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Comment Received From: Adam Smith (SCE)
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SCE supports the draft 2025 CA Building Energy Action Plan with modifications

Additional submitted attachment is included below.

SOUTHERN CALIFORNIA EDISON
An EDISON INTERNATIONAL Company

Adam Smith
Director, Regulatory Relations
1201 K Street, Suite 1810
Sacramento, CA 95814
T. 916-551-3624

February 20, 2026

California Energy Commission
Docket Office, MS-4
Re: Docket No. 23-DECARB-03
715 P Street
Sacramento, CA 95814
docket@energy.ca.gov

Re: Southern California Edison Company's Comments on the California Energy Commission's Draft 2025 California Building Energy Action Plan, Docket No. 23-DECARB-03

Dear Commissioners:

On January 28, 2026, the California Energy Commission (CEC) issued the Draft 2025 California Building Energy Action Plan (the Draft Plan), and on January 29, 2026, the CEC staff hosted a public workshop to review and solicit feedback on the Draft Plan. In the Draft Plan, the CEC provides a road map for attaining California's building decarbonization goals, including the Senate Bill (SB) 350 goal of doubling of energy efficiency (EE) savings by 2030 and the Assembly Bill (AB) 3232 directive to analyze pathways for attaining a 40% reduction in greenhouse gas (GHG) emissions from buildings compared to the State's 1990 levels.[1]

Southern California Edison Company (SCE) appreciates the opportunity to collaborate with the CEC on various actions that support equitable energy efficient building decarbonization, among other things, such as working with the CEC on building performance standards. SCE supports the Draft Plan's approach for achieving building decarbonization, with the proposed modifications detailed in the comments below.

The Advancing Load Flexibility Section Should be Modified to Clarify the Benefits and Limitations of Dynamic Rates and Supply-Side Demand Response, and Should Also be Augmented to Consider Distributed Energy Resources Orchestration

The Draft Plan states that the load shift goal consists of two categories: (1) load-modifying or customer-controlled response, from time-of-use (TOU) rates, dynamic pricing and demand response (DR) programs and (2) supply-side demand (ISO-dispatched)[2] response programs and incremental and emergency backup generation programs.[3] Additionally, the Draft

[1] Draft Plan, p. 2. SB 350 requires the CEC to update targets to achieve a statewide, cumulative doubling of energy efficiency savings by 2030. Additionally, AB 3232 directs the CEC to analyze pathways for California's building stock to achieve a 40% reduction in GHG emissions compared to 1990 levels.
[2] California Independent System Operator (ISO) dispatched or controlled.
[3] Draft Plan, pp. 121 – 122.

Plan suggests that the "gold standard for realizing load flexibility opportunities is dynamic rate design, where the price of electricity changes at least hourly to reflect the carbon intensity of the grid and the need to conserve in support of local and system reliability."[4]

SCE has long implemented supply-side demand response and is in the process of implementing dynamic rates. These will be important tools, but there is a critical third load flex strategy: distributed energy resources (DER) Orchestration, in which DERs are optimized, scheduled and dispatched to meet local distribution grid needs. In the Orchestration concept, needs are identified by the Distribution System Operator (DSO), and then DERs are optimized and dispatched. DER response and performance can be signaled or communicated to the DSO by either the DSO or a third-party aggregator. As detailed below, Orchestration provides benefits that neither time-differentiated rates nor supply-side DR can provide.

Dynamic rates and supply-side DR are both critical tools for the grid but cannot unlock all benefits of load flexibility.

Dynamic rates are an emerging strategy that is anticipated to drive significant value and reliability benefits. Supply-side demand response is also an invaluable tool that provides important utility cost savings and is a critical resource to ensure grid reliability during system emergencies. Critically, however, these are primarily *system*-level strategies that achieve benefits by causing large numbers of customers to reduce or shift their load towards the same system-level goals. But these tools are not currently capable of meeting local distribution grid needs[5] or providing benefits that require directing different customers to do different things, such as staggering the charging of electric vehicles (EVs).

The Draft Plan refers to dynamic rates as the "Gold standard" for load flex.[6] While dynamic rates offer many attractive attributes, they also have substantial limitations. While some geographic differentiation in dynamic rates is currently being tested by California utilities as pilots, the economic and equity impacts of this practice are still unknown because the pilots are ongoing. Even if geographic differentiation of dynamic prices is found to be beneficial and feasible to implement, it will likely initially be at the region level, sub-transmission substation level, or on a circuit cluster level, all of which may not be granular enough to mitigate local distribution-level grid constraints. In addition, at least for the foreseeable future, certain customer-driven constraints are likely to persist regarding the adoption of dynamic rates. Specifically, while frameworks that enable broader and equitable adoption of dynamic rates are

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[4] *Id*., p. 122.
[5] SCE defines local distribution grid needs as needs for a geographic region covered where the electrical system can change significantly via switching operation, among several B-banks and typically a few small cities.
[6] Draft Plan, p. 122.

being considered at the Commission, it is likely that customers who have technologies capable of harvesting flexible loads are probably better equipped to initially adapt to dynamic rates.

DER Orchestration is necessary to unlock many distinct load flexibility benefits, including distribution deferral benefits, local outage mitigation, and staggered charging

DER Orchestration can accomplish goals that dynamic rates and supply-side DR cannot. First, and most importantly, DER Orchestration is the only currently-available strategy that can support deferral of grid build-out (e.g., distribution infrastructure deferral) and meeting local grid needs. Distribution-level dynamic rates are likely infeasible due to technology and administrative challenges. But even if circuit-level rates were feasible, they would not provide the necessary dependability for highly granular deferrals. This can only be achieved when devices are directly scheduled and dispatched. Relatedly, only DER Orchestration can support dynamic flexible service connections to enable faster energization.

Additionally, only DER Orchestration can provide benefits of coordinated load management, to be spread across many users during the desired period. Note that this is an important benefit at both the local and system level to avoid the charging spike that occurs when DERs that are scheduled to respond to TOU rates charge as soon as on-peak rates transition to mid- or off-peak rates.

Additionally, DER Orchestration can provide outage mitigation benefits by relieving heavily loaded circuits to allow greater flexibility to reconfigure the grid during an outage, to enable more customers to be energized during the outage (for either planned or unplanned outages).

Finally, it is worth noting that, while resources enrolled in a DER Orchestration program may not always provide system-level benefits, at many times they still will; many local needs usually only occur on peak days during peak hours. At other times, the DERs could be utilized and dispatched to optimize system benefits.

Given the current state of the market, the Draft Plan should be modified to recognize the limitations in the market for automated smart devices and should be augmented to highlight the opportunities of devices managed by cloud service providers.

The Draft Plan assumes a future in which load flex is achieved by smart devices automatically responding to rates. While this future state is possible, it is not the only, or even the most likely, foreseeable end-state. Currently, most smart devices are dispatched by a cloud service provider – either a third-party aggregator/service provider, or an original equipment manufacturer (OEM) cloud service, or both. In contrast to pool pumps, which can operate at any

time, thermostats and EV charges have real operational constraints: if cooling or charging is expected to be reduced during peak periods, it is likely necessary to precool or ramp up charging in earlier periods. Whatever system is managing these devices must not only receive a 24-hour price forecast but also optimize the device operation over 24 hours. Currently, cloud services perform this optimization and schedule the device. While it is possible that eventually devices will optimize and schedule themselves, the market for this is extremely early stage. The Draft Plan fails to highlight the important role that cloud services provide, particularly since there are millions of legacy smart devices installed that require dispatch from a cloud service to respond to changing grid conditions.

SCE Requests that the CEC Correct Errors in Its Rate Information

SCE requests that the CEC correct a few inaccuracies in the utility rate information referenced in the Draft Plan. The Draft Plan indicates that the rate information was obtained from SCE's website, however, SCE believes there was a misunderstanding or incorrect interpretation of the data – as it is incorrect. SCE requests that the CEC make the following corrections (deletions are reflected in bold/strikethrough font and additions are reflected by a bold underlined font:

- Page 33 – "IOU residential rates increased by 81 percent for PG&E and **~~67~~40** percent for Southern California Edison (SCE) between 2021 and 2024."[7]

- Page 34, Table 2 – Does not account for an SCE rate decrease for residential customers that occurred in October 2024, which was dropped the rate of new monthly bill to $176 for average residential customers and $112 for CARE customers. The "New Monthly Bill" for SCE average residential customers is **~~$178~~ $176**, and for CARE customers is **~~$120~~ $112**[8]

- Page 35, Table 3 – "SCE Average Residential, Average Annual Rate (Column) - $**~~0.4319~~$0.33228**"[9]

- Page 35, Table 3 – "SCE Low-Income, Average Annual Rate (Column) – "**~~N/A~~ $0.20852**"[10]

[7] *See* SCE Advice Letters 4377-E, indicates on p. 29 that in 2021 the typical residential (non-CARE) bill was $126, and in Advice 5421-E, p. 16 indicates that the typical residential bill (non-CARE) in 2024 was $176, representing a 40% increase.
[8] *See* SCE Advice Letter 5421-E, p. 29.
[9] *See* SCE Advice Letter 5421-E, Attachment D.
[10] *See* SCE Advice Letter 5421-E, Attachment D.

The Draft Plan Should Emphasize the Need for EE Policy to Account for Decarbonization-Driven Electric Load Growth Resulting from Electrification

The Draft Plan states that "aggressive, efficient electrification" or fuel-switching and fuel substitution is needed to achieve California's AB 3232 emissions goals.[11] The Draft Plan correctly notes that "electrification by aggressive fuel substitution can achieve more GHG (greenhouse gas) savings than traditional energy efficiency."[12] It also explains that "[d]ecarbonizing California's buildings will lead to many co-benefits, including reductions in pollution, improved public health, and more jobs in construction, manufacturing, and related industries."[13]

The Draft Plan further explains that when assessing energy efficiency (EE) savings, energy efficiency programs reduce demand, but building electrification and fuel substitution programs "displace gas and add incremental electric demand, thus saving gas but adding electricity consumption as negative savings."[14] As a result, electricity savings are expected to remain flat after 2026 due to increases in demand from fuel substitution programs, while gas savings are expected to grow in response. The Draft Plan acknowledges this reality but does not address the policy barriers that impact the ability for fuel substitution pilots/programs to be adopted as EE measures.

SCE requests that CEC emphasize the need for EE policy to be updated to account for electrification-related load impacts associated with fuel substitution programs and encourage the adoption of fuel substitution programs that support the State's decarbonization goals. Under the current EE rules, including cost effectiveness tests and outdated technical guidance, it remains challenging to incorporate building electrification measures into EE portfolios. Existing EE structures are built around the Total Resource Cost (TRC) test and avoided cost benefits, which may not align with the scale and the forecasts assumed and generated by the CEC and tend to more favorably weight gas to gas measures. As a result, these frameworks undervalue fuel substitution measures that reduce greenhouse gas emissions and support grid decarbonization, creating a structural barrier to their broader inclusion within EE portfolios.

Recommendation 1 Prioritizing Incentive Funding for GHG Efforts Should Be Expanded to Go Beyond Heat Pumps and Include Induction Cooking Appliances, Electric Dryers, and Electrical Panel Upgrades When Needed

[11] Draft Plan, p. 3.
[12] *Id*, p.152.
[13] *Id*, p. 2.
[14] *Id*., p. 141.

The Draft Plan states, "Targeted early retirement of aging combustion equipment in California's existing buildings is a good strategy to help achieve market transformation but will require significant ongoing targeted incentives to achieve scale and lower costs."[15] In addition to highlighting various CEC programs that support building decarbonization (i.e., Equitable Building Decarbonization Direct Install program, et al.,), the Draft Plan proposes in recommendation #1 to continue prioritizing incentive funding for GHG efforts, with a focus on electrification and heat pump installation. SCE supports this recommendation, but requests that the CEC consider expanding its focus to allow for the inclusion of technologies necessary to support zero emission residences, such as induction cooking appliances, electric dryers, and panel upgrades (when necessary), as well as for solutions (i.e., solar and storage) that can help to support affordability.

Recommendation 4 to Invest in Technology Innovation Should Also Address Non-Financial Barriers to Heat Pump Adoption

Recommendation 4 proposes to "[c]ontinue investing in technology innovation" by first reducing the costs of heat pump installations and operating costs through technologies such as low-voltage appliances and panel-optimization strategies.[16] SCE requests that the CEC also explore opportunities to leverage technology to address size constraints (i.e., enclosures that are too small for heat pumps) and form factors (heat pumps not fitting into horizontally sliding windows).

Further, recommendation 4 does not specifically reference the need to continue investing in technology, as a means to address barriers related to refrigerant use, recovery, and reclamation, although it is identified as an opportunity. SCE requests that the CEC modify recommendation 4 to incorporate language confirming its intent to continue pursing technology innovations to address barriers to very-low GWP refrigerant equipment adoption.

Data Should Be Made Publicly Available Whenever Possible

The Draft Plan highlights the CEC's role as a central repository for statewide energy data. It also proposes that collecting and sharing "actionable information continuously between California programs could allow more rapid improvements to program design and identification of specific programs during implementation."[17] Additionally, recommendation 13 finds that decarbonization cost and impact data is still limited, and proposes to "collect more detailed data on the costs of measures and building remediation and the impacts of decarbonization on energy use and bills, and analyze this information to guide program and policy development."[18] SCE

[15] *Id.,* p. 3.
[16] *Id.,* p. 13.
[17] *Id.,* p. 130.
[18] *Id*., p. 15.

agrees that the collection and sharing of data can be useful and requests that the CEC commit to making data publicly available when possible, so that the information can be leveraged across the utilities and private industry.

Conclusion

SCE thanks the CEC for consideration of the above comments. Please do not hesitate to contact me at (916) 551-3624 or Adam.Smith@sce.com with any questions or comments you may have. I am available to discuss these matters further at your convenience.

Sincerely,

/s/ Adam Smith
Adam Smith