

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking Concerning  
Energy Efficiency Rolling Portfolios,  
Policies, Programs, Evaluation, and  
Related Issues.

Rulemaking 13-11-015  
(Filed November 14, 2013)

**REPLY COMMENTS OF THE  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON  
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON  
MARKET TRANSFORMATION WORKING GROUP REPORT**

Date: May 20, 2019

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**I. Introduction**

The California Efficiency + Demand Management Council (the “Council”) respectfully submits these Reply Comments on the Administrative Law Judge’s Ruling Seeking Comment on Market Transformation Working Group Report, issued in this proceeding on April 10, 2019 (“ALJ Ruling”).<sup>1</sup>

The Council appreciates the comments and input from the 11 parties that filed Opening Comments in response to the ALJ Ruling. The Opening Comments, and the broad consensus by the parties on the framework established by the Market Transformation Working Group (“MTWG”), reflect the success of the California Energy Efficiency Coordinating Committee (“CAEECC”) in “work[ing] collaboratively on EE programs.”<sup>2</sup> The Council appreciates the opportunity to respond to comments submitted, highlight areas of consensus and express concern about specific elements of the proposed MTWG Report. The Council’s Reply Comments focus on:

- The need for a balanced cost-effectiveness approach for Market Transformation Initiatives (“MTIs”) that weights the modified Program Administrator Cost (“PAC”) test with the Total Resource Cost (“TRC”);
- The need for clarity on a series of issues before the Commission approves funding for the first proposed Market Transformation Initiative (“MTI”)

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<sup>1</sup> These Opening Comments are timely filed pursuant to the California Public Utilities Commission (“CPUC” or “Commission”) Rules of Practice and Procedure and the ALJ Ruling.

<sup>2</sup> D. 15-10-028 defines the roles and responsibilities of the CAEECC  
<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M155/K511/155511942.pdf>

## **II. The Need to Balance the TRC with the PAC as the cost-effectiveness threshold for MTIs.**

As noted in our Opening Comments, there are numerous existing problems resulting from the current over-emphasis of the TRC that make it difficult, if not impossible, for the Commission and California to achieve its energy efficiency goals. To be successful, MTIs will require substantial leveraging of private investment in efficiency measures, but it is the deterrence of private investment that is the most harmful result of applying the TRC in an unweighted fashion. While it is difficult to determine the exact proportion of private investment made for comfort or other private goals, the TRC effectively presumes that proportion is zero, which is demonstrably worse than any reasonable attempt to quantify the non-zero value- and seriously threatens efficiency goals. California's Standard Practice Manual ("SPM") cautions that individual cost-effectiveness tests each have limitations, and should not be invoked in isolation:

"The tests set forth in this manual are not intended to be used individually or in isolation: The results of tests that measure efficiency, such as the Total Resource Cost Test, the Societal Test, and the Program Administrator Cost Test, must be compared not only to each other but also to the Ratepayer Impact Measure Test. This multi-perspective approach will require program administrators and state agencies to consider tradeoffs between the various tests."<sup>3</sup>

While the PAC test alone would not provide sufficient customer protection, the TRC test alone penalizes private investment and distorts efficiency program choice, rejecting the symbiotic benefit of using that private investment to further clean energy objectives, and putting valuable savings California and the Commission need to achieve their goals out of reach. Extending the current TRC-based approach to the Market Transformation will, without question, spell its defeat before it begins. We must disagree with those parties who support any single TRC value as the sole measure of success for any MTI, as the use of the TRC without balance is antithetical to the purpose and concept of market transformation.<sup>4</sup>

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<sup>3</sup> California SPM, 2001, at p. 6.

<sup>4</sup> Opening Comments of CLEARResult, at p. 4, Opening Comments of Joint IOUs, at p.6. , Opening Comments of Opening Comments of MCE, at p. 3., Opening Comments of NEEA, at p3., Opening Comments of NRDC, at P. 4, Opening Comments of PAO, at p. 4-5, Opening Comments of Resource Innovation, at p. 4, Opening Comments of SBUA, at p.4, Opening Comments of TURN, p. 4

### **III. Greater Clarity is Needed before Approving Funding for the First MTI.**

Multiple parties, including CLEARResult, the Joint Investor-Owned Utilities (IOUs), and Public Advocates Office, note in their Opening Comments that there are a number of outstanding issues that need to be clarified by the Commission.<sup>5</sup> These issues include topics such as transparency in the MTI selections process, how Codes & Standards (“C&S”) should appropriately be incorporated into the cost-effectiveness calculation, accounting issues, and, most importantly, the need for clear success criteria for the entire Market Transformation program that align with California’s and the Commission’s overall energy system goals, including Senate Bill (“SB”) 350, SB 100, and Executive Order (“EO”) B-55-18.

While there is a need for these issues to be resolved, the Council agrees with those parties, such as the Natural Resources Defense Council (“NRDC”), urging the Commission to move forward with a decision and to allow for Market Transformation Administrator (“MTA”) group to resolve these issues after that decision is issued.<sup>6</sup> We encourage the Commission to make a final determination on major topics like the MTA and the objectives of the program, while identifying the series of issues that require further clarification, and calling for the continued use of the stakeholder process, including the use of the CAEECC and the new MTA(s), to inform a future decision on those remaining issues.. Resolution of these issues should be a prerequisite to approving any additional funding for MTIs. This approach would allow California to take the next step forward with Market Transformation.

### **IV. Conclusion**

The Council appreciates this opportunity to reply to opening comments made by Fellow parties, and engage further on the topic of Market Transformation in California. We believe that to ensure the success of the program the Commission should proceed with the:

- Adoption of the consensus items found in the Market Transformation Working Group Report;
- Selection of MTAs;
- Inclusion of a modified PAC test in the evaluation of MTIs to balance out the errors of the TRC test; and

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<sup>5</sup> Opening Comments of CLEARResult, at p. 3, Opening Comments of Joint IOU, at p. 8, Opening Comments of Public Advocates Office, at p.2

<sup>6</sup> Opening Comments of NRDC, at p.3

- Clarification of additional items by the Commission or in a working group with the newly selected MTA(s)

Dated: May 20, 2019

Respectfully submitted,

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