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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

COMMENTS OF RECURVE ANALYTICS, INC. ON EMAIL RULING PROVIDING NOTICE AND OPPORTUNITY: RE ADDITIONAL RESULTS OF DRAFT OF POTENTIAL AND GOALS STUDY

I. Introduction

Recurve is an industry leader in meter-based demand flexibility. Recurve provides transparent, accessible analytics to track changes in consumption and demand due to program interventions for both individual buildings and in aggregate to support resource planning and facilitate performance-based transactions. We encourage and support market-based solutions for decarbonization. We appreciate the opportunity to comment on this proposed decision. We ask for the Commission to take a holistic view of the potential impacts of decisions affecting the energy efficiency portfolio in the near term as well as the long term.

II. The Commission Should Adopt PAC Scenario to Align With Core Policy Objectives

If the Commission adopts the PAC cost-effectiveness test, which could start by the adoption of the PAC scenario presented in the goals and potential study, it will be in far better alignment with legislative intent (SB 350) and policy goals and encouraging of modern program

designs than possible with the TRC. With the adoption of the PAC as the core cost test, Recurve would support utilizing the ACC 2021 for all filings, budget, and goals setting until the next version (ACC 2022 - major update) of the avoided costs are available. Recurve supports avoided costs that are the most accurate reflection of the realities on the grid so they can be used for an authentic price signal to guide portfolios to programs that better serve program administrators, load-serving entities, and ratepayers alike. Despite the now longstanding directives to establish default existing conditions baselines (AB 802) and double savings goals that are directly tied to changes in normalized metered energy consumption (SB 350) the continued use of the TRC, along with the Commission's instruction to use full measure costs with existing conditions baselines, has effectively neutralized these core policies and inhibited the meter-based programs that could help evolve energy efficiency portfolios into more accountable and relevant programs.

In retaining the TRC and a cost structure that actively discourages co-investment to stretch rate-payer dollars further, we are concerned that parties are collectively left seeking solutions through inflated benefits and missing out on resources urgently needed for the grid. Setting goals based on the PAC and the 2021 avoided costs could bring much-needed innovation and common sense to energy efficiency and the CPUC has the opportunity to start now with the adoption of aligned potential and goals. The many compelling reasons that the CPUC should move away from a TRC framework in favor of the PAC have been raised recently by many parties through many proceedings and need not be recounted here. We re-submit the most thorough description available for easy reference.[1]

[1] *Whitepaper: Evolving Cost-Effectiveness Policy and Tools to Enable Modern Energy Efficiency and Demand-Side Management Adam Scheer, October 2019*

III. The Hybrid Approach May Be Manageable Despite Significant Reservation

In lieu of the urgent request presented at the opening of these comments, Recurve would otherwise support the CPUC's intent to set 2022-2023 goals using a scenario based on the 2020 Avoided Cost Calculator (July 14, 2021, updated results), affirming Decision (D.) 21-05-031 direction for program administrators to use the 2020 Avoided Cost Calculator when developing their 2022-2023 budget advice letters. We believe that using the ACC 2020 for the 2022-2023 BBAL avoids significant market disruption that would otherwise occur with this update.

Recurve draws parties' attention to our earlier comments[2] on the significant negative impact that a near-term shift to the ACC 2021would have on market actors and customers looking to upgrade systems. Our analysis showed that programs could expect a 30 - 60% reduction in benefits upon adoption of the 2021 avoided costs. This would sink core efficiency programs, which already struggle to meet TRC thresholds. Hundreds of millions of dollars would likely evaporate from the portfolios and thousands of jobs would be lost. Given the considerable delay in the Potential & Goals study results, it also makes it untenable for PA's to re-configure program filings before September. Regardless of the vintage chosen, It is essential and prudent for the Commission to continue to sustain their policy of continuity between the filings and reporting requirements applying the same ACC vintage (in this case, the ACC 2020 for filing and reporting through 2023).

With respect to the larger business plans for 2024-2032, Recurve supports the CPUC proposal for the energy efficiency program administrators to use the 2021Avoided Cost Calculator in developing their 2024-2027 portfolio and budget applications coupled with

[2] COMMENTS OF RECURVE ANALYTICS, INC. ON (U 338-E) REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON DRAFT POTENTIAL AND GOALS STUDY; 5-28-2021

selecting PAC as the preferred scenario. We can also support the CPUC's proposal to set 2024-2032 goals using a scenario based on the 2021 Avoided Cost Calculator and selecting PAC as the preferred scenario. However, we note that using the ACC 2021 for the 2024-2032 Business Plans and Goal setting exercise will likely have a devastating impact on the existing program budgets without adopting PAC.

We anticipate that the true-up process adopted in D.21.05-031 may allow for necessary adaptations for the ACC updates over time. Per Ordering Paragraph 10, outlining the true-up process, the Business Plans would be subject to a true-up filing in 2023 which would be informed by the ACC 2022 (major update) pending. Ensuring that this major update happens in a timely fashion is essential. Per the ordering paragraph, every other (odd) year, either a true up or mid-year review will reflect updates to the ACC. While we see these bi-annual updates as potentially disruptive to establishing longer-term predictability for the demand flexibility market, we recognize the need to keep the values up to date and an accurate reflection of the system benefits. With this position, we embed the assumption that the Commission will continue to sustain their policy of continuity between the filings assumptions and reporting requirements, i.e., applying the same ACC vintage for filing and reporting.

With respect to scenario selection, Recurve strongly supports using the PAC, in both 2022-2023 advice letter filings and the 2024-2032 goals as already stated. Our distant second recommendation is to use the High TRC scenario for multiple reasons:

- Energy efficiency potential continues to be so tightly tied to the deemed potential construct (i.e. not including optimized load impacts or EE-DR co-benefits) that it may likely be an underestimate of the total achievable potential and system benefits.
    - The potential study does not yet consider performance program designs, as

the default deployment model per SB350

    - Performance program designs both mitigate the risk of spending without realizing verified savings at the meter and motivate higher performance

- The "High TRC" scenario is the only one that also includes financing which has proven an important conduit for delivering system benefits and should be tracked and monitored for its resource value.
- The impacts of valuing low GHG refrigerants did not appear to be considered in the original or update, and this additional value stream may make many more projects cost-effective expanding achievable potential.
- The goals no longer play a role in the shareholder incentive mechanism and therefore have removed any risk to the utility to not achieve payments for meeting stretch or aspirational goals from consideration.

We see little reason for the Commission NOT to take an aggressive posture on the goals. However, since the achievable potential is used in the CEC load forecast and the IRP, it is urgent that the projected savings are realized. We do not recommend the "IRP Optimized" scenario at this time because it is missing key components of the potential (gas and fuel substitution) that need to be included. Also, we have hope that the low results for electric potential in the IRP optimization scenario can be reconciled over time with the implementation of the segmentation policies and greater provision of performance-based programs.

IV. Decisions on Potential and Subsequent Reporting Directly Affects Available Resources Supporting the Grid in 2022

The long-term process for assessing energy efficiency's effect on the system planning needs is important and necessary. However, decisions today will affect the resources that are actually available in the near term.

The appropriate cost test for optimizable energy efficiency as a resource needs to

recognize the value of leveraging external capital (including participant contributions), not penalize it. This policy mismatch is acutely relevant for the short-term acceleration of energy efficiency projects that also deliver the co-benefits of improved overall demand-side flexibility and low-GHG refrigerants. Load-serving entities and the state as a whole has an urgent need to capture this demand-side flexibility value in the near term to accelerate no-regrets resource investments in load reductions.

Performance-based program models designed around population NMEC, wherein program administrators are directly buying aggregated systems resources, are in a unique position to fill this role. However, they are caught up in a deemed reporting paradigm that is not appropriate for their actual operation - which is as a virtual power plant (VPP). The program costs for these competitively delivered resources should be considered per se reasonable and at the boundary of the aggregator payment in the same way third-party programs are considered reasonable. Extending this logic for population NMEC with a marketplace deployment model will enable significant scaling of these investments, which will also deliver time-valued efficiency (i.e. EE-DR co-benefits) to meet aggressive targets and support the grid as soon as 2022.

In D.21-05-031 the Commission recognized that competitively solicited third-party contracts should be exempted from zero-based budgeting requirements. Since the budgets were established via a competitive process, the program costs represent the market rate for procuring that resource and as such are "per se" reasonable.

> "*Implementation costs associated with competitively-solicited third-party contracts shall be considered per se reasonable, without the program administrator needing to justify the costs using a zero-based approach."* D.21-05-031 Ordering Paragraph 21

By extension, population NMEC programs with direct payments to aggregators for system benefits are likewise representing the "per se" reasonable market rate for procurement of the resource. Aggregators are leveraging competitive market forces to finance projects, settle willingness to pay price points with customers, and may augment projects with other capital sources, the aggregator has to reconcile all of that against the system benefits rate paid based on portfolio performance. Furthermore, in the case of population NMEC programs that shift risk, both measurement and payment are settled directly with the aggregator based on their portfolio of projects. Their aggregated portfolio functions as a virtual power plant creating a cash flow that represents the total system benefit, isolated from the customer benefits and costs that are being delivered and paid for by each building owner. Hence the only cost that needs to be accounted for in this measurement boundary is the cost of procuring the resource from the aggregator's portfolio and any other justification of cost, to achieve the system benefit, is unnecessary.

Recurve Analytics, Inc. appreciates the opportunity to comment and respectfully requests the Commission to consider the concerns raised herein.

Dated: July 30, 2021

Respectfully submitted,

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