings • Monitoring changing market conditions that affect program design and potential 	Both Program Administrator and Commission staff via market studies of various types
Policy and planning support	<ul style="list-style-type: none"> • Assessing the potential for remaining energy savings 	Commission staff via Goals and Potential studies, strategic planning, experimental design pilot, etc.
Financial and Management audit	<ul style="list-style-type: none"> • Review of financial practices of the program administrators 	Commission staff via formal audits
ADDITION: Portfolio and Sector Optimization	<ul style="list-style-type: none"> • Review of the effectiveness of existing program designs to meet sector and portfolio goals 	Commission staff (with Coordinating Committee input) via meta analysis of the portfolio

Figure 1. Categories of Analysis that Support Savings Updates, Policy & Program Direction

Assessing program impacts	<ul style="list-style-type: none"> • Evaluate progress against savings goals adopted by the Commission • Assessing cost effectiveness of investments • Updating savings estimates for future program cycles • Improving accuracy of demand forecast
Improving program implementation	<ul style="list-style-type: none"> • Improving program processes and implementation • Optimizing budgeting and spending • Developing feedback on new programs or measures
Providing market feedback	<ul style="list-style-type: none"> • Assessing the potential for remaining energy savings • Monitoring changing market conditions that affect program design and potential
Financial Audit	<ul style="list-style-type: none"> • Review of expenditures and compliance with Commission rules
Portfolio and Program Effectiveness	<ul style="list-style-type: none"> • Review programs' contributions to the portfolio sector strategies • Recommend changes to the status quo as needed including considerations of new legislation

1) Accountability for Priorities - Who is currently responsible for each priority and are clarifications or changes needed in assignments?

The Commission's existing guidance outlines the basic rationale for Commission staff conducting impact evaluations, while allowing program administrators to retain funds to conduct program evaluations for modifying programs to improve delivery to consumers. The current roles and responsibilities are further developed in the sector-level project coordination groups in relation to the Commission direction for coordination. The clearest delimitation is impact evaluation for Commission staff and process evaluation and early deployment market analysis for the program administrators. Commission staff also does some process evaluations as needed and identified through the working group and prioritization process. Commission staff has also done a significant number of general population market surveys, as well as market surveys that inform program attribution as part of impact evaluation. Given budget and accounting issues, the non-IOU program administrators have done early deployment studies and research, but it appears they have conducted them using program funds in the absence of clarity on how to access authorized EM&V funds. Clarification on funding is covered later in this document.

2) Response to Legislation - Do Assembly Bill (AB) 802 or Senate Bill (SB) 350 create the need to re-assign responsible parties for achieving the priorities?

It is important for the different parties' responsibilities for these priorities to be reviewed in the context of new legislation, introduction of new program administrators, and experience in implementing the current evaluation framework.

First, with respect to savings measurement and verification, the desire for meter-based program designs will require embedding evaluation methods and strategies in the portfolio and individual program designs.

- This will require a greater role for the program administrators and the implementers to understand and use appropriate methods for tracking and estimating savings, prior to making claims to the Commission.
- The role of EM&V at the Commission could shift for these types of program designs to more of an up-front review of savings models and approval of reliable methods, and a back-end verification of using those models, validating and replicating results. This is in contrast to the current model in which the majority of the evaluation activity is independent of program implementation, and planned and conducted based on savings claims and prioritized around uncertainties for portfolio level accuracy.
- Commission staff and consultants will still play a key role in verification and validation of energy savings claims, but AB 802 necessitates a shift in the accountability for measuring savings forward in the process to administrators and implementers.
- Commission staff could also put more emphasis on long term analysis of persistence, or other difficult-to-track savings parameters, and continue to play a key role in development and review of ex ante savings estimates as deemed estimates will continue to be necessary for forecasting, and predictive uses.
- Both IOU and non-IOU program administrators would need to be able to fulfill the responsibilities of embedded EM&V to comply with AB 802 expectations for normalized metered energy consumption strategies.

Second, program process evaluations will continue to be a primary responsibility of the program administrators, but will need to have greater involvement of external stakeholders.

- The California Energy Efficiency Coordinating Committees (and its subcommittees) and Commission staff should continue to be involved in gap analysis to define needs, prioritization and study designs in a useful oversight role.
- Informing consistent, longitudinal metrics for performance as outlined in the Business Plans and/or Implementation Plans will be a key component for this evaluation priority. Historically this has been given very little attention and leads to difficulty in tracking progress over time.
- Long term authorization of programs needs to be coupled with long-term tracking.

Third, market assessments and dedicated market studies have struggled to get traction among other priorities for evaluation.

- The recent Market Studies Needs Assessment² highlighted the desire among program administrators for large-scale general population studies, as required by legislation (RASS, CEUS, IEUS). The law calls for these studies to be conducted by the program administrators and approved by the California Energy Commission (CEC).
 - The studies are mandated by legislation to be approved by the CEC (but do not have a consistent source of funding) and also include publicly owned utilities like Sacramento Municipal Utility District, and Los Angeles Department of Water and Power.

² "Market Studies Needs Assessment", Opinion Dynamics Corporation, Mary Sutter & Mikhail Haramati, February 18, 2015. <http://www.energydataweb.com/cpuc/search.aspx>

- Primary information needed for these studies (i.e. population usage data and customer profiles) is held by the utilities.
- The lack of other targeted market analysis, which provides information about specific barriers to implementing energy efficiency in a particular market, is also a serious shortcoming in current program planning activities. If not done consistently it would make the broader deployment of statewide market transformation activities as envisioned in SB 350 nearly impossible.³
- Market analysis needs more attention, and should be led by the program administrators, or perhaps an external entity, in a coordinated fashion to inform statewide market strategies and leverage economies of scale for funding such studies and conducting them within legislative requirements, as applicable.
- Targeted market analysis should be embedded in the sector strategies and evaluation roadmap planning and should inform program logic models, and track progress over time.
- The Coordinating Committee, its sub-committees, and Commission staff should have a role in defining the necessary analysis, to ensure it will have greatest value to the greatest number of parties.

Finally, the priorities around policy and planning support and the financial and management audit are unique to the Commission staff oversight responsibility and no change is recommended.

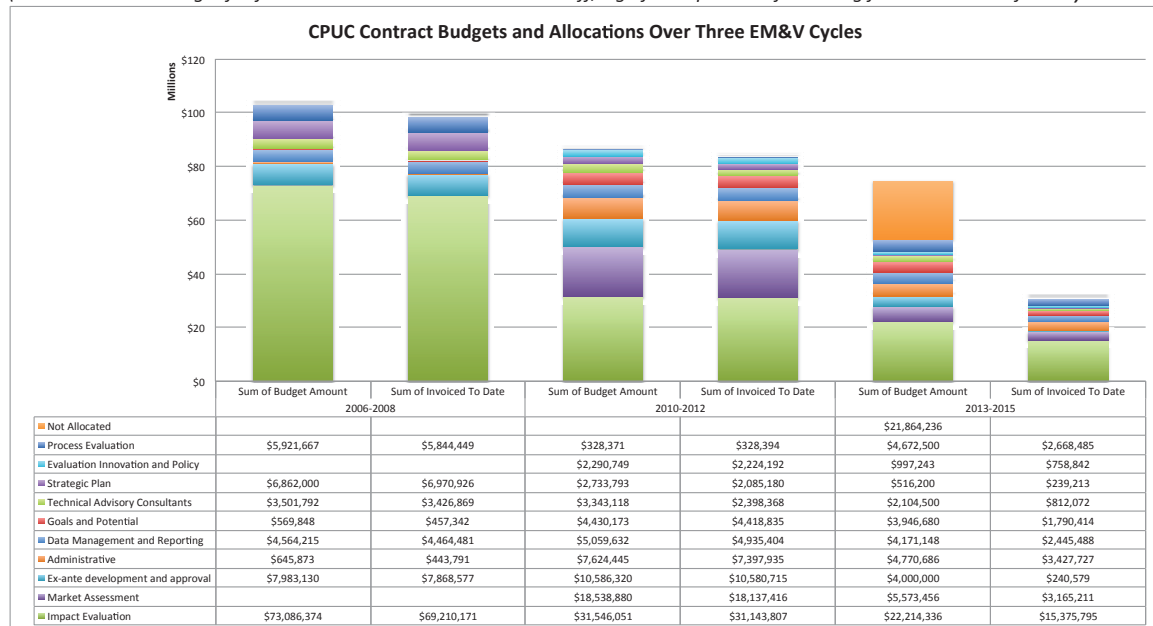
B. Funding levels for EM&V – *Are the funding levels OVERALL (4%) sufficient to meet these priorities?*

Given the considerations discussed above for a shift in responsibilities for the priority areas, consideration must be given to whether or not the current funding levels for EM&V are sufficient. One source of information to consider is the budget versus actual expenditures over the past three program cycles. Breaking down these expenditures by evaluation category can help illuminate the actual costs for each type of priority for Commission staff. The table below provides a summary for Commission staff expenditures for external contracts, but not that of the Program Administrators; that information should be submitted in the course of comments on this white paper.

Commission staff's portion of the funding is authorized by the Legislature and is currently capped at \$40M per year. This so far has been sufficient to accommodate the aggregate spending from one cycle to the next, and going forward will likely be sufficient to accommodate rolling planning.

Program Administrators should provide commentary on the adequacy of their own funds in the course of comments.

³ More detail on the specific data needs for market transformation focused projects please see Section 6 of "Building a Policy Framework to Support Energy Efficiency Market Transformation in California- PUBLIC REVIEW DRAFT", Ralph Prael, Ken Keating & Cathy Fogel, October 13, 2014
<http://www.energydataweb.com/cpuc/search.aspx>

Figure 2. Budgets and Expenditures for CPUC – Contracted EM&V Work as of 3/2016*(does not include budget for financial auditors and other CPUC staff; significant portion of invoicing for 2015 is not reflected)**[Source is CPUC Contract Management System Download with modifications: financialRpt_2016_03_06_modifiedforwhitepaper]*

Overall spending to date in the current cycle is low compared to prior cycles due to smaller budgets after the 2006-2008 cycle, as well as prioritization activities that reduced the need for some expensive field data collection in the 2013-14 period, and a delay in invoicing for completed 2013-14 studies (including 10% retention payments that are withheld until contract completion). A significant portion of 2015 funds have not yet been allocated to specific projects in the accounting system (as final plans are being drafted). The estimated roadmap and project budgets are also available in the 2013-2016 Master Evaluation Plan.⁴ The Master Evaluation Plan summary provides the total expected distribution of funds for both the program administrators and Commission staff. The executive summary provides a breakdown of the planned distribution of costs by spending type and is included here for easy reference.

⁴ "EM&V Evaluation Plan 2013-2016" search at: <http://www.energydataweb.com/cpuc/search.aspx>

1.2.4. 2013-2015 EM&V Plan Budget Summary

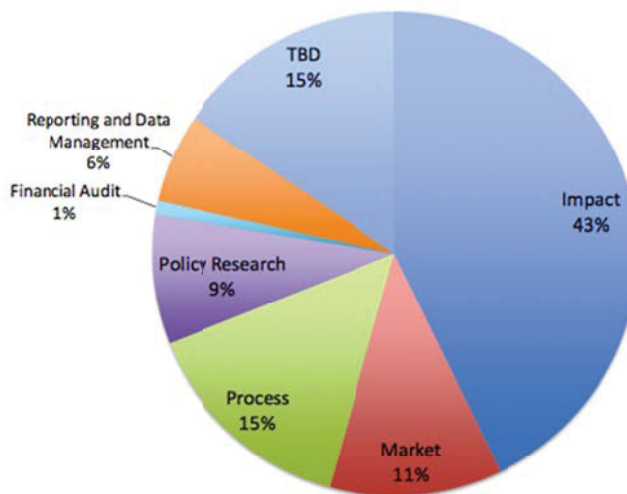
In this section we present summaries of the current EM&V budgets by activity area and project. Table 1 includes the budget by the EM&V activity categories which are introduced in Section 3 of this plan. The list of active projects, budgets and status projects can be tracked on the Project Status Reporting web page: [<http://www.emvpsr.com/Projects/>] along with studies currently being completed. program cycle. The funds that were authorized for 2016 are included as draft distributions to various sector-level roadmaps, but have not yet been distributed to specific studies.

The EM&V projects are explained in more detail in the sector level research roadmaps in the following sections. In summary the distribution of funding across the general research objectives are illustrated in the following figures. These are dependent on the classification of each study, which is cited for each project in the project status reporting tool.

A contingency budget has also been set aside to deal with unexpected research needs. It frequently is used to leverage planned field work expansion to cover currently unknown needs.

The funding approved in 2016 for EM&V for Energy Division has only been allocated by research roadmap area (not the categories shown in the pie chart and are hence shown as "TBD").

Figure 4 Distribution of 2013-2016 EM&V Funds



Commission staff recommends increasing the total amount of the portfolio dedicated to evaluation activities from four percent to five percent. The additional one percent of portfolio expenditures would enable the required expansion of evaluation activities described above to comply with AB802. Those include and embedding measurement strategies in the delivery of the portfolio, supporting market transformation. The modifications in proportional distribution as described below illustrate that a larger portion will go to the program administrators to fill this need. We recommend revisiting this proportion in 3 years to see how expenditures match increased activities.

- C. Proportional Distribution of EM&V funds** – *Are the funds distributed in the right amounts to the right entities to meet the priorities and fulfill the assigned roles and responsibilities?*
- *Are the funding mechanisms and accounting processes clear for non-IOU program administrators to get the necessary funds in their accounts?*
 - *Will the funds available after distribution be sufficient to meet the priorities and fulfill the assigned roles and responsibilities?*

The Commission has noted, in D.10-04-029 the need for program administrators to be able to deploy research dollars to answer key questions and conduct process evaluations. The Commission extended that expectation to RENs and CCAs in subsequent decisions.⁵ However,

⁵ D. 12-11-015 called out the need for evaluation of RENs (by CPUC). MCE was authorized to conduct their own process evaluations in D.14-01-033.

the accounting mechanisms to get the funding into the hands of the non-IOU program administrators was not entirely clear in those subsequent decisions, and as a result the activities have been somewhat limited for these administrators. Similarly the pilot nature of the regional energy networks (RENs) required that early evaluations were conducted by Commission staff and its consultants.

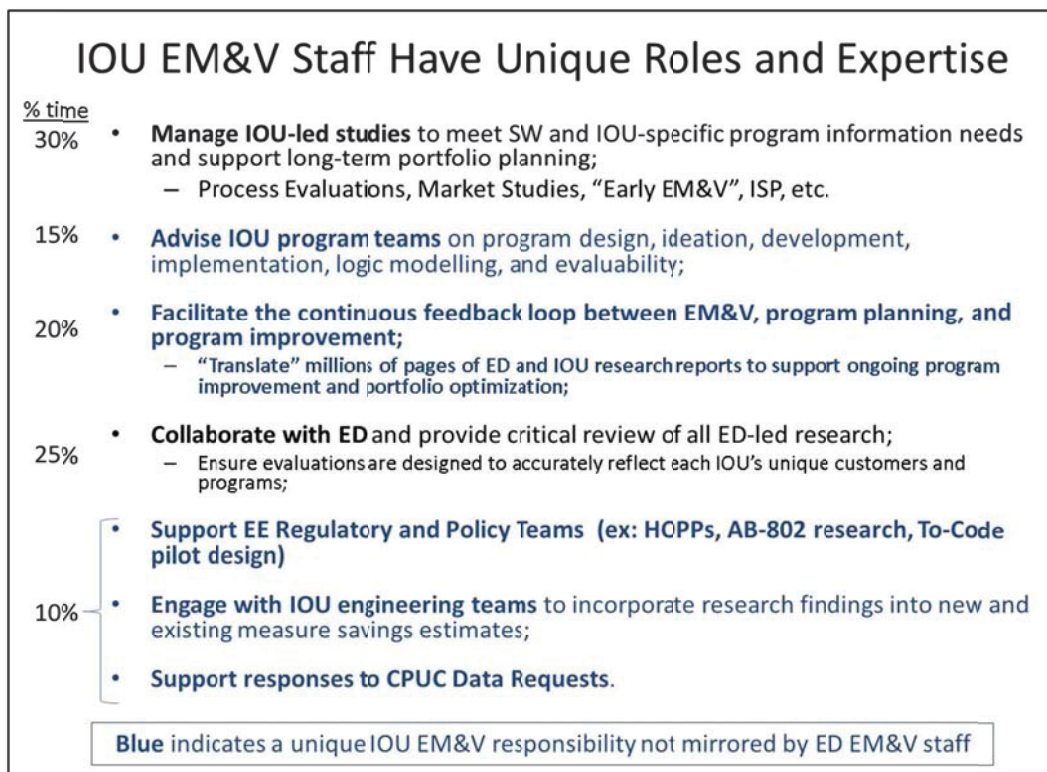
The allocations to any entity expected to conduct evaluation needs to be sufficient to facilitate meaningful analysis, as well as cover the administrative costs inherent in procuring and managing contracts, participating in statewide collaboratives, and engaging in the stakeholder/public review process. It is worth clarifying that the four percent allocation of EM&V funding has not been available to every program, due to cross cutting evaluation needs, variable uncertainties, and differing priorities within the portfolio driving the need for analysis. Over the past two program cycles the Commission staff and IOU administrators have set budgets for each sector after accounting for “fixed costs” first. Then they allocated budgets to the sector level project coordination working groups to work out priorities for analysis specific to their sector using public input mechanisms and finalizing in a long term research roadmap.

Fixed costs need to be accounted consistently for comparability. At the March, 8 2016 Quarterly Stakeholder Meeting, summaries of the fixed costs were provided by Commission staff and IOU EM&V staff. At the following monthly meeting they discussed the list of components of each organizations fixed costs to develop a more consistent representation of these budgets to the public in the future. In the April monthly EM&V coordination meeting the investor owned utilities and Commission staff agreed to include consistent fields for including administrative costs in the next joint evaluation plan. Four categories for Administrative Fixed Costs will be included:

- Staff (including salary and benefits, retirement benefits are still TBD)
- Travel / Training (for EM&V related travel and training for staff)
- General Support (Technical advisors and other general support resources)
- Overhead (Phones, computers, conference lines, etc.)

Commission staff supports an increase in the proportional budget that goes to program administrators for expanded activities driven by AB802. However, these additional funds should not be focused on peer review or scrutiny of Commission staff-led studies. Additional funding should go directly to enhance the administrators support of program implementers and designers in deploying programs and activities with embedded measurement and verification, that can be verified through ex post analysis. This support function should be reflected in the Business Plans and the strength of the proposals coming in under the AB 802 framework. The utilities presented an estimate of their time spent on various aspects of evaluation at the March 2016 EM&V Quarterly meeting as a point of reference in this discussion. IOUs estimated that 25 percent of their time is spent reviewing Commission work products.

Figure 3. Summary of IOU Staff time allocations (from March 2016 Quarterly Meeting)



Commission staff recommends changing the proportion of portfolio funds that go to program administrators from 27% to 35% and changing the CPUC allocation from 72% to 65%; with all entities adhering to the 10% administrative/fixed cost cap adopted by the Commission. This increase for the program administrators is intended to improve the support for embedded measurement and verification activities, as well as allowing program administrators to take on market studies and properly fund non-IOU program administrators’ evaluation activities. The program administrator proportion of funds for non-IOU administrators shall be calculated based on the proportion of program budgets that are implemented by those administrators. The IOU administrators shall distribute their portion of the evaluation budget to non-IOU program administrators at the same rate as those programs appear in their portfolio (based on budget allocation, not energy savings). A spreadsheet is available to test assumptions for distribution.

Figure 4. Current Distribution of Evaluation Funds

CURRENT POLICY					
Portfolio Budget (annual)	\$	1,000,000,000			
EM&V Portion	\$	40,000,000	4%		
Program Administrator Portion	\$	10,800,000	27%		
Commission Staff Portion	\$	29,200,000	73%		

	Portion of PA funds (per Decision)	TOTAL Funds Available	Fixed Costs 10%	Research Funds 90%
Program Administrator	100%	\$ 10,800,000	\$ 1,080,000	\$ 9,720,000
Pacific Gas and Electric Company	45%	\$ 4,816,800	\$ 481,680	\$ 4,335,120
San Diego Gas and Electric Company	12%	\$ 1,306,800	\$ 130,680	\$ 1,176,120
Southern California Edison	35%	\$ 3,736,800	\$ 373,680	\$ 3,363,120
Southern California Gas Company	9%	\$ 939,600	\$ 93,960	\$ 845,640
MCE	0%	\$ -	\$ -	\$ -
SoCAL Ren	0%	\$ -	\$ -	\$ -
BAYRen	0%	\$ -	\$ -	\$ -
Commission Staff	100%	\$ 29,200,000	\$ 2,920,000	\$ 26,280,000

Figure 5. Proposed Change in Distribution of Energy Efficiency Dollars

CHANGED POLICY					
Portfolio Budget (annual)	\$ 1,000,000,000		Difference in dollars:	Difference in proportion:	
EM&V Portion	\$ 50,000,000	5%	\$ 10,000,000	1%	
Program Administrator Portion	\$ 20,000,000	40%	\$ 9,200,000	13%	
Commission Staff Portion	\$ 30,000,000	60%	\$ 800,000	-13%	

	Portion of PA funds (per Decision)	TOTAL Funds Available	Fixed Costs 10%	Research Funds 90%	Difference:
Program Administrator	100%	\$ 20,000,000	\$ 2,000,000	\$ 18,000,000	\$9,200,000
Pacific Gas and Electric Company	40%	\$ 8,000,000	\$ 800,000	\$ 7,200,000	\$3,183,200
San Diego Gas and Electric Company	12%	\$ 2,420,000	\$ 242,000	\$ 2,178,000	\$1,113,200
Southern California Edison	32%	\$ 6,400,000	\$ 640,000	\$ 5,760,000	\$2,663,200
Southern California Gas Company	9%	\$ 1,740,000	\$ 174,000	\$ 1,566,000	\$800,400
MCE	3%	\$ 600,000	\$ 60,000	\$ 540,000	\$600,000
SoCAL Ren	2%	\$ 400,000	\$ 40,000	\$ 360,000	\$400,000
BAYRen	2%	\$ 400,000	\$ 40,000	\$ 360,000	\$400,000
Commission Staff	100%	\$ 30,000,000	\$ 3,000,000	\$ 27,000,000	\$800,000

D. Schedules and Timing - *Are there any necessary changes in the schedule for EM&V to meet new priorities in legislation or the rolling portfolio regulatory process?*

2016 is the first year in which the rolling portfolio process is beginning. As plans got underway, it was clear that in order for reports to inform the ex ante update process (March delivery deadline) and the ESPI process (April delivery deadline) the earlier of the two dates had to be chosen. Commission staff released draft impact reports by March 1 to inform each pathway. The timeline for review, public webinar, comment and feedback was one month, which was quicker than had been envisioned in the ESPI Ex Post process (April – June). It may be possible to meet these deadlines in the future, as contractors and staff acclimates to the expected timing. Having all reports coming out all together on the last possible date may have been sub-optimal, but also had the benefit of being able to be done quickly.

Staff recommends that Energy Division modify the ESPI ex-post schedule and the rolling portfolio schedule to the following deliverables as was done in 2016:

- Ex-Post evaluations that inform ESPI and DEER/Ex Ante updates would be released in draft form by March 1st.
- Ex-Post evaluations that are custom and or do not inform an ex-ante update, but inform the Ex-Post ESPI would be released in draft form by April.
- All reports for ESPI would have to be publicly vetted by May 1st to be used in the ESPI ex post deliberations.
- Internal deadlines at the Commission would accommodate these new deadlines.

E. Collaborative Process - *Are there any necessary changes in the collaborative process for EM&V [as described in D10-04-029] to meet the priorities or to improve efficiency with other coordinating entities?*

In the last update to the Joint Master EM&V plan the parties were asked to comment on the sections related to collaborative process. ORA submitted some comments with respect to the timing of input on the EM&V plan specifically, and some edits were made to the process and procedures in place to implement D10-04-029. Given the passing of time, introduction of new program administrators, experience with the current process, and the arrival of new stakeholder groups (Coordinating Committee, and the California Technical Forum), modifications to the collaborative process outlined in D10-04-029 may be needed.

Staff recommends maintaining a collaborative process. The process may benefit from expansion of participating entities, or inclusion specifically of the relevant Coordinating Committee sector subgroups. Expanded participation may support input on evaluation priorities to make sure the evaluation results and data sets are getting the greatest use possible, but it also may present an undue coordination burden on EM&V staff and stakeholders. The hope is that it would minimize the number of meetings Commission staff need to attend and improve the lines of communication and access to evaluation information. If more public engagement is adopted, staff recommends that the gatherings continue to be specific to a sector and cover the following items:

- Share current research plans, and priorities
- Take input on research needs for the future
- Review program plans for embedded EM&V or M&V strategies prior to launch

- Review results from current research and
- Track responses to recommendations from program administrators

F. Energy Savings Performance Incentive Updates

To simplify the methods and approaches that Commission staff uses to evaluate utility performance, Commission staff is proposing modifications to the ex ante review performance metrics adopted in Attachment 7 of D.13-09-023 for the Efficiency Savings and Performance Incentive (ESPI) mechanism. Since 2013, Commission staff has been scoring the IOUs on their performance relative to the adopted metrics twice a year. The scoring process, while productive and useful overall, consumes a significant amount of Commission staff's time and consulting resources to prepare and issue the written documentation. Additionally, over the years, Commission staff has observed that several of the metrics evaluate the utilities on similar activities and result in some redundancy. Therefore, Commission staff is proposing modifications to reduce the administrative burden related to the scoring process and streamline the metrics moving forward.

Commission staff proposes to consolidate the metrics into higher level issue areas that are aligned with the themes in the original metrics. The five metrics focus on:

1. Timing and Timeliness of Submittals
2. Content, Completeness, and Quality of Submittals
3. Proactive Initiation of Collaboration
4. Program Administrator Due Diligence and Quality Assurance/Quality Control Effectiveness
5. Program Administrator Responsiveness to Needs for Process and EE Program Improvements

When recommending the above consolidation of the metrics, Commission staff aimed to strike a balance between metrics that allowed some flexibility so that the issues unique to each IOU could be assessed, while also remaining specific enough so that the scoring process and considerations are clear and predictable. The metrics are applicable to deemed values, including individual workpapers, and custom project submittals, including supporting documentation such as custom tools, industry standard practice studies, non-DEER data sets, etc. Commission staff has not yet developed benchmarks for each metric but may do so after parties comment on the proposed changes.

Additionally, Commission staff proposes that the scoring for deemed activities and custom activities be weighted by the relative annual utility portfolio content of deemed savings versus custom claims and/or costs. Currently, the scoring for deemed and custom activities are equal, whereas the annual portfolio claims and costs for these two activity types varies greatly both between utilities as well as from year-to-year for a utility. Custom activities rarely constitute fifty percent of the portfolio content, and for some utilities may be as low as 10-20% in particular years. Commission staff proposes that the annual scores for deemed and custom activities be weighted by the fraction of portfolio annual net lifetime savings kWh and therm claims, as reported in the utility annual advice letter filed in September of each year. Combined electric and gas utilities would additionally weight their electric and gas net lifetime claims by the total incentives paid for gas versus electricity. Commission staff invites comments on this proposal as

well as proposals for specific alternative methods to weight the scoring based on savings metrics.

Lastly, Commission staff is proposing to slightly modify the scoring process described in Attachment 5 of D.13-09-023. The timeline was already modified subsequently in D.15-10-028. In this white paper, Commission staff proposes to replace the written mid-year feedback with a mid-year roundtable discussion with each utility. Rather than preparing a written mid-year performance score, Commission staff would meet with each IOU to discuss their performance relative to the metrics. IOUs will be responsible for taking notes and preparing a memo back to Commission staff on what actions they will take in response to staff's feedback. The weekly custom check in calls may be utilized to track progress on the proposed actions.

The proposed modifications are included as Appendix A to this white paper.

Appendix A: Proposed Changes to ESPI Ex Ante Review Performance Metrics

EXISTING EX ANTE REVIEW METRICS				PROPOSED 2017 EX ANTE REVIEW METRICS			
Metric	Max Points	% of Total Points	Scoring Basis Description	Metric	Max Points	% of Total Points	Scoring Basis Description
1a	2.5	5%	Timeliness of action in the implementation of ordered ex ante requirements in the pre-submittal/implementation phase: Timing of disclosure in relation to reporting.	1	5.0	10%	Timeliness and Timing of Submittals Timely submittals: all lists, inventories, plans, studies, workpapers and project/measure documentation; timing and advanced announcement of submittals (spreading out submission when available rather than holding and turning in large batches); timely follow-up PA responses to review disposition action items including intention to submit/re-submit with proposed schedule.
			Timeliness of action in the implementation of ordered ex ante requirements in the post-submittal/implementation phase: Timing of responses to requests for additional information.				
3	5.0	10%	Comprehensiveness of submittals.	2	15.0	30%	Content, Completeness and Quality of Submittals Completeness, appropriateness, comprehensiveness, accuracy, and clarity of submittals. Submittal adherence to CPUC policies, Decisions, and prior CPUC Staff dispositions and/or guidance. Do the submittals include all materials required to support the submittal proposed values, methods and results. Is the project or measure clearly articulated. Are proposed or utilized methods clearly explained including step-by-step method or procedure descriptions. Will the proposed or utilized approach provide accurate results. Are all relevant related or past activities and submittals appropriately noted or disclosed, analyzed or discussed. Are the pros/cons of alternate possible approaches or conclusions discussed to support that the chosen one is most appropriate.
5	5.0	10%	Quality and appropriateness of project documentation (e.g., shows incorporation of Commission policy directives).				
7	5.0	10%	Use of recent and relevant data sources that reflect current knowledge on a topic for industry standard practice studies and parameter development that reflects professional care, expertise, and experience.				
8	5.0	10%	Thoughtful consideration, and incorporation, of CPUC comments/inputs. In lieu of incorporation of comments/input, feedback on why comments/input were not incorporated.				
9	5.0	10%	Professional care and expertise in the use and application of adopted DEER values and DEER methods.				

Appendix A: Proposed Changes to ESPI Ex Ante Review Performance Metrics

4	5.0	10%	Efforts to bring high profile, high impact, or existing (with data gaps) projects and/or measures to Commission staff in the formative stage for collaboration or input.	3	5.0	10%	<p>Proactive Initiation of Collaboration</p> <p>PA efforts to bring either measures, projects, studies, questions, and/or savings calculation methods and tools to CPUC Staff for discussion in the early formative stages, before CPUC Staff review selection. In the case of tools, before widespread use in the programs. Commission staff expects collaboration among the PAs to develop common or coordinated submissions and for the PAs to undertake joint or coordinated planning activities and study work. The PAs are expected to engage with CPUC Staff in early discussions on unique or high profile, high impact measures or projects before program or customer commitments are made. The PAs are expected to engage with CPUC Staff on planning and execution of studies that support proposed offerings, tools, or determination of proposed baselines or other programmatic assumption that can impact ex ante values to be utilized.</p>
6a	2.5	5%	Depth of IOU quality control and technical review of ex ante submittals: Third party oversight.	4	10.0	20%	<p>PA Due Diligence and QA/QC Effectiveness</p> <p>Commission staff expects the PA to have effective Quality Control (QC) and Quality Assurance (QA) processes for their programs and measures. The PAs are expected to have a pro-active approach to reviewing existing measure and project assumptions, methods and values and updating those to take into account changes in market offerings, standard</p>

Appendix A: Proposed Changes to ESPI Ex Ante Review Performance Metrics

6b	2.5	5%	Depth of IOU quality control and technical review of ex ante submittals: Clarity of submittals and change in savings from IOU-proposed values not related to M&V.				practice, updates to DEER methods and assumptions, changes to codes, standards and regulations, and other factors that warrant such updates. The depth and correctness of the PA's technical review of their ex ante parameters and values, for both Core, Local Government and Third Party programs, are included under this metric. The depth and correctness of the PA's technical review of their own staff and subcontractor work related to supporting deemed and custom measure and project submissions are included in this metric. Evidence of review activities is expected to be visible in submissions so that Commission staff can evaluate the effectiveness of the PA internal QA/QC processes.
10	5.0	10%	Ongoing effort to incorporate cumulative experience from past activities (including prior Commission staff reviews and recommendations) into current and future work products.				PA Responsiveness to Needs for Process & Program Improvements (Course Corrections) This metric reflects the PAs ongoing efforts to improve their internal processes and procedures resulting in increased ex post evaluated gross and net savings impacts. Commission staff looks not only to the PA's internal QC/QA processes, but also whether individual programs and their supporting activities incorporate and comply with CPUC policies and prior Commission staff disposition guidance in their program rules, policies, procedures and reporting. This includes changes to program rules, offerings and internal operations and processes required to improve overall review and evaluation results. A particularly important area for focus is the improvement of net portfolio performance via the removal of measures and or participation with low program attribution (NTG).
2	5.0	10%	Breadth of response of activities that show an intention to operationalize and streamline the ex ante review process.	5	15.0	30%	