

**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 13-11-005

**COMMENTS OF MARIN CLEAN ENERGY ON  
MARKET TRANSFORMATION WORKING GROUP REPORT**

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Marin Clean Energy (“MCE”) submits the following comments in response to the *Administrative Law Judge’s (“ALJ”) Ruling Seeking Comment on Market Transformation Working Group Report (“Ruling”)* filed April 10, 2019. In the sections below, MCE provides responses to some of the questions posed in the ALJ’s Ruling.

**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?**

MCE largely supports the Market Transformation Working Group’s (“MTWG”) market transformation (“MT”) framework proposal. The framework is a well-designed process to more clearly define market transformation initiatives (“MTI”) and how they can complement and integrate with other energy efficiency (“EE”) programs. The framework should be utilized, as drafted, to identify MTIs and then to work with all existing EE program administrators (“PAs”)<sup>1</sup> to integrate MTIs into EE business plans. The framework should not however, be utilized to separate all EE measures that are deemed to be MTIs into their own set of separately funded, tracked and administered programs. Integrating MTIs

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<sup>1</sup> Existing PAs include MCE and various Regional Energy Networks (“RENs”) in addition to the IOU PAs.

into general EE programming will help programs trend toward more holistically integrating demand response, building decarbonization and other demand-side programs into EE programming. Such an outcome will result in a better customer experience and less challenges associated with siloed programs.

The MT administrator's ("MTA") primary function should be to coordinate with all EE PAs to ensure that MTIs are properly incorporated into EE portfolios, similar to the manner in which codes and standards ("C&S") initiatives are currently integrated within individual PA business plans but are separately tracked and reported on for cost effectiveness. The MTA's role in coordinating MTIs should be similar to the roles for statewide EE program administrators, wherein one administrator leads each statewide program, but various implementers effectuate it.<sup>2</sup> Like the statewide administration model, it should be a consultative and collaborative process.<sup>3</sup>

**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?**

While not entirely clear from the MTWG report, MCE would be concerned to the extent that MTIs are designed as separately implemented EE programs that are removed in whole or in part from existing PA programs. As discussed above, MCE believes the MTWG framework allows for coordination by a single statewide MTA (or multiple MTAs) that coordinates with individual PAs to incorporate MTIs into EE portfolios. Many of MCE's existing resource acquisition ("RA") programs are already designed with MT concepts and goals in mind. Siloing these efforts from the broader set of EE offerings may

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<sup>2</sup> D.16-08-019 at pp. 51-52.

<sup>3</sup> *Id.* at p. 54

undermine their impact and risk fragmenting savings opportunities. It is important to ensure that MT efforts are designed to complement, and not to eliminate or disrupt, PA's cost-effective programs already in place.

The MTWG Report contemplates,

[S]hould a RA program need to be “ramped down” to avoid interfering with an MTI, the MT Plan should contain an estimate of the reduced Rolling Portfolio savings goal and lowering of the Total Resource Cost test (TRC) that would result from removing the savings potential of the RA programs impacted by the MTI.<sup>4</sup>

While MCE agrees that savings goals and TRC expectations would need to be modified in this situation, the goal should be to *avoid* ever having to “ramp down” an existing RA program in favor of an MTI. Indeed, it may be appropriate for a MTI to help fund and leverage an RA program for the success of the MTI. As MTIs are considered for approval, any potential disruptions to RA programs should be mitigated to the greatest extent possible prior to approving the MTI. Such an approach will help preserve the ability for EE programs to deliver comprehensive offerings that achieve the state's energy savings goals.

Further, it is critical that the Commission consider the impact that any disruptions to existing PA portfolios could have on the larger California EE market. As EE PAs utilize more and more third parties for program implementation, EE portfolios are increasingly founded on contracts with independent implementers. If the MT framework serves to remove rather than complement activities from RA programs, such contracts could be at risk and such uncertainty could unintentionally harm the EE industry in California. In adopting an MT framework, the Commission should be very cautious to avoid disruptions

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<sup>4</sup> Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Report (“Ruling”), filed on April 10, 2019, at p. A-20.

to PA portfolios and the third-party implementers whose business models depend on that structure. Integrating MTIs into existing EE portfolios - as opposed to keeping them separate - helps address this concern. Furthermore, in the evaluation phase, all proposed MTIs should not only identify potential disruptions to existing RA programs in general, but also specifically point out the impacts on the underlying contracts with third-party implementers.

MCE is also somewhat concerned about the potential impact of the framework proposal on individual PA staff resources. For example, the report outlines a process similar to the Joint Cooperation Memos (“JCM”) that the MTA would have to negotiate with each PA. Further, potential dispute resolution processes could be cumbersome and time intensive if issues between MTIs and RA programs arise. Finally, coordination and communication will be required to ensure that all PAs would be able to make the appropriate adjustments to their annual budget advice letters (“ABALs”) if needed. These staffing resource issues for existing PAs can be minimized to the extent that the MTA takes on responsibility to facilitate coordination, identify conflicts and proactively design plans to avoid such conflicts so that MT efforts are minimally disruptive to PA activities. This topic is discussed further in response to question 8, below.

**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.**

To address several of MCE’s concerns, and for many of the reasons stated in the MTWG Report, MCE supports the option of a single, independent statewide administrator. A single MTA is the most logical choice for effectively implementing MTIs, which are

typically focused on more regional (or even national) upstream and midstream initiatives. The Commission has already recognized that upstream and midstream programs focused on market transformation should be administered by a statewide entity rather than an IOU.<sup>5</sup>

Further, an independent statewide, non-IOU MTA avoids any conflicts with regard to the administration of current EE portfolios, especially where IOU and non-IOU PAs have overlapping footprints. Putting IOUs in charge of all MT activities puts them in a position to be able to design MTIs that could interfere with or undermine other PA's RA programs (*e.g.* shaving off the most cost-effective initiatives into a separate MTI portfolio). A single statewide MTA would operate under the guidance to avoid and mitigate disruption to all RA programs and all EE PAs would be aligned in limiting such disruptions. Such a structure would help ensure EE activities are successful and that MTIs are used as a tool to bolster, rather than interfere with, individual PA portfolios.

**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.**

MCE supports Option 1 of the proposed cost effectiveness thresholds - to utilize the same threshold in the MT context as is applied to the general EE context. As noted in the MTWG Report, a 1.25 TRC per MTI is a more exacting standard than the 1.25 portfolio-wide standard applied to EE Rolling Portfolios.<sup>6</sup> Further, setting the cost effectiveness standard at the same levels for both MTIs and Rolling Portfolio programs helps to prevent the possibility that the most cost-effective measures are picked off from

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<sup>5</sup> Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filing ("D.16-08-019"), filed on August 25, 2016, at pp. 57-59.

<sup>6</sup> Ruling at p. A-47.

the Rolling Portfolio programs. However, as noted above, a framework that emphasizes integration of MTIs into Rolling Portfolios would further mitigate this issue, rather than creating separate MT portfolios that would compete for cost effectiveness.

- 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.**

MCE has no comments on this issue at this time.

- 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?**

Consistent with the goal of creating minimal disruption to existing RA programs, MT budgets should be incremental to Rolling Portfolio budgets. To the extent that MTAs focus their efforts on identifying MTIs that can successfully be added to existing Rolling Portfolios, the funding for such additional measures should be supported from MT-specific budgets. This allows existing program budgets to continue as approved and without disruption.

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

MCE has no comments on this issue at this time.

- 8. How should the coordination between resource programs and market transformation initiatives be managed? Would a cooperation agreement between market transformation initiatives and resource programs be useful?**

As explained in the above introductory section and in MCE's response to questions 1 and 3, a single statewide MTA whose role focuses on the coordination and integration of MTIs into existing RA programs (*e.g.* similar to C&S programs) would help to more comprehensively address program overlap. Part of the single statewide MTA's function

should include the development and facilitation of cooperation agreements or JCMs. However, to address MCE's concerns stated above<sup>7</sup> regarding the potential demand on staff time and resources, the Commission should consider requiring MTAs to develop master JCMs with each Rolling Portfolio PA before a portfolio of MTIs is selected, rather than having to constantly develop JCMs for each individual MTI. The master JCM should be updated annually to incorporate changes to RA programs and rules.

Another strategy to avoid disruptive overlap would be to adopt the MTWG's recommendation to select MTIs that enhance positive and minimize negative overlap.<sup>8</sup> MCE agrees that the MTA and MT advisory board ("MTAB") should develop specific criteria that would quantify the degree of negative overlap that a proposed MTI would create.<sup>9</sup> Only MTIs that fall below an established threshold should be considered for adoption.

The MTAB should play a pivotal role in preventing negative overlap and ensuring that the MTA is sufficiently coordinating with all relevant stakeholders. As such, it is important that all EE PAs have the opportunity (but are not required) to participate in MTAB meetings and provide input, even if such entities are not actually on the MTAB. In order to promote transparency and allow interested PAs to participate in MTAB meetings, the Commission should require the MTAB to provide at least two-weeks of notice of any meetings. Additionally, proposed agendas should be shared with stakeholders through the California Energy Efficiency Coordinating Committee ("CAEEC"). This will help to

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<sup>7</sup> See, MCE response to question 2 at p. 4.

<sup>8</sup> Ruling at p. A-52.

<sup>9</sup> *Id.*



ensure that implementors, PAs, and other stakeholders with concerns about program overlap are able to attend and help resolve conflicts.

- 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?**

MCE has no comments on this issue at this time.

- 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?**

MCE has no comments on this issue at this time.

- 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?**

MCE has no comments on this issue at this time.

- 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?**

MCE has no additional comments at this time.

## **CONCLUSION**

MCE thanks ALJ Fitch, ALJ Kao and Commissioner Randolph for their thoughtful consideration of these comments.

Respectfully submitted,

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