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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 (Filed November 14, 2013)

OPENING COMMENTS OF RESOURCE INNOVATIONS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON MARKET TRANSFORMATION WORKING GROUP REPORT

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

OPENING COMMENTS OF RESOURCE INNOVATIONS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON MARKET TRANSFORMATION WORKING GROUP REPORT

I. INTRODUCTION

Resource Innovations respectfully submits these Opening 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"). 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.

II. THE BACKGROUND

Resource Innovations is a women-owned, community-focused environmental consultancy working to transform resource efficiency and create sustainable impacts to benefit all of us. We have a vision to empower everyone, particularly the most vulnerable, with equal access to clean and sustainable energy and water.

III. RESOURCE INNOVATION'S RESPONSES TO QUESTIONS IN THE ALJ RULING

Responses from Resource Innovations to the questions posed in the ALJ Ruling are provided below.

1. **Please comment on the overall energy efficiency market transformation framework suggested in Attachment A and other consensus recommendations in the report. Should the Commission adopt this framework? Why or why not?**

Resource Innovations supports the framework found in Attachment A. The framework is consistent with market transformation reports developed for California by Prahl and Keating[1], enhances the initial staff recommendation, builds on experience from California's emerging technology efforts and pulls significantly from highly successful market transformation processes and criteria used by the Northwest Energy Efficiency Alliance. If California wants to adopt Market Transformation Initiatives (MTI), this is a decent starting framework in which to accomplish that goal.

2. **What concerns, if any, do you have about the market transformation framework as proposed in the MTWG report? What aspects would you modify? What aspects would you keep?**

Resource Innovations has four specific recommendations on the framework.

1. While Resource Innovations was active in the sub-group that developed the proposal on how to handle overlap with resource acquisition programs (section 8 of the report), there was insufficient time to simplify and then focus the comments of that subcommittee. As a result, further thoughts on this subject appear in our answer to Question #8.

2. An important subject that did not get fully discussed by the MTWG are principles on how to calculate savings from, and evaluate, MTIs since the framework is different than calculating savings from, and evaluating resource acquisition programs. Resource Innovations strongly supports the recommendations in the section on page A-45 related to Net-to-Gross Methodology and further suggests that the Commission evaluation staff, in conjunction with the MTA(s) and MTAB, develop an MT savings/evaluation framework paper over the next year. This paper should be available for public comment prior to becoming final. The Midwest is in the process of developing such a framework on calculating savings through MT, reviewed by the Illinois Stakeholder Advisory Group. When final, that that paper could assist as a starting point for California.

3. Resource Innovations did not see the explicit statement In Attachment A that MTB meetings should be open to the public. We recommend that this be explicitly stated.

1 Ralph Prahl & Ken Keating, *Building a Policy Framework to Support Energy Efficiency Market Transformation in California*, December 9, 2014 and Ken Keating, edited by Cathy Fogel, *Guidance on Designing and Implementing Energy Efficiency Market Transformation Initiatives,* December 9, 2014.

4. Resource Innovations recommends that the Ideation and Intake section of the Stage-Gate Proposal and Decision Criteria (starting on page A-14) be modified slightly to clearly allow MTA(s) themselves to be scanning the horizon for possible MTIs in addition to using ideas from the portal. There will be some MTIs that could be developed by picking up partly or fully formed initiatives from other regions (like the Northwest or Midwest), and the MTA(s) will be in a unique position to investigate these.

In addition, the ideation process should allow for some ideas that may already be fairly formed (especially if they are adapted from other regions) to fit into the later stage of the MTI development process, and not necessarily start at the beginning
as outlined in Figure 1 of Attachment A of the report.

3. **Comment specifically on your preferred resolution of the first non-consensus issue identified in Attachment A (see pages 24-31) with respect to the appropriate choice for Market Transformation Administrator. Parties may also propose other alternatives, if there are administrative models that were not discussed in the report, but should be considered.**

Resource Innovations would like to clarify that it is listed as supporting both proposals because it believes that either option can work – as is well articulated in the arguments in Attachment A -- and either option creates difficulties. We'd like to see the CPUC weigh the pros and cons of each option in the context of the broader long-term direction it envisions for EE in California, including its fit with integrated distributed demand side resources, and then select an administrator model that best fits this broader, long-term context.

4. **Comment specifically on your preferred resolution of the second non-consensus issue identified in Attachment A (see pages 36-38) with respect to the cost-effectiveness threshold that should be required for market transformation initiatives? Parties may also propose other alternatives.**

Resource Innovations supports a TRC threshold of 1.25 that includes all the costs and benefits of market transformation initiatives, including any codes or standards changes. A threshold of 1.25 already reflects sufficient premium for efficiency. There is no need to increase that premium for MT. The increased risk of MT compared to resource acquisition is offset by the outsized long-term gains MT produces. The Northwest has created cost-effective savings through market transformation for two decades, including the cost of initiatives that failed, which has proven that launching these types of initiatives is worth the risk.

5. **To what extent can current cost-effectiveness tools and methods fully evaluate market transformation initiatives that would result in codes and/or standards? If current methods are insufficient, please comment on the two options outlined on page 35 of Attachment A, and include any other recommendations on this topic.**

Resource Innovations strongly supports the work group recommendations that the overall tests don't need to be changed at this point, but that inputs to the tests need to be developed that reflect long term market activities and changes. Inputs need to reflect the multi-year, long term costs and benefits of an MTI, incorporate codes and standards effects in the initiative's overall costs/benefits, and incorporate "what would have happened anyway" in the baseline forecast of the market without the initiative in place.

6. **Should a budget allocation to market transformation be incremental to the rolling portfolio budgets, or should a portion of the energy efficiency rolling portfolio budgets be redirected to market transformation? Why?**

MT will provide incremental value to the current portfolio, and it should be funded from an incremental budget. This leaves in place the resources needed to deliver on resource acquisition programs through the rolling portfolio budget while MT efforts are being planned and organized, which will take some time.

7. **How much should the initial funding allocation be for market transformation, and for what duration?**

Based on the Commission staff's proposal on MT, Resource Innovations would support an initial budget of $48M for statewide MT for a start-up period – presumably something like two years for the first few MT initiatives. This would be divided among MTAs if there are multiple MTAs. This is sufficient for setting up processes, screening initial options and at least starting any market research or pilots that would be needed for the markets that are selected as early winners. Clearly, as the process of launching MT efforts in CA progresses, there will need to be a process by which at least five to six years worth of funding is allocated to the initial MTIs with yearly check-ins and adjustments, as well as an expansion of the budget to additional MTI's as further markets and sectors are identified that would benefit from the MT approach.

This long-term, multiple-initiative planning for funding will be an important task for the MTA(s) and Commission to discuss and establish in the first years of the MT work in California.

8. **How should the coordination between resource programs and market transformation initiatives be managed?**
    a. **Would a cooperation agreement between market transformation initiatives and resource programs be useful?**
    b. **What should be the required and modifiable terms of such an agreement?**

Resource Innovations was part of the sub-group working on this section but observes that there was insufficient time to simplify and then focus the thoughts of the sub-group. Ideally, the most benefit will accrue to CA ratepayers if these two important approaches to securing energy efficiency can work synergistically together. All parties involved with MT and RA should be encouraged to work together. We offer the following additional observations:

There are two key areas of overlap that will be important for both resource acquisition (RA) and MT programs: Accounting for savings between the two so no double counting occurs; and creating joint, seamless approaches/messages to the market actors – customers, mid-stream actors, up-stream actors and manufacturers for example – so RA savings can be enhanced in the near-term, MTIs can achieve their longer-term savings goals, and market actor confusion can be minimized.

In terms of savings, it is standard practice in the Northwest to remove savings reported from RA programs from the counting of MT savings. A similar approach is being suggested in the MT savings framework being developed for Illinois (see second comment above on Question 2). Resource Innovations also supports freezing the net-to-gross ratio in the RA program for a period of time, so RA programs are not penalized during the MT period. Resource Innovations recommends that this period be for at least the term of the MT initiative implementation.

In terms of developing seamless approaches to messaging and working with market actors, Resource Innovations supports the activities to encourage cooperation that are listed starting on page A-51. The MTA(s) and PAs need to work together from the start to evolve existing RA programs with emerging MTI so synergies can occur. This would start with meetings among the RA and MT implementers and administrators with an initial goal of clarifying roles among them in terms of their interactions with market actors.

In many cases, MTIs can be designed as a "wrap-around" of existing RA activities – intended to enhance, not replace or disturb. In the Midwest, the concept of MT being the "theory umbrella" that serves as the hypotheses to change the market is emerging. MT can embrace a number of diverse activities (for example, funding from multiple parts of a utility's budget, or activities undertaken by other organization (like cities)) while also adding other activities that enhance lasting market change.

Market Transformation serves as "Theory Umbrella" for Multiple Activities

- **Emerging Technology**
- **Pilots and prep** *(e.g., spec development)*
- **Implementation** *(including rebates, marketing, training, relationship development, etc.)*
- **Market research and assessment**
- **Codes and standards**

- **Activities are often funded from multiple areas within a utility's or partner's budget**

Resource Innovations recommends thinking about MT and RA, as well as emerging technology and codes & standards, as all being part of the set of tools that can be used during development of the logic model to create long-term market change. The role of the MTA and MTI is then to coordinate with the organizations/budgets supporting those activities and add the missing pieces that will allow the MTI to change the market according to its logic model. This concept also helps facilitate a successful hand-off between emerging technologies that are appropriate for an MT approach and the MT efforts.

Resource Innovations thinks that the cooperation and coordination required to develop a comprehensive MTI in a market that already has an existing RA program will be better served by working cooperatively with the implementors/administrators in that particular market, rather than having an exogenous "cooperation agreement" developed in advance.

Resource Innovations also recommends that the Commission strongly encourage coordination with emerging technology and among all the other types of activities "under the umbrella" so ratepayers can get the benefit of the full set of activities pulling together to accomplish lasting market change to create greater savings at lower cost.

9. Once a market transformation initiative is approved, what should be the process for updating or amending key terms (e.g., metrics, milestones, targets, schedules, and savings methodologies) during implementation?

As part of the evaluation and savings framework that Resource Innovations recommends be developed over the next year, Resource Innovations recommends that yearly or every-other-year reports on the progress of market indicators for each MTI be published. These "Market Progress Evaluation Reports", as they are called in the Northwest, focus on documenting changes in the market that track the barriers and opportunities identified in the MTI's logic model, and the progress of the initiative toward its pre-identified indicators of market change. It would then be the responsibility of the MTA(s) to review these and adaptively manage the initiative. This could be done with public review similar to the process for adjusting programs in the Rolling Portfolio.

10. If a market transformation initiative, once approved, begins to perform poorly:

a. How will the Commission become aware there is a problem?

b. What should the process be to determine if a market transformation initiative with questionable performance should be amended or terminated?

Resource Innovations believes that the prior recommendations to ensure the development of Market Progress Evaluation Reports (or similar) and requiring the MTA(s) to discuss the progress of the initiative with the MTAB on an annual basis will provide sufficient transparency for the Commission and the public to know what is happening. There are always judgements required on whether an MTI is performing sufficiently, but with these processes in place there will be the ability for all interested parties to weigh in and Commission staff to raise issues if change needs to occur.

11. The MTWG report references "financial commitments to the target market(s)" (see page 17) and a market transformation plan that "solidifies a commitment to the market and relevant actors" (page 18). What kinds of commitments should a market transformation initiative make to the market(s) and market actors? What kinds of commitments are not appropriate, if any?

There are times when an MTI will need to commit to key market actors for a multi-year period. Market actors will be the companies that will carry the market for energy efficiency forward after utility activities have receeded. Utilities need to partner with these companies often for multiple years to get the efficiency product/service developed, supplied to the market and advertised.

For example, using the golden carrot refrigerator buy-down approach as an example, utilities would need to be able to commit that incentives are available for a few years in the future for super-efficient units that are delivered to their service territory during a specified time period. The budget pool for these incentives can be capped, as long as that cap is communicated to the market actor in advance. But this commitment would not be withdrawn unless there were extreme extenuating circumstances. In some cases, without some form of long-term commitment up front, market actors will be unwilling to move. Since this approach will be designed into the initiative, it will be reviewed by the MTAB in advance of the full commitment and parties will have an opportunity to comment.

12. Are there other issues not addressed in Attachment A that the Commission should consider as part of its decision establishing a framework for energy efficiency market transformation?

Resource Innovations has no further comment.

IV. CONCLUSION

Resource Innovations appreciates the Commission's consideration and the opportunity to provide these comments

Dated: May 6, 2019

Respectfully submitted,

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