EE Goals Policy Track and Modification of Portfolio Process Decision (D.21-05-031)

California Public
Utilities Commission

Overview

Key Topics	Decision Changes
Total System Benefit	Changed our current kWh, kW, therms metrics for EE goals and accountability to a new metric: • Total System Benefit ($), which would be the avoided cost.
Portfolio Segmentation	Segment EE portfolios according to three primary objectives. 1. Resource Acquisition 2. Market Support 3. Equity
Portfolio Structure & Approval Process	Adopted modified portfolio processes which included: • 4-year Funding Application, with 8-year business plan section • Mid-cycle (2-year) budget refresh.

Total System Benefits

Total System Benefit

Total system benefit is an expression, in dollar terms, of the lifecycle energy, capacity, and GHG benefits, expressed on an annual basis.

How it works:

- Replace current metrics (GWh, MW, MMTherms) with 1 new metric for EE portfolios: Total System Benefit ($).
- Total System Benefit = the $ avoided costs, as calculated by a cost effectiveness calculator used across all of the EE proceeding.
- Use the Total System Benefit output from the Potential and Goals Study to set EE Goals by IOU.
- Energy forecasts (kWh, KW, Therms) would will be reported and transmitted to CEC for planning purposes.

Rationale for Change

- Portfolios were optimized to meet kWh, kW, and therm goals, but the value of energy savings to the grid vary widely depending on the time of day the energy is saved.

- State policy focused increasingly on GHG reduction targets, which were not reflected in CPUC energy efficiency goals.

- Unlike kW, kWh, and Term, TSB is “fuel agnostic” which facilities easier valuation of building decarbonization and fuel substitution efforts.

Portfolio Structure

Challenges With Today's Portfolio Structure

- The energy efficiency portfolios serve multiple objectives, but savings from resource programs needed to justify all of the costs of the energy efficiency portfolios.

- Programs which serve important equity and market support functions applied downward pressures on the overall portfolio cost-effectiveness and traditionally highly cost-effective programs were no longer available to balance it out.

- Therefore, Program Administrators face a dilemma of maintaining cost-effectiveness or delivering a balanced portfolio.

Changes to the Portfolio Structure

<u>Status Quo</u>

- All programs assessed collectively.
- All program benefits must outweigh all program costs in a ratio of 1.25.

<u>Adopted Change</u>

- Programs segmented based on primary purpose:
  - Resource Acquisition
  - Market Support
  - Equity
- Resource acquisition benefits must have a 1:1 ratio to costs. Market support and equity program budgets must not exceed 30% (except for RENs).
- CAEECC working groups will develop quantitative assessment metrics. Process will be discussed at full committee meeting on June 24th. https://www.caeecc.org/

Segment Definitions

The decision ordered program administrators to segment their portfolios based on the *program's primary purpose:*

- **Primary Resource Acquisition:** Programs with a primary purpose of, and a short-term ability to, deliver cost-effective avoided cost benefits to the electricity and natural gas systems.

- **Market Support:** Programs with a primary objective of supporting the long-term success of the energy efficiency market by educating customers, training contractors, building government partnerships, or moving beneficial technologies towards greater cost effectiveness.

- **Equity:** Programs with a primary purpose of providing energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the Commission's Environmental and Social Justice Action Plan. Improving access to energy efficiency for ESJ communities may provide corollary benefits such as increased comfort and safety, improved indoor air quality, and more affordable utility bills, consistent with Goals 1, 2 and 5 in the ESJ Action Plan (D.21-05-031, 14).

Deeper Dive into Equity Programs

Program Criteria

- Distinct from Energy Savings Assistance Program (p.15)
- Equity program criteria, including the distinction between equity and ESA programs, will be further explored in the CAEECC Working Group (p.15)

Example: PGE Direct Install for Manufactured and Mobile Homes (TRC 0.37)

From the Program Implementation narrative: Serves moderate-income residential customers living in mobile home parks. This comprehensive program will provide new and measurable direct savings via the installation of energy-efficient gas and electric equipment and water-saving device. The program will target non-English-speaking customers, including those who speak Spanish, Russian and a variety of Asian languages.

This is a currently defined as a resource program, but it serves hard-to-reach middle income customers. The low TRC suggests that equity may be its primary focus over avoided costs.

Program Segmentation Timeline

June 2021: CAEECC meeting to discuss segmentation criteria.

- CAEECC will propose more granular segment definitions and criteria.
- First look at possible program segmentation criteria.
- Stakeholders can participate on June 24, 2021.

September 2021: Informational segmentation for 2022 & 2023 ABALS.

- Not a criteria for ABAL approval.
- No assessment of segmentation reasonableness.

February 2022: PAs propose segmentation in 2024 Application

- Reasonableness assessed in application process.
- Encouraged to work with CAEECC working group.
- CPUC decision will approve final segmentation scenarios.

Q&A

Please let us know what questions you have!

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Additional Slides

Background on the Process

- **March / April 2020:** CPUC issued potential and goals ruling, while NRDC filed motion proposing changes to portfolio process.
- **July 2020:** CPUC issued decision scoping memo and solicited comments on portfolio structure and approval process.
- **April 2021:** CPUC issued proposed decision addressing the energy efficiency goals, portfolio structure, and approval process.
- **May 2021:** CPUC issued final decision.
- **Summer 2021:** Release of the Potential and Goals study and decision adopting goals.
- **Fall 2021:** Annual budget advice letters for PY 2022 & 2023 and applications for PY 2024-2027.

Primary Resource Acquisition Criteria

Program Criteria

- Primary benefits are immediate avoided costs (savings)
- Achievements work towards P&G goal attainment
- Evaluated using benefit / cost ratio, IRP, or variation TBD
- Segment should be cumulatively cost effective

Example: PGE Commercial Deemed Incentives (TRC 1.25)

From the Program Implementation narrative: The Commercial Deemed Incentives Program offering provides utility representatives, equipment vendors, and customers an easy-to-use mechanism to cost-effectively subsidize and encourage adoption of mass market efficiency measures through fixed incentive amounts per unit/measure.

This is a resource program with the stated goal of cost effectively delivering energy savings through the incentivization of mass market energy efficiency measures. It has no objectives competing with the primary purpose of delivering resource savings.

Market Support Criteria

Program Criteria

- Primary benefit is long term support of the market by educating customers, training contractors, building government partnerships, or moving beneficial technologies towards greater cost effectiveness.
- Evaluated by quantitative achievement of metrics & zero-based budgeting.

Example: PGE LED Accelerator (TRC 0.47)

From the Program Implementation narrative: The program will bridge gaps between manufacturers of new light emitting diode (LED) lighting technology and large multi-site commercial customers that can install LED technology in large numbers. The program emphasizes demonstrating and promoting LED display lights in the retail and restaurant sectors. The program will be implemented by Energy Solutions.

This program does deliver energy savings, but its focus is supporting the market by bridging gaps which historically served as barriers to adoption. There is an education component which delivers benefits not measurable in avoided costs.

Changes to the Portfolio Process

Topic	Status Quo	Adopted Process
Timeline	10-year cycles	4-year cycles
Budget	Set for 10 years w/ Annual Budget Advice Letters	Set for 4 years via application, with 8-year budget cap in business plan section
Cost Effectiveness	Annual	Measured over 4 years
Interim Filings	Annual budget advice letters	Mid-cycle "check in" advice letters
Potential and Goals	Biennial P&G update	Biennial P&G update
Avoided Costs	Yearly updates	Update avoided costs biennially with P&G study
Technical Inputs	Updated annually	Updated biennially

Rationale for the Change

- The 10-year portfolio cycle did not provide a meaningful opportunity for stakeholder and regulatory review of Energy Efficiency budgets and programs.

- The ABALs were intended to be ministerial but became contentious, as stakeholders wanted an opportunity to review.

- Annual cost effectiveness assessments did not account for natural market or program fluctuations.

- Annual spending applications resulted in de facto annual cycles which created uncertainty for program implementors.