DOCKETED

Docket Number:	17-IEPR-06
Project Title:	Doubling Energy Efficiency Savings
TN #:	220536
Document Title:	Response of California Energy + Demand Management Council to SB 350 EE Targets
Description:	N/A
Filer:	System
Organization:	California Efficiency + Demand Management Council
Submitter Role:	Public
Submission Date:	8/3/2017 1:28:46 PM
Docketed Date:	8/3/2017

Comment Received From: Melanie Gillette
Submitted On: 8/3/2017
Docket Number: 17-IEPR-06

Response of California Energy + Demand Management Council to SB 350 EE Targets

Additional submitted attachment is included below.

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August 3, 2017

California Energy Commission
Dockets Office, MS-4
Docket No. 17-IEPR-06
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket 17-IEPR-06: California Efficiency + Demand Management Council Comments on the Draft Staff Papers on Senate Bill 350 Energy Efficiency Targets

The California Efficiency + Demand Management Council (Council) appreciates the opportunity to provide comments on the California Energy Commission (CEC or Commission) Draft Staff Papers on Senate Bill (SB) 350 Energy Efficiency Targets for Utility Programs (*Staff Paper for Utility Program Targets*) and for Programs Not Funded through Utility Rates (*Staff Paper for Non-Utility Program Targets*). We look forward to providing additional comments on the Staff Papers as they evolve.

BACKGROUND

The Council is a statewide trade association of non-utility businesses that provide energy efficiency and demand response services and products in California.[1] Our member companies employ many thousands of Californians throughout the state. They include implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Council's mission is to support appropriate energy efficiency and demand response policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

[1] For more information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at http://www.cedmc.org/. The views expressed by the Council are not necessarily those of its individual members.

DISCUSSION:

Our comments focus on areas of the Staff Papers that would benefit from clarification, as well as a more in-depth discussion of conservation voltage reduction. We will provide additional details in the next round of comments on the Papers.

Clarification on the Categorization of Savings

The two Staff Papers distinguish between energy savings from programs not funded through utility rates and savings from programs funded through utility rates. Programs not funded through utility rates include codes and standards, financing and behavioral and market transformation programs. The Staff Papers would benefit from additional explanation on the break-down between the two categories. The Council supports the Commission's objective of pursuing energy savings from agricultural and industrial sectors in the *Staff Paper for Non-Utility Program Targets*,[2] for example, but it is unclear how that would occur outside the utility programs or how the two programs would coordinate. Clarification on the categorization of energy savings from behavioral, retrocommissioning, and operational (BRO) programs would also be valuable.

Clarification on the SB 350 2030 Energy Efficiency Savings Goal

The *Staff Paper for Non-Utility Program Targets* states that: "A draft of the SB 350 2030 Energy Efficiency Savings Goal has been published previously by the Energy Commission staff for stakeholder comment."[3] The citation for the Savings Goal is the "Framework for Establishing the Senate Bill 350 Energy Efficiency Savings Doubling Targets," published by the CEC in January 2017.[4] However, the SB 350 Framework document published by the CEC is a framework with illustrative tables; it is not a Savings Goal. The Council requests clarification on where the Energy Efficiency Savings Goal has been published previously.

Evaluation of the Agricultural and Industrial Sector

The *Staff Paper for Non-Utility Program Targets* includes recommendations to conduct research and estimate the contribution to the SB 350 doubling goals from agricultural and industrial programs not funded by utility ratepayers. Staff recommends collaborating with stakeholders from these sectors to "better understand opportunities for energy savings. This may also include suggestions for programs to be facilitated by the Energy Commission."[5] The Council agrees with the Commission that collaboration with groups in these sectors is essential to

[2] *Staff paper for Non-Utility Program Targets*, at p. ix.
[3] Id, at p. viii
[4] Id, at footnote 1 on p. viii
[5] *Staff Paper for Non-Utility Program Targets*, at p. 65.

assess the energy savings potential going forward and to help close the gap in achieving the SB 350 doubling goal

The Council cautions the Commission, however, that savings estimates for these sectors will be challenging until there are significant improvements to the current custom project ex ante review by the CPUC staff and its consultants. Stakeholders are currently engaged in an aggressive effort under the umbrella of the CPUC's Rolling Portfolio Energy Efficiency proceeding to streamline the custom project review process. Currently there are significant delays in the process as well as a general lack of communication among consultants and implementers that has resulted in extreme frustration and the loss of projected savings. Projects in the pipeline are being held up by delays in projects under review, and the process has other significant flaws that are creating a substantial barrier to customer adoption.

Conservation Voltage Reduction

The Council is pleased that the *Staff Paper for Utility Program Targets* appropriately highlights the potential of conservation voltage reduction (CVR) as an important part of the strategy to meet SB 350 energy efficiency goals. This is consistent with the language in SB 350 that explicitly includes CVR within the programmatic activities that may be used to satisfy the doubling goal.[6] The Council is concerned, however, about the Staff's characterization of CVR as an emerging technology.

CVR has been demonstrated to be a cost-effective method of achieving energy savings by regulatory commissions and in utility deployments around the country. Most notably, several states have found voltage optimization to be cost-effective and have approved or encouraged deployment.[7] Last year, Illinois passed legislation[8] that provides strong encouragement for utility deployment of advanced voltage technology as an energy savings measure. In light of these recent commission and legislative actions, we encourage the Commission to reconsider their characterization of CVR and voltage technologies. We believe it is more appropriate to consider these technologies for immediate deployment.

Incorporating voltage technologies involves upgrades to the distribution system that can provide (1) overall system efficiencies through reduced energy consumption, and (2) integration of intermittent and distributed energy technologies. Voltage optimization offers both immediate benefits (e.g., energy efficiency) and long-term capability improvements (e.g., distributed energy integration). In addition, with the installation of secondary VAR

[6] Senate Bill 350, at PRC 25310(d)
[7] See, for example: Colorado Public Utilities Commission Docket 16A-0588E Maine Public Utilities Commission Docket 2016-00162: Rhode Island Public Utilities Commission Docket 4592: Maryland Public Service Commission Docket 15-120
[8] SB 2814, The Future Energy Jobs Bill

compensators (SVCs) on the distribution grid, energy savings can be advanced further by eliminating low voltage pockets on the secondary side of the distribution system.

Given the availability of both energy savings and increased capacity for clean, distributed energy to be integrated into the distribution grid, we believe that CVR and advanced voltage technologies deserve increased attention from the Commission and the utilities that will ultimately be responsible for achieving many of the energy efficiency goals. We therefore offer the following recommendations and comments:

1. **Potential Study:** To date, the energy savings potential of CVR and advanced voltage technologies has not been identified or evaluated. We encourage the Commission to establish recommendations that a CVR potential study be conducted immediately for both Investor Owned Utilities (IOUs) and Publicly Owned Utilities (POUs) in the State.

2. **Financial Incentives:** The *Staff Paper for Utility Program Targets* highlights an implementation issue in that energy savings are traditionally measured as reductions in metered energy delivered. However, given the possibility that customers may switch to other providers (such as community choice aggregators), this introduces complications for the distribution utility that has invested in the CVR technology. However, this is an addressable challenge. In many jurisdictions in the United States, specific provisions have been established to include similar "grid-side" efficiency investments to qualify toward policy mandates. Similarly, many jurisdictions have established lost revenue recovery and other financial mechanisms to encourage and support utility investments in advanced technologies with proven efficiency benefits. We encourage the Commission to establish a working group to consider incentives that will support deployment of these beneficial technologies.

3. **IOU Energy Efficiency Business Plans:** Business plans recently submitted to the California Public Utilities Commission (CPUC) by IOU's have not included any voltage technology or CVR deployment. Further, the Council has raised the issue of CVR as an energy efficiency measure that should be considered by the IOUs.[9] The CPUC has responded by stating their belief that the most appropriate proceeding to consider these technologies and associated implementation issues is within R.13-11-005 (Energy Efficiency Rolling Portfolio proceeding). However, to date, no action has been taken. We encourage the Commission to work collaboratively with the CPUC to identify and

[9]See for example, Council response to the Applications of Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, Southern California Gas Company, and Marin Clean Energy for Approval of Energy Efficiency Rolling Portfolio Business Plans for 2018-2015, filed March 3, 2017 under A.17-01-013 et al. (Consolidated), pg. 15.

consider financial incentives and deployment options so that CVR and advanced voltage technologies can be considered by both investor owned utilities and publicly owned utilities within the state.

4. **Policy Questions:** The Council offers the following responses to the policy questions posed in Chapter 6 of the *Staff Paper for Utility Program Targets*:

   Q1: Is additional research/demonstration needed to determine whether various CVR/VVO technologies are cost-effective in loading conditions of feeder configurations?

   As noted earlier, the Council believe that a statewide potential study would reveal significant energy savings opportunities from CVR/VVO technologies. We encourage the Commission to pursue all available opportunities to develop such an analysis and encourage other authorities within the state (notably, the CPUC) to develop potential studies. While we fully support further research and demonstration, we believe that these technologies are available for deployment with immediate benefits.

   Q2: Would a "use case" analysis be helpful to better understand how CVR/VVO cost-effectiveness differs under alternative generation service supply and distribution service provision arrangements?
   While such an analysis may be useful, the Council encourages the Commission to expand the scope of that type of analysis to address what kinds of financial incentives could be developed that would properly value the energy savings benefits of CVR/VVO technologies regardless of the retail supplier.

   Q3: Are further statutory changes warranted to encourage CVR/VVO in those instances when it appears to be cost-effective?

   As the Commission has highlighted, CVR/VVO is currently included within the scope of SB 350. However, no utilities have currently included these technologies in their energy efficiency deployment plans. The Council does not believe that statutory changes are required, but would welcome statutory changes that would further encourage or require utilities to deploy such cost-effective technologies.

Conclusion

The Council appreciates the opportunity to submit these comments and looks forward to continuing our engagement towards the doubling of energy efficiency in California.