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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.	R.13-11-005

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338 E) COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

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I.

INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), and in compliance with the Administrative Law Judge's (ALJ) Ruling Seeking Comments on future policy on regional energy networks (RENs), both existing and newly-proposed (Ruling), issued on March 27, 2019, Southern California Edison Company (SCE) respectfully submits these Comments.

II.

DISCUSSION

When considering policy for existing and new RENs, the Commission must consider the current changes in energy efficiency policy and program administration. As discussed in the Ruling, one of these changes is the recent proliferation of Community Choice Aggregators (CCAs) serving customers throughout the state. Under Public Utilities Code Section 381.1, CCAs can elect to apply to become administrators for energy efficiency funds, either for their own customers and/or for all customers within the geographic area they serve. Another change is the Commission's recent decision in the energy efficiency (EE) business plan applications (D. 18-05-041) regarding cost effective energy efficiency portfolios and other metrics of success, requiring Investor-Owned Utility (IOU) program administrators to achieve an ex ante portfolio Total Resource Cost Test (TRC) ratio of greater than or equal to 1.25,[1] reach at least 60 percent of their portfolios being designed and implemented by third parties by the end of 2022[2], and consistently deliver all upstream and midstream programs statewide across territories overseen by a single lead program administrator.[3]

SCE recognizes that RENs bring a unique local government perspective to program administration and are a trusted entity that provides value to the communities they serve. SCE identifies three approaches the Commission may consider regarding future policies for RENs. Given the current changes in EE policy and program administration and the pending outcome of the IOUs' EE third party solicitations, SCE recommends an approach where the existing RENs continue offering their existing portfolio of programs and any assessment of role of RENs be conducted after the completion of the Opinion Dynamics evaluation of RENs and the completion of the IOUs' EE third party solicitation process. This approach would allow the IOUs to establish their portfolio of programs, allow Opinion Dynamics to complete their evaluation of RENs, and limit disruption to the existing programs. In addition, SCE recommends that the formation of any new RENs or any new REN program offerings by existing RENs be evaluated for approval after the IOUs' EE third party solicitations have been completed. Assessing the role for RENs after the shift of the IOUs' portfolio to majority third party implementation will provide more information about what program gaps are present. This timing would allow a better-informed assessment of the degree to which new RENs or REN programs can fill the gaps in IOUs' and CCA's portfolios.

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[1] D.18-05-041, Ordering Paragraph (OP) 49.

[2] D.18-01-004, OP 1.

[3] D.16-08-019, OP 5 and OP 8.

A second approach that the Commission can consider is to have existing RENs participate in the IOUs' EE third party solicitation process. This would allow RENs to offer innovative and cost effective solutions to fill program gaps and target hard to reach customers on equal footing with other market actors. Lastly, a third approach the Commission may consider is to allow existing RENs to continue to offer their existing portfolio of programs until the end of the Rolling Portfolio Cycle, at which point they should be reassessed based on the results of the Opinion Dynamics evaluation to determine if the RENs are meeting the original goals and criteria of D.12-05-015.

When the Commission assesses the role of RENs, the Commission should use the criteria adopted in D.12-11-015, and reaffirmed in D.16-08-019, as that criteria are still appropriate. However, SCE recommends two changes to these criteria. First, REN activities should be evaluated based on their ability to fill the gaps of both utility and CCA EE portfolios, not just utility portfolios. Second, the Commission should consider adopting cost effectiveness criteria for RENs. Because the RENs' purpose is to fill gaps in the utility and CCA program portfolios and to focus their programs on hard-to reach customers, it may not be appropriate to hold them to the same cost effectiveness threshold of 1.25 as required for other Program Administrators (PAs) adopted in D.18-05-041. SCE suggests that an appropriate threshold for the REN portfolios is to meet is at least a 1.0 TRC standard on a forecasted basis. A threshold of at least 1.0 will help make sure ratepayers are receiving benefits commensurate with the costs incurred.

III.

QUESTIONS FOR COMMENTS BY PARTIES

1. ***Threshold REN Policy*. *Are RENs still appropriate (new or existing) in light of likely geographic overlap, and/or portfolio overlap, with CCAs and LGPs? Why or why not? What unique value do RENs bring, if any, compared to CCA or LGP programs?***

When considering whether RENs are still appropriate, the Commission should consider the program offerings from CCAs and the programs from local governments that elect to participate as designers and implementers through the IOU third party solicitation process. SCE recognizes that RENs bring a strong local government perspective to program administration and are a trusted entity that provides value to the communities that they serve. As such, RENs may still be appropriate for providing (i.e., designing and delivering) programs that address gaps in the utility and CCA portfolio or in hard to reach markets. The Commission should also consider the overall number of PAs and implementers offering energy efficiency programs and services to the same customer segments to determine if multiple PAs and implementers can lead to overlapping program offerings and cause customer confusion.

2. ***Existing REN policy*. Should the Commission consider cancelling REN programs after the expiration of the current business plan period? Why or why not?**

As discussed above, SCE recommends that existing RENs should continue offering their existing portfolio of programs until after completion of the Opinion Dynamics evaluation of RENs, and after completion of the IOU third party solicitation process, at which point the RENs should be reassessed to determine if they are meeting the original goals and criteria of D.12-05-015. This would allow an opportunity to determine the gaps that RENs may be able to fill in the IOU PA and CCA program portfolios and is likely to limit disruption to the existing REN programs.

Other options that the Commission may consider include: (A) the Commission can convert existing RENs from Program Administrators into program implementers by requiring RENs to participate in the IOU third party solicitation process; or (B) the Commission can allow existing RENs to continue to offer their existing portfolio of programs until the end of the current Rolling Portfolio Cycle, at which point the Commission should reassess the role of RENs based on the results of the Opinion Dynamics REN evaluation

3. ***New REN policy*. Should the Commission consider discontinuing the opportunity for formation of new RENs? Or should the Commission consider new REN proposals? Why or why not?**

SCE recommends that the formation of any new RENs or the development of any new programs from an existing REN should be evaluated for approval after completion of the Opinion Dynamics evaluation of RENs, and after the completion of the IOUs' third party solicitations. Local Governments currently have the opportunity to implement their own programs as market participants through the IOUs' third party solicitations. And as such, the formation of any new RENs or any new programs from existing RENs could lead to multiple PAs and implementers offering similar energy efficiency programs and services to the same customer segments and cause customer confusion. Once the IOUs' third party solicitations have been completed, SCE recommends that the Commission evaluate the formation of any new RENs or the development of any new REN programs based on the extent to which the proposed REN activities are filling the gaps in utility and CCA programs or targeting hard to reach customers. SCE also recommends that this assessment also include the results of the Opinion Dynamics REN evaluation.

4. ***<u>Criteria for REN evaluation</u>. Are the criteria adopted in D.12-11-015 and reaffirmed in D.16-08-019 still the appropriate criteria to apply to RENs and their programs? Or should new or different criteria be developed and applied?***

SCE recommends that the Commission should continue to use the criteria for REN evaluation adopted in D.12-11-015, and reaffirmed in D.16-08-019, as that criteria are still appropriate.[4] However, SCE recommends two changes to these criteria. First, REN activities should be evaluated based on their ability to fill the gaps of both utility and CCA EE portfolios, not just IOU portfolios. Second, the Commission should consider adopting cost effectiveness criteria for RENs. Because the RENs' purpose is to fill gaps in the utility and CCA program portfolios and to focus their programs on hard-to reach customers, it may not be appropriate to

[4] D.12-11-015 required that REN activities must meet one or more of the following criteria to be considered for approval. (1) Activities that utilities cannot or do not intend to undertake; (2) Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach if successful; (3) Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.

hold them to the same cost effectiveness threshold of 1.25 as required for other Program Administrators adopted in D.18-05-041. SCE suggests that an appropriate threshold for the RENs to meet is at least a 1.0 TRC standard on a forecasted basis. A threshold of at least 1.0 will help make sure that ratepayers are receiving benefits commensurate with the costs incurred.

5. Application of REN criteria. Should REN programs be required to meet all of the criteria from D.12-11-015 and not just one? Why or why not?

If the Commission determines that RENs are still appropriate and necessary, SCE recommends that REN programs should not be required to meet all of the criteria adopted in D.12-11-015,[5] but should be required to meet at least one of the three criteria as long as the RENS are focused on gaps in the utility portfolio and hard to reach markets.

Additionally, REN portfolios should be required to meet a cost effective threshold as described above. All PAs should be held to the same standards and, as such, RENs should be required to balance their portfolio and be cost effective similar to other PAs.

6. New REN geography. Should the Commission consider proposals for formation of new RENs that overlap with existing or other new REN proposals? Why or why not?

SCE recommends that the Commission discourage formation of new RENs until after the IOUs finish conducting the third party solicitations. For the formation of new RENs, the Commission should consider the overall number of PAs in a given community. As discussed in the Ruling, a major change in the environment is the recent proliferation of numerous CCAs serving customers throughout the state within the territories of the investor-owned utilities. And under Public Utilities Code Section 381.1, CCAs can elect to apply to become administrators for energy efficiency funds, either for their own customers and/or for all customers within the geographic area they serve. As such, a community can have multiple program administrators that offer EE programs and services which can lead to overlapping program offerings and cause customer confusion.

[5] *Id.*

In addition, having RENs that overlap is contrary to the Statewide Administration model adopted in D.16-08-019. D.16-08-019 put an emphasis on statewide programs to take advantage of uniform opportunities across the state for customers[6], particularly for upstream and midstream delivery channels, but potentially for downstream delivery channels as well based upon the results of the statewide downstream pilots that the IOUs will be conducting as authorized in D.18-05-041.[7] The Commission states that they want "to prioritize easy program access to customers, and in part, lower transaction costs for administrators and implementers."[8] Allowing multiple RENs to exist with overlapping territory contradicts the Commission's goals.

7. ***New REN timing*. If you recommend that the Commission consider formation of new RENs, when during the rolling portfolio cycle should such proposals be considered?**

SCE recommends that the Commission consider the formation of new RENs after the IOU PAs have finished conducting the third party solicitations. Once the third party solicitations are complete, the existing RENs can follow the guidance provided by D.12-11-015 and propose programs that the IOUs or CCAs are not offering to fill program gaps or propose programs that specifically target hard-to-reach customers.

8. ***REN sector limitations*. Should RENs be limited to delivering programs in specific sectors (e.g., the public sector, or multi-family buildings) or to specific populations (e.g., hard-to-reach communities)? Explain your rationale.**

SCE recommends that existing RENs should not be limited to any specific sector because the purpose of RENs are to fill program gaps and target hard to reach customers as established in D.12-11-015.

9. ***REN program types*. Should RENs be limited to offering certain types of programs only (e.g., non-resource programs or resource programs)?**

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6 D.16-08-019, p. 50.

7 D.18-05-041, OP 25.

8 *Id,* p. 51.

SCE recommends that existing RENs should not be limited to any specific program type but instead should focus on providing programs that fill program gaps and target hard to reach customers as established in D.12-11-015. SCE also recommends that RENs should be cognizant of providing a mix of non-resource and resource programs to ensure that their program portfolio is cost effective and a good use of rate payer funds.

10. <u>Cost-effectiveness requirements</u>. Should RENs be required to meet a certain cost-effectiveness threshold in order to be approved or continued? If so, what level, and why?

SCE recommends that the Commission consider adopting cost-effectiveness criteria for RENs. Because the RENs' purpose is to fill gaps in the utility and CCA program portfolios and to focus their programs on hard-to reach customers, it may not be appropriate to hold them to the same cost effectiveness threshold of 1.25 as required for other Program Administrators adopted in D.18-05-041. SCE suggests that an appropriate threshold for the RENs to meet is at least a 1.0 TRC standard on a forecasted basis. A threshold of at least 1.0 will help make sure that ratepayers are receiving benefits commensurate with the costs incurred.

Should the Commission determine that a strict TRC cost-effectiveness assessment is not an appropriate method for evaluation of RENs because RENs are focusing on filling program gaps, SCE recommends an alternative method be developed to measure the net benefits of RENs' programs so that ratepayers receive benefits commensurate with the costs.

11. <u>REN evaluations</u>. Are there specific studies that the Commission should undertake to more directly evaluate the effectiveness of the REN programs thus far? Please describe.

There are no additional studies that the Commission should undertake to evaluate the effectiveness of the REN programs but recommends that the Commission continue with the proposed Opinion Dynamics Year 1 LGP/REN/CCA Research Workplan.[9] The results of this study should help inform the Commission's decision regarding the future of RENs.

IV.

CONCLUSION

SCE appreciates the opportunity to provide these comments and supports the Commission's request for party input on current and future RENs in light of current trends in energy efficiency policy and program administration.

Respectfully submitted,

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[9] California Public Utilities Commission Energy Efficiency Program Oversight and Evaluation of the Group B Sectors - Year 1: LGP/REN/CCA Research Workplan, *available at* https://pda.energydataweb.com/api/downloads/2140/Copy%20of%20LGPRENCCA_WorkPlan_Response_to_Comments_2019-03-1.xlsx.