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Marin Clean Energy AB758 Draft Plan Comments

Additional submitted attachment is included below.



April 21, 2015

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Re: California's Existing Buildings Energy Efficiency Action Plan: Draft – March 2015

Marin Clean Energy ("MCE") hereby submits its comments on the March 2015 draft of California's Existing Buildings Energy Efficiency Action Plan ("Action Plan") prepared by the California Energy Commission ("CEC"). MCE respectfully requests modifications and clarifications in the Action Plan to: (1) support diverse and effective program administrators; (2) achieve California's climate goals; and (3) to include the greenhouse gas ("GHG") emissions reduction potential for each strategy presented in the plan.

MCE is a not-for-profit public agency and is the first operational Community Choice Aggregator ("CCA") within California. MCE currently provides generation services to approximately 137,500 customer accounts throughout Marin County, Unincorporated Napa County, and the City of Richmond. MCE will be offering service to the Cities of San Pablo, Benicia, and El Cerrito in May 2015. MCE customers receive electric generation services from MCE, and electric transmission, distribution, and billing services from PG&E. MCE is also an energy efficiency ("EE") program administrator approved by the California Public Utilities Commission ("CPUC") to implement ratepayer funded EE programs.

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I. Using Energy Efficiency to Meet California’s Climate Goals

The Action Plan should provide a policy framework that enables EE programs to meet California’s climate goals. As mentioned in the plan, Assembly Bill 758 “recognized the need for California to address climate change through reduced energy consumption in existing buildings.”¹ Governor Schwarzenegger’s executive order calls for an 80 percent reduction in GHG emissions by 2050.² Assembly Bill 32 (2006) requires the state to return to 1990 GHG emissions levels by 2020.³ In 2008, the California Air Resources Board (“CARB”) recommended using EE to reduce annual emissions by 15.2 MMTCO₂E to satisfy AB 32.⁴ The Action Plan should recommend changes to existing EE policies to promote programs and retrofits that will maximize GHG emissions reductions and achieve state goals.

Maximizing GHG emissions reductions from EE requires a shift from the emphasis on energy savings to an emphasis on GHG emissions. The Action Plan

¹ Action Plan at p. xi.

² Executive Order S-3-05.

³ Cal. Health & Safety Code § 38550.

⁴ Climate Change Scoping Plan. California Air Resources Board. p. 44. December 2008.

describes the GHG emissions associated with existing buildings in California and EE's primary position in the loading order.⁵ The plan estimates a 17 percent reduction in energy use compared with projected 2030 levels.⁶ However, it does not estimate the ability of each strategy to reduce those emissions. It is also unclear whether the recommended strategies in the plan will reduce GHG emissions to the extent necessary to satisfy AB 32. The Action Plan should identify the potential GHG emissions reductions for each proposed strategy.

Energy efficiency is the lowest cost form of carbon mitigation;⁷ the Action Plan should support a framework that incentivizes EE to maximize GHG emissions reductions. One critical strategy to align EE programs with the reality of climate change is to incorporate the avoided cost of climate adaptation and mitigation into cost effectiveness calculations.⁸ Inclusion of this cost will send an economic signal to EE program administrators and the CPUC to target and reduce GHG emissions more aggressively. This step provides incentives for fuel switching and other measures that, in addition to simple energy savings, reduce the carbon intensity of a customer's energy in alignment with the Governor's goals.⁹ As climate change is addressed, the need for adaptation and mitigation will reduce and will result in a corresponding reduction in the avoided cost. Additionally, while climate change is a global challenge, the costs of mitigation and adaptation should be constrained by the impacts to California. Including the cost of mitigation in cost effectiveness calculations better aligns the state's incentives for EE with its goals to address climate change.

II. Understanding the Energy Efficiency Market

The success of the market approach advanced in the Action Plan depends on the ability to motivate customers to adopt EE measures. Introducing billions of dollars in private capital into EE activities requires favorable value propositions for customers. EE is often characterized as more economical than renewable energy or electric vehicles ("EVs"). However, the California markets for renewable energy and electric vehicles are rapidly expanding while EE is not realizing its potential. A number of current policies undermine the economic potential of EE.

The Action Plan identifies a number of important challenges related to using code-as-baseline.¹⁰ It is difficult to justify many EE projects that dramatically improve the actual efficiency in a building due to program policies that limit incentives to above-code energy savings. Savings are also discounted through adjustments like net-to-gross, designed to address free-ridership. Cost-effectiveness is further diminished by the

⁵ Action Plan at p. 5.

⁶ Action Plan at p. 23.

⁷ McKinsey & Company. "Reducing U.S. Greenhouse Gas Emissions: How Much and at What Cost?" December 2007.

⁸ The avoided cost of mitigation is a component of the "societal cost of carbon," and is sometimes referred to as the economic impact of a business as usual scenario.

⁹ Governor Jerry Brown proposed a goal to make heating fuels cleaner in his inaugural address. January 5, 2015.

¹⁰ Action Plan at pp. 6-7.

customer's contribution to the project. The resulting incentives may be so limited they do not truly motivate action, and have the counterproductive effect of subsidizing only those free-riders able to afford the project independently.

The Action Plan should place a greater emphasis on customer needs. Identifying appropriate technologies and strategies is important but insufficient. Successful EE programs must meaningfully consider customer preferences. Serving these preferences is the only way to motivate customers to disrupt their businesses or welcome technicians into their homes.

The Action Plan should embrace the unique organizational strengths of CCAs in administering EE programs. CCAs are local government organizations with a close connection to the communities they serve. They have in-house energy expertise and the statutory right to administer EE programs. CCAs are nimble organizations that are not hampered by the silos and institutional inertia that exists with IOUs. CCAs are perfect organizations to implement innovative, tailored, and cost-effective EE programs to support the state's climate goals.

III. Integrated Solutions are Increasingly Important

Doubling the rate of EE in California's existing buildings by 2030¹¹ and meeting goals for Zero Net Energy (ZNE) buildings require deep energy savings on each project. The Action Plan should accommodate integrated energy solutions to promote deep savings. MCE supports the approach in the Action Plan to address findings in the CPUC's rulemaking focused on Integrated Demand-Side Management ("IDSM").¹² However, the plan should go further to support integrated energy solutions in advance of the CPUC proceeding.

The plan should immediately include a strategy for fuel switching. This strategy should not end at the binary decision between natural gas and electricity. It should focus on the possible switch to renewable electricity as a fuel to appropriately value the carbon impacts of technologies such as heat pumps and thermal storage. The strategy should also extend beyond the energy used by buildings to embrace EVs charging at buildings. The plan should address the impacts of the additional electricity demand from EVs and the potential for aggregate load growth. The state's goal of reducing energy use is at odds with the important and worthy goal to transition transportation fuels from gasoline and diesel to electricity. The Action Plan should address this tension and discuss how EE programs can support and value increased load from EVs.

IV. Single Family

The Action Plan promotes specific locational targeting of building shell and heating ventilation and air conditioning ("HVAC") measures in less temperate climate zones in California.¹³ While these opportunities represent low hanging fruit that should be pursued, the Action Plan should not de-emphasize whole building measures

¹¹ Governor Jerry Brown proposed this target in his inaugural address. January 5, 2015.

¹² Action Plan at p. 33.

¹³ Action Plan at p. 9.

throughout California. It is unclear whether California will accomplish its climate goals through pursuing only low hanging fruit. The Action Plan should identify low hanging fruit but should also encourage EE programs to maximize measures and energy savings on every project.

V. Multifamily

The energy consumption reported in the Action Plan for the multifamily sector is not differentiated between tenant unit and common areas. These two uses require vastly different program strategies. The Action Plan should identify the energy consumption from each of these uses.

VI. Two to Four Unit Buildings

Two to four unit buildings are considered single family;¹⁴ however the Action Plan includes no strategies specific to these buildings. Two to four unit buildings are incredibly difficult for an EE program to serve because they do not meet single family program requirements and are often individually owned, making them challenging for multifamily program structures. MCE requests a strategy, or selection of strategies specific to these buildings. MCE also suggests the development of a distinct strategy for working with home owners associations.

VII. Milestones and Outcomes

MCE requests clarification as to whether this section¹⁵ applies to all energy efficiency programs or just those under CPUC jurisdiction. The Action Plan should describe whether the projections of electricity use include projected load due to increased EVs.

MCE strongly supports the Action Plan's goals related to data access and use.¹⁶ California ratepayers made a substantial investment in SmartMeter infrastructure. The energy efficiency and broader demand-side resource markets are growing in sophistication and capability to leverage data. Regulators can develop analytical tools and use data to streamline oversight. It is time to realize the value of the ratepayer investment in advanced metering technology.

The Action Plan projects 75 percent of EE will be achieved through utility resource procurement by 2025.¹⁷ MCE recommends clarifying "utility procurement"

¹⁴ Action Plan at p. 8.

¹⁵ Action Plan at p. 23.

¹⁶ "[1] By 2016, all California utilities provide whole building energy use data to building owners and their agents upon request. [2] By 2016, the energy agencies utilize analytical tools containing granular, statewide data on energy usage and building characteristics to track the evolution of energy usage, identify market trends, understand compliance with state and local code, and update policies and programs to maintain and enhance their effectiveness. [3] By 2016, building owners and occupants have easy access to (directly or via their chosen service providers), detailed energy usage data to inform their decisions. [4] By 2017, they routinely utilize these tools." Action Plan at p. 23.

¹⁷ Action Plan at p. 23.

includes non-utility actors. The Action Plan prioritizes local government leadership.¹⁸ Local governments, including CCAs, should be explicitly incorporated. The capacity for local government leadership is enhanced through ensuring local governments have equal access to the programmatic tools used by other EE program administrators.

VIII. Strategies

The strategies in the Action Plan have specified timeframes. MCE requests discussion as to whether these timeframes are aligned with the state's goals for GHG reductions from EE.

Strategy 1.2: Non-Residential Building Energy Benchmarking

MCE supports this strategy and suggests an additional feature. The Action Plan should specify that mandatory improvements may be established prior to 2022 if the voluntary program does not have substantial effect on the EE market.

Strategy 1.5: Building Efficiency Standards

MCE particularly supports strategies 1.5.5 through 1.5.8 as they may identify the challenges with code enforcement and design program strategies that meet the needs of local agencies in addressing those challenges. The Action Plan should include an additional strategy for local agencies to propose and implement pilots for code enforcement.

Strategy 1.7: Local Government Leadership

MCE recommends including a brief summary of the tremendous achievements and leadership from local governments across the state. Local governments initiated local climate action plans years before the passage of AB 32. Innovations such as Property Assessed Clean Energy (PACE) financing programs have already paved the way for hundreds of millions of dollars' worth of energy projects statewide. Local governments are natural administrators of IDSM programs because: (1) they tend to be nimble; (2) contain few institutional silos; and (3) focus on a breadth of issues including water, waste, transportation, and land use planning. Many local governments are also successful innovators and administrators of EE programs.

A growing number of communities serving large portions of California are interested in Community Choice Aggregation. The County of Marin has already met its climate reduction targets in part through choosing to procure electricity with a higher renewable energy content.¹⁹ CCAs have statutory right to administer EE programs²⁰ and a CPUC directive to procure energy storage.²¹ MCE offers many local programs designed to reduce GHG emissions, including programs to increase EV use, expand

¹⁸ Action Plan at p. 54-55.

¹⁹ "By 2012, the County of Marin had already reduced community [GHG] emissions to 15% below 1990 levels - 8 years ahead of the 2020 target." Marin County Climate Plan (2014 Update): Public Draft. p. 1. August 2014.

²⁰ Cal. Pub. Util. Code § 381.1.

²¹ CPUC Decision 13-10-040, Ordering Paragraph 5 at p. 77.

residential demand response load aggregation, and offer on bill repayment for solar energy financing. CCAs possess unique strengths as EE administrators with a concentration of energy expertise, diverse programs, and a close proximity to the communities they serve.

MCE supports the Strategy 1.7.1, the Challenge Program,²² to pair resources with local governments' drive for innovation and meaningful savings. However, MCE suggests that the Action Plan expand local government contributions beyond the roles they traditionally serve. Limiting the program innovations to benchmarking or traditional local government roles such as land use planning unnecessarily limits the potential for local government innovation. The programs should embrace the existing innovations from the local government sector and create a funding stream to support such diverse and impactful innovations. The Plan should identify potential paths for continued and expanded funding beyond the \$13 million startup fund.

Strategy 1.8: Energy Efficiency as a Clean Distributed Energy Resource

MCE supports Strategy 1.8.1²³ and the concept of moving to EE as a preferred resource in an integrated energy and EE portfolio. However, these programs should not rely on IOUs but should include Publicly Owned Utilities, CCAs, Regional Energy Networks, and other local government administrators. The Plan should demonstrate its commitment to local government leadership by advocating for an equal role in EE program administration.

MCE requests clarification that Strategy 1.8.2 is not an alternative strategy to 1.8.1. These programs can and should coexist either with delineation to avoid overlap or a framework to manage overlap.

Strategy 1.9: Leadership: Existing Building Efficiency Collaborative

MCE recommends this strategy be clarified to accommodate, or at a minimum not preclude, existing entities including the California Technical Forum ("CalTF"). The CalTF may already be filling a role in the described activities.

Strategy 2.1: Modern, Accessible Data Resources

As discussed above, MCE strongly supports strategies related to data access including Strategy 2.1.²⁴ The Action Plan sub strategies 2.1.1 through 2.1.10 address critical information gaps and should all be implemented.

Strategy 2.2: Consumer-Focused Energy Efficiency

MCE supports the concept behind Strategy 2.2,²⁵ but recommends expanding the application beyond EE to include IDSM programs. These programs can incorporate more value streams and services to improve participation and deepen GHG emissions reductions. This strategy should be used to maintain contact with a customer over time

²² Action Plan at p. 54.

²³ Action Plan at p. 56.

²⁴ Action Plan at p. 60.

²⁵ Action Plan at p. 68.

to introduce new measures or programs when the customer is ready. Similarly, the strategy should include direction to allow phasing in projects so program administrators can work with customers to develop a clear plan to achieve zero-net energy and implement that plan in stages. This may be particularly important in the multifamily sector where improvements are implemented over time as rental units turn over.

Strategy 3.1: Streamlined and Profitable Industry

MCE recommends providing structure to the role of the energy service companies (“ESCOs”). The private ESCO model contains a profit motive to focus exclusively on low hanging fruit. Any ESCO engaging in EE programs should also be guided by GHG emissions reductions. These issues may be addressed by requiring a non-profit administrator to serve as the ESCO. This structure could align the ESCO’s goals with the state’s climate goals and remove the incentive to capture only low hanging fruit.

Strategy 5.4.1: Targeted Incentives

MCE opposes a complete transition from front-end incentives to financing. Currently, the state does not pay sufficient incentives to motivate the level of EE needed to meet the state’s priorities and climate goals. Replacing rebates with financing would introduce the additional cost of capital, to be borne by the customer. This may reduce the total EE activity in the state, even as it increases the amount of private capital supporting that activity. Financing should be an option for EE programs, not the status quo.

MCE suggests an alternative use of standardized financing options. Financing should be phased in as market transformation indicators suggest broad market adoption of a particular measure. Under this system, the front-end incentives are maintained at the level necessary to motivate property owners and tenants to adopt most measures. Standardized financing is ramped up as the uptake of the measures increase, as the measures are adopted without incentives in the market, or as identified levels of EE are met by the measures. This approach is similar to the California Solar Initiative program with declining or terminating incentives once preset targets are met. Standardized financing can play an important role in introducing private capital, reducing transaction costs, and potentially dramatically expanding EE if used as a tool to capitalize on preexisting market adoption.

MCE observed a potential typographical error, there appear to be two strategies both numbered 5.4.1: (1) streamlined timing and (2) targeted incentives.²⁶ MCE suggests renumbering this section.

²⁶ Action Plan at p. 88.

IX. Conclusion

MCE respectfully requests that the CEC adopt the proposed modifications and respond to requests for discussion in these comments. MCE looks forward to continued participation in the development of California's Existing Buildings Energy Efficiency Action Plan and thanks CEC staff for addressing these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "MCD", written in a cursive style.

Michael Callahan-Dudley
Regulatory Counsel