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California Energy Commission

Draft Guiding Principles (Revised)

California Electric Homes Program (CalEHP), First Edition

(Assembly Bill 137, 2021)

Gavin Newsom, Governor

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ABSTRACT

Assembly Bill 137 (Ting, Stats. 2021, Ch. 77), codified in Public Resources Code section 25403.2, directs the California Energy Commission (CEC) to implement and administer a statewide program to incentivize the construction of new multifamily and single-family market-rate all-electric residential buildings, as well as residential energy storage systems, with funds appropriated in the Budget Act of 2021. The CEC has developed these Guiding Principles to be utilized as the overarching objectives for program design, implementation, and administration of the California Electric Homes Program. These principles will be considered and adopted by the CEC and provide guidance for the potential third-party administrator to consider in designing and implementing the program design, which will be competitively selected. Ultimately, the program will provide incentives, technical assistance, and establish a technical advisory group for market-rate all-electric and energy storage equipped residential builders and developers.

Keywords: AB 137, building decarbonization, CalEHP, Market-rate homes, technical assistance, technical advisory group, low-emission building, energy storage systems, Building Initiative for Low-Emissions Development

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EXECUTIVE SUMMARY

The CEC has developed these Guiding Principles to provide overarching objectives for program design, implementation, and administration of CalEHP. These principles will be considered and adopted by the California Energy Commission. These principles reflect key program elements the CEC is prioritizing, and should be considered by potential third-party administrators as they develop future program proposals.

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CHAPTER 1:

Program Overview

Background:

Assembly Bill 137 (Ting, Stats. 2021, Ch. 77), codified in Public Resources Code section 25403.2, directs the California Energy Commission (CEC) to implement and administer a statewide program to incentivize the construction of new multifamily and single-family market-rate all-electric residential buildings, as well as residential energy storage systems, with funds appropriated in the Budget Act of 2021. The program is hereafter referred to as the California Electric Homes Program (CalEHP).

CalEHP is named in statute as the Building Initiative for Low-Emissions Development Program Phase 2 and is a separate program from the Building Initiative for Low-Emissions Development (BUILD) Program authorized by Public Utilities Codes Sections 921 and 921.1 (SB 1477, 2018), which targets new low-income residential housing.¹ A goal of the CalEHP program is to spur significant market adoption of all-electric buildings and energy storage systems and other technologies that would not otherwise be constructed or installed.

On March 16, 2022, CEC staff published an initial draft of these CalEHP Guiding Principles to the CEC's program docket (21-DECARB-01). A staff workshop was held on March 17, 2022, to consider public input on the draft Guiding Principles and to answer questions about the program and the CEC's plan to administer CalEHP through a competitively selected third party. In addition to the oral questions and comments presented at the workshop, CEC staff accepted written comments on the draft Guiding Principles and workshop materials until March 31, 2022. This version of the draft CalEHP Guiding Principles has been revised to incorporate changes considering the public comments received.

Program Budget and Timeline:

Program funding is authorized under Senate Bill 170 (SB 170 Skinner, Budget Act of 2021) and provides an overall budget of \$75 million. CalEHP provides a minimum of \$58,125,000 for incentives, and no more than ~~no more than~~ \$16,875,000 for administrative support and technical ~~and a minimum of \$58,125,000 to be spent on incentives.~~ assistance. In addition, with approval of the Department of Finance, program funding may be shifted from the administrative support and assistance budget to the program incentives budget.

The overall program budget may be spent over the program duration, or until June 30, 2032, when it is disencumbered. There is no specific restriction on annual spending provided it is within the overall budget and funds are available.

¹ If you are interested in more information on the BUILD Program that provides incentives and technical assistance for all-electric low-income residential housing, please visit the CEC's BUILD website at <https://www.energy.ca.gov/programs-and-topics/programs/building-initiative-low-emissions-development-program>.

Key Program Elements Mandated by Statute:

Public Resources Code section 25403.2 specifies several required elements for the CalEHP, which are summarized below:

Element 1. CalEHP must “incentivize the construction of new multifamily and single-family market-rate residential buildings as all-electric buildings or with energy storage systems.”

Subdivision (a) of Public Resources Code section 25403.2 provides CalEHP’s mission statement: to incentivize the construction of new multifamily and single-family market-rate residential buildings as all-electric buildings or with energy storage systems. This mission contains several key elements:

- **New** – The projects receiving CalEHP incentives must be new buildings, not existing buildings.
- **Multifamily and single-family residential buildings** – CalEHP is focused on housing in California. While both multifamily and single-family residences will be eligible for incentives, buildings receiving CalEHP incentives must be residential buildings. Commercial, industrial, and other non-residential buildings are not eligible.
- **Market-rate** – As noted above, CalEHP is focused on ~~residences~~ residential buildings that are ~~primarily~~ oriented towards the market-rate rental or homebuying market. Projects that are ~~primary~~ deed restricted to operate as low-income rental housing or ownership should consider applying for incentives under the BUILD Program.
- **All-electric** – A central feature of CalEHP is to incent all-electric homes and remove barriers to market adoption of electric appliances and building technologies in new homes in California.
- **Energy storage systems** – CalEHP may further improve the resilience and demand-flexibility of California’s homes through the incorporation of energy storage systems at new residences.

Element 2. Market transformation is a statutory goal of CalEHP. Public Resources Code section 25403.2 (c)(3) requires that CalEHP be structured to “ensure, to the extent reasonable, that the program incentivizes the construction of buildings as all electric or with energy storage systems that would not have otherwise been constructed as all electric or with energy storage systems but for [CalEHP].”

Further, Public Resources Code section 25403.2 (c)(4) ~~requires~~ provides that the program ~~to~~ should, to the extent reasonable, incentivize “the installation of technologies not otherwise required pursuant to the applicable local and state building codes.” ~~This~~ These provisions require CalEHP to focus on market transformation by ensuring, to the extent reasonable, that incentives are directed ~~away from~~ toward projects that would not have otherwise been required to be built as all-electric or with energy storage and toward the installation of technologies not required by local or state building codes.

Currently, many local jurisdictions across California have enacted rules that promote all-electric construction or other technologies. More information on local ordinances exceeding the 2019 California Energy Code are available on the [CEC’s local ordinance website](#) ~~reach code website~~

at <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2019-building-energy-efficiency-3>.² More information on the approved 2022 California Energy Code, which takes effect on January 1, 2023, is available on the CEC's [2022 Building Energy Efficiency Standards website](https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2022-building-energy-efficiency) at <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2022-building-energy-efficiency>.³

Element 3. CalEHP should be designed with the goal of “spur[ring] significant market adoption of all-electric buildings and energy storage systems,” pursuant to Public Resources Code Section 25403.2(d). Market transformation is central to CalEHP. Incentives must be directed toward the principal objectives of enabling California’s builders to construct all-electric residential buildings and install energy storage systems in new homes. ~~Proposed Approach for Program Administration~~

Program Administration

The CEC, through a competitive solicitation process, will contract with a third-party administrator to implement this program.

Role of the Guiding Principles for the California Electric Home Program

The CEC has developed these Guiding Principles to be utilized as the overarching objectives for program design, implementation and administration. These principles will be considered and adopted by the California Energy Commission, and ~~the Guiding Principles will provide direction to overarching objectives for the competitively selected third-party administrator’s design administrator to consider in designing and implementation of~~ implementing the program.

² <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2019-building-energy-efficiency-3>

³ <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2022-building-energy-efficiency>

CHAPTER 2:

Guiding Principles of the Program

Market Transformation

As noted above, the primary goal of this program is to spur significant market adoption of new all-electric residential buildings and the installation of residential energy storage systems. Creating clean energy residential buildings will further California's goals of reducing greenhouse gas emissions as we increase the adoption of near-zero emission technologies in the built environment.

Building and Greenhouse Gas (GHG) Reduction

Today, California's buildings contribute to 25% of the state's greenhouse gas emissions. As California continues to adopt innovative energy and environmental policies to successfully reduce GHG emissions, improve air quality, and make meaningful strides towards a more equitable future, this program will help ~~support~~ California reach its 2030 GHG reduction goals through the building of new all-electric homes above current building code standards.

Energy Equity and Disadvantaged Communities

The CEC and State are committed to improving the environment, and economically advancing at-risk communities and reducing the disproportionate environmental effects of pollution in California communities, including California's tribal communities. While CalEHP is required by statute to focus on residences in the market-rate rental or homebuying market, the program design should incorporate this policy goal.

~~Grid Resiliency~~

~~To further strengthen the state's resiliency, energy storage only incentives should be narrowed to areas of heat islands, high or very high fire hazard severity zones, community buildings and senior residential buildings.~~

Program Eligibility

Incentives will be ~~are~~ available for new all-electric residential buildings and energy storage. The program is available to new market-rate developments. Buildings that qualify for the BUILD program, which targets new low-income all-electric housing, are not eligible under CalEHP. ~~Incentive payments are available for new all-electric housing and residential storage that is above the local government's and CEC's Energy Code minimum requirements.~~

Speed, Program Simplicity, and Quality

Reducing greenhouse gas emissions is a priority. The State's ambitious environmental goals require near-term implementation and long-term results. The selected third-party administrator should design a program that can be launched quickly and provides a simple and effective user-experience to accelerate market transformation of all-electric residential building

development. This can mean fewer documents for payment claims, simpler incentive structures, reasonable participant support, and other streamlined program features.

Outreach & Public Engagement

The program design and stakeholder feedback should incorporate best practices for stakeholder engagement and ensure adequate information sharing and collaboration. The program marketing should be designed to reach key stakeholders and potential applicants across the state. Any public stakeholder events, such as ~~design~~-workshops, should include best practices for engagement, such as advanced public notice and comment periods.

Fiscal Responsibility

Fiscal responsibility to California citizens is important to the CEC. When it comes to administering this program, potential third-party administrators should consider cost efficiencies, ensuring appropriate use of the funds, and leveraging efforts to streamline program administration. The program administrator will establish appropriate oversight mechanisms to ensure that the selected award recipients properly use the CEC's funds for the intended purposes.

Incentive Layering

As a market transformation program, it is reasonable to allow for incentive layering to help spur faster market adoption. While incentive funds from multiple sources can be leveraged, they cannot exceed the cost to the builder.

Program Reporting

The CEC values program transparency and information sharing. The third-party administrator will readily make program development and implementation data available to both the public and the CEC. This will include but is not limited to the amount of funding available for potential applicants and details of incentivized projects, such as location, incentive amounts and project characteristics.

Statewide Availability of Incentives

Simplicity of incentive design and broad market adoption are priorities for California. Accordingly, to the extent reasonable, the CEC intends for CalEHP incentives to be offered in localities with different approaches to local building codes.