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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of the California Market Transformation Administrator (U-1399-E) for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives	Application A-26-07-004 (filed July 7, 2026)

RESPONSE OF CENTER FOR ENERGY AND ENVIRONMENT ON APPLICATION A.26-07-004

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RESPONSE OF CENTER FOR ENERGY AND ENVIRONMENT TO THE APPLICATION OF THE CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR FOR APPROVAL OF THE SECOND TRANCHE OF STATEWIDE ENERGY EFFICIENCY MARKET TRANSFORMATION INITIATIVES

I. Introduction

In accordance with Rule 2.6 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure ("Rules"), Center for Energy and Environment ("CEE") submits comments to the Application of the California Market Transformation Administrator for Approval of the Second Tranche of Statewide Energy Efficiency Market Transformation Initiatives ("Application").

II. Statement of Interest

CEE is a data-driven, consumer-focused, and community-based clean energy nonprofit headquartered in Minnesota. For nearly 40 years, CEE has collaborated with utilities, governments, nonprofits, and businesses to deliver actionable research and innovative programs that reduce energy waste and harmful emissions. Our more than 250 staff include market transformation practitioners, program developers and implementers, engineers and technical experts and research professionals.

We submit the following comments based on our experience implementing a market transformation program in Minnesota called the Efficient Technology

Accelerator ("ETA"). CEE has implemented the ETA program since its launch in 2023, under contract with the Minnesota Department of Commerce with funding from and in partnership with Minnesota utilities. Savings and net benefits claimed by the ETA program are allocated to participating utilities and can go towards meeting state efficiency goals and associated financial incentives for investor-owned utilities. CEE and other Minnesota stakeholders worked closely with the Northwest Energy Efficiency Alliance ("NEEA") in developing the ETA framework for market transformation in Minnesota, and we continue to work closely with them in implementing the ETA, using a model of market transformation implementation that is based on the NEEA model and closely resembles the CalMTA model. We currently have about 35 staff that work on the ETA and will be expanding that over the next several years.

As implementers of a comparable market transformation program in another state, we have closely followed CalMTA's progress and are well positioned to comment on its latest tranche of proposed market transformation initiatives ("MTIs"). Relevant to the Application, ETA administers MTIs for commercial rooftop units ("CRTUs") and high-performance windows, and we are currently investigating heat pump water heaters ("HPWHs").

III. Response to the Application

A. The Strategies Employed by CalMTA are Robust and Show a Path to Long-term, Cost-effective Savings

The three MTI Plans that CalMTA is seeking approval for are well-researched, strategically sound, and follow market transformation best practices. These plans reflect the work of an experienced team, with deep knowledge of how market transformation works. Like most market transformation efforts, these MTIs are a long-term effort, and it will take some time for the strategies detailed in the MTI Plans to bear fruit, unlike the instant savings that can accrue from resource acquisition programs. This is one of the biggest challenges for policymakers, in our experience, with approving market transformation programs and budgets – the longer incubation period to generate savings after the large cost of market deployment. However, the experience of NEEA, and our own experience at the ETA, is that well-designed MTIs can start generating savings, and that over time, they can

become highly cost-effective.

In Minnesota, the ETA started active market deployment of four MTIs in 2024, after they were approved for launch, and after developing significant market research, planning and strategy documents, similar to the MTI Plans submitted by CalMTA. We started to actively claim savings in 2025, which was verified by regulators and is used by utilities towards their statewide goals.[1] While we are not yet cost-effective on an annual basis, we have done extensive forecasting of our portfolio, and expect it to achieve a positive benefit-cost ratio by 2028, four years after launching our current portfolio, and be cost-effective on whole (considering cumulative costs and benefits) over a 6-8 year period.[2] Our forecasts show cost-effectiveness improving over time, and eventually becoming more cost-effective than the average resource acquisition program in the state. After reviewing CalMTA's MTI Plans, we have no reason to doubt they will be able to follow the same trajectory, and become highly cost-effective over time in the California market.

CalMTA has also laid out in their MTI Plans what efforts already exist, and how they will complement these existing efforts (see Section 5, "External program alignment & coordination," of each MTI Plan). CalMTA has considered these efforts and how best to coordinate with them and address gaps within these efforts, which in some cases represent long-running programs that are already capturing savings from the target technologies. Stakeholders may question the value of adding another program for this effort. However, the Plans address barriers that are not being addressed by other programs, and bring a different perspective and approach that is valuable and will complement existing efforts. The ETA has faced similar coordination challenges here, especially with existing utility rebate programs that target the same technologies. Our experience has been that bringing a market transformation lens and market transformation strategies has been extremely valuable, and that existing programs benefit, and overall savings increases. This is because the market transformation approach is often fundamentally different than other programs – it is an approach that focuses on systematic elimination of barriers, and achieving a long-

[1] ETA reported these savings in docket CIP-21-548; the report documenting market progress and savings is also available at: www.etamn.org/2025-eta-status-report.

[2] ETA actually showed a positive benefit-cost ratio (for the "Minnesota cost test," the primary test used in MN) for efficient fuel switching measures of 1.41. Electric efficiency showed a benefit cost ratio of 0.87, so it is nearly cost-effective today. Natural gas efficiency came in at 0.03 in 2025, but our projections show this increasing to above 3.0 within the next four years.

term end state that results in the target technology becoming the default; which is different than particularly utility-funded resource acquisition programs.

For example, ETA's air source heat pump (ASHP) MTI focuses on replacing central air conditioners with centrally-ducted ASHPs as the default choice for air conditioner replacement. We started implementing this as a market transformation program prior to the ETA's launch (at which point it was rolled into the ETA). We had been conducting active market engagement for several years when our largest utility partners launched a rebate program for this same technology. These utilities based participation goals on their experience with other similar technologies and what they found of trends in other states. However, because of the active market engagement that we had already been doing,[3] they exceeded their participation goals by two to three times expectations. This resulted in the rebate programs claiming increased savings by their efforts, as well as market transformation savings claimed through the ETA – a win-win for all. CalMTA can bring similar results to California, accelerating adoption of their target technologies.

B. The CalMTA Approach is a Unique and Effective way to Leverage National Market Actors

Market transformation is premised on the notion of leveraging market actors to influence product development, market differentiation of efficient products, sales strategies and other areas. Even in California, which has one of the largest markets in the world, HVAC and windows markets are still national markets. We have coordinated with CalMTA on HVAC and windows technologies with our national market engagement. We have found it valuable to coordinate, as efficiency markets are national, and California's market scale gives it meaningful leverage.

One might think that because of this, Minnesota might get more benefit out of a collaboration with CalMTA than California would in return. However, California also benefits from having an entity like CalMTA coordinate with the ETA, and similar entities in other states, on technologies of mutual interest, and without CalMTA involved in these

[3] This included contractor training of hundreds of HVAC contractors, creation of a preferred contractor network, creation and dissemination of tools and other resources to help contractors and homeowners, and other strategies. These are documented in our 2025 status report: www.etamn.org/2025-eta-status-report.

technologies, there is no similar entity in California that could capture this benefit – CalMTA is unique in this function. While Minnesota is a smaller state, there are still specific products that have a relatively large market in Minnesota, in particular with high-performance heat pumps that can operate in Minnesota's cold temperatures (Minnesota has the largest share of buildings in climate zone 6A and 7 of any state). The performance enhancements piloted and tested in our extreme climate are relevant to the overall performance enhancements of heat pump technologies, including heat pump CRTUs in California. For example, we are working closely with manufacturers and the Department of Energy ("DOE") on their pilot sites in Minnesota for best-in-class CRTUs as part of DOE's Better Buildings Commercial HVAC Accelerator, where the high-capacity heat pump CRTUs will benefit buildings in California's market.

Furthermore, it is not just Minnesota that is engaged with the target technologies in CalMTA's second tranche of MTIs – NEEA and the four states it represents are involved, as well as Illinois utilities, NYSERDA in New York, and other states. We actively collaborate with each other to build alignment in our asks of the supply chain, and ensure that we can speak with one voice to the market, amplifying our individual efforts. If this does not happen, the supply chain will get mixed messages about products and strategies to employ, hampering progress for all. Thus, California, with CalMTA, will be able to leverage this national network to increase its influence over the supply chain. This is the core feature of what market transformation is about, and CalMTA is well-positioned to capture this benefit in the implementation of the second tranche of MTIs.

C. CEE Supports the Application, including the Modified Approval Process

Based on our interactions so far with CalMTA, and with reviewing the second tranche of MTIs in the Application, CEE finds CalMTA's approach to be defensible, aligned with market transformation best practices, and highly likely to be successful in the aggregate. We believe the MTIs in this tranche occupy a unique space in the California clean energy ecosystem and add significant value to the already substantial efforts in California on energy efficiency and decarbonization.

Regarding the request for approval by Tier 2 Advice Letter for future MTIs, this is a similar process to what the ETA has for approving new MTIs within an already-approved

budget. Similar to CalMTA, we include robust analysis and stakeholder engagement within a stage gate process to approve new MTIs in a stepped fashion. Utilities, regulators and other stakeholders are actively involved in the process, and a formal vote of our Coordinating Committee needs to be taken to move an MTI to active market deployment. Rigorous technical and market studies inform their decision-making process. This has so far proven to be good model. There is considerable time invested in the research and planning for new initiatives, so as a practical matter it takes a minimum of 18-24 months for ETA to move to market deployment from the concept stage (similar to CalMTA). Increasing the formal regulatory requirements would extend this timeline, and make CalMTA less able to be nimble and responsive to new opportunities.

IV. Confirmation of Party Status

Rule 1.4(a)(2)(i) of the Commission's Rules of Practice and Procedure provides that a person may become a party to a proceeding by filing "a protest or response to an application." Through the filing of this Response, CEE requests that it be given party status in A.26-07-004 with the contact information below:

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V. Conclusion

For the reasons stated above, CEE respectfully requests that the CPUC approve CalMTA's Application. CEE thanks the Commission for considering this Response and looks forward to participating in the proceeding.

Respectfully submitted,

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Dated: August 6, 2026