

DOCKETED

Docket Number:	23-DECARB-01
Project Title:	Inflation Reduction Act Residential Energy Rebate Programs
TN #:	261031
Document Title:	Rick Dunn Comments - CalMTA Response to HEEHRA Phase 2 RFI
Description:	N/A
Filer:	System
Organization:	Rick Dunn
Submitter Role:	Public Agency
Submission Date:	1/10/2025 9:10:26 AM
Docketed Date:	1/10/2025

Comment Received From: Rick Dunn
Submitted On: 1/10/2025
Docket Number: 23-DECARB-01

CalMTA Response to HEEHRA Phase 2 RFI

Additional submitted attachment is included below.



January 10, 2025

California Energy Commission
Inflation Reduction Act Residential Energy Rebate Programs
Docket: 23-DECARB-01

Re: Request for Information (RFI), Program Design of Inflation Reduction Act (IRA) Home Equipment and Appliance Rebates (HEEHRA) Phase II

CalMTA would like to thank the California Energy Commission (CEC) for the opportunity to submit comments in response to CEC's approach to program design for the Home Equipment and Appliance Rebates (HEEHRA) Phase II Program funded by the federal Inflation Reduction Act (IRA).

CalMTA's responses to the Input Requests can be found below. CalMTA is a program of the California Public Utilities Commission (CPUC) and is administered by Resource Innovations. These comments represent the CalMTA team's views and are not being submitted on behalf of the CPUC.

1. Eligible Equipment and Appliance Rebates

- a. *Should all DOE eligible equipment (listed in Table 1) be available to single-family households and multifamily properties?*

CalMTA recommends the addition of room heat pumps (RHPs) - also known as window heat pumps, micro heat pumps, or saddlebag heat pumps - to Table 1¹ for both single-family and multifamily households. We recommend including RHPs in a category separate from "Heat Pump for space heating and cooling" due to these products' lower upfront cost and ease of installation. RHPs, which include saddlebag, window-mounted, and through-the-wall form factors, are cost-effective heat pump solutions that can be installed by tenants and homeowners without the need for professional contractor support. In addition to their cooling functionality, RHPs also provide efficient heating, reducing dependence on less efficient resistance heating. Due to lower equipment and installation costs compared to professionally installed mini-splits and ducted systems, RHPs provide an alternative pathway to electrification for lower-income households that experience higher energy burdens. Because tenants own the units and can remove them when they relocate, RHPs also help overcome the split-incentive challenge associated with landlords and tenants.

¹ The heading on the first table featured in the RFI is labeled "Table 11" instead of Table 1.

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CalMTA notes that an ENERGY STAR® designation for RHPs does not yet exist, only one for Room Air Conditioners, though a test method has been recently finalized. Therefore, we recommend waiving the ENERGY STAR® requirement for this product category in the near term – similar to the waiver currently in place for central heat pump water heaters, electric panels and wiring – until such time that the new ENERGY STAR V6.0 and 7.0, which includes the heating mode for this technology, goes into effect and makes enough certified product available to consumers. Alternative eligibility criteria can be developed by consulting with CalMTA and CalNEXT, both of which have been researching and testing RHP products in California.

A version of RHPs known as “portable heat pumps,” which are on rollers and are ducted through windows, are also commercially available. CalMTA’s energy modeling estimates that these products use 43% more energy on average in California multifamily dwellings compared to other RHP products. Due to their lower efficiency compared to other units available on the market, CalMTA recommends *not* offering rebates on these products.

b. Should the rebate amounts be reduced to allow more households to receive a rebate? If yes, please provide recommended amounts and rationale.

CalMTA believes that the proposed incentive amounts in Table 1 are reasonable if HEEHRA rebates are the only incentive applied. Existing or planned energy efficiency programs in California offer consumer-facing incentives on much of the eligible equipment; CalMTA may also offer separate retail channel incentives as a component of our market transformation initiatives. With the understanding that other incentives can be layered with HEEHRA Phase II rebates, we encourage the CEC to investigate and consider the total incentives available for each equipment type to determine the optimal rebate amount needed to motivate adoption and reach the most households.

Because of their relative affordability, the inclusion of RHPs would enable an incentive amount lower than the maximum rebate listed in the “Heat Pump for space heating and cooling” category, unlocking budget for more customers to benefit from the program.

CalMTA suggests that CEC consider a tiered incentive structure for electric cooking products, with a higher rebate amount offered for ENERGY STAR induction products, which have an average MSRP approximately twice the average MSRP for ENERGY STAR non-induction electric cooking products. Higher incentives for induction cooking products will drive increased consumer adoption of this technology, which offers the superior cooking experience and both energy (e.g., lower waste heat/reduced cooling loads) and non-energy benefits (e.g., improved indoor air quality) needed to shift consumers away from gas cooking and help California achieve its residential decarbonization goals.

2. **Regional Allocation and Customer Engagement**

- a. *To ensure fair geographic disbursement of funding and align with other energy equity programs, CEC allocated HEEHRA Phase I funding to three regions of California based on the proportion of under-resourced communities. This formula provides 23 percent of funding to Northern California, 19 percent to Central California, and 58 percent to Southern California. CEC is considering a similar allocation approach for HEEHRA Phase II funding. Should CEC consider other factors to ensure statewide distribution?*

CalMTA recommends aligning with the CEC Equitable Building Decarbonization Direct Install Program's geographical funding distribution to maximize access for under-resourced communities.

- b. *Are there other active or past rebate programs in California or the United States with high uptake in underserved communities that CEC can learn from?*

No comment provided

3. **Contractor Engagement and Support**

- a. *What are effective methods to recruit contractors to participate in the program, especially in underserved, disadvantaged, low-income, and rural communities?*

No comment provided

- b. *What type of training should the CEC offer to help installation contractors understand program requirements and streamline rebate processing for retailers, contractors, and homeowners?*

CalMTA recommends establishing standard contractor guidelines for accurately evaluating panel capacity to prevent expensive and potentially unnecessary panel upgrades. Training should include education about products specifically designed to perform well without panel upgrades, such as 120V battery-enabled cooking appliances, 120V room heat pumps, and 120V heat pump water heaters.

CalMTA also encourages the CEC to explore training for plumbing contractors and permitting officials on the opportunity to replace gas water heaters with 120V heat pump water heaters, thus eliminating the need for significant electrical upgrades. Contractors would need training on the appropriate product sizing and installation requirements for 120V HPWH to ensure proper performance compared to gas water heaters.

4. Point-of-Sale Methodologies

Because CalMTA focuses on upstream market actors to impact manufacturer product availability and retailer product assortment and positioning, we do not have a comment on point-of-sale methodologies.

5. Do-it-Yourself (DIY) Considerations

- a. *What are best practices to ensure a quality DIY install? What type of proof should be provided?*

No comment provided

- b. *What are some guidelines and best practices for a program that allows for DIY installation of eligible equipment?*

With regards to the RFI statement "The CEC is considering allowing rebates for equipment that a homeowner can install themselves, like a stove or insulation," CalMTA suggests adding room heat pumps and 120V/240V heat pump water heaters to the language and the program. An August 2016 report titled "*Northwest Heat Pump Water Heater Initiative Market Progress Evaluation Report #2*" prepared for the Northwest Energy Efficiency Alliance noted that for HPWHs purchased by single family homeowners in 2015, "more than half of the HPWHs were installed by the purchaser as part of a do-it-yourself (DIY) installation."² CalMTA recognizes that installation of a 240V heat pump water heater when a gas water heater is being replaced will require professional installation.

CalMTA also suggests that CEC consider the role of handyman services for certain DIY installations, such as room heat pumps. Although professional installation is not required, depending on the size and weight of the chosen product, installation may be of a higher quality if performed by someone proficient in the installation process.

- c. *Are there other successful rebate programs in California or the United States that have provided rebates for DIY installed eligible equipment?*

No comment provided

² https://rpsec.energy.gov/sites/default/files/tech-resource/attachment/NEEA_HPWH_Market-Progress-Evaluation-Report-2_Aug-2016.pdf

6. Recycling Appliances and Refrigerants

- a. *How can the CEC ensure proper recycling of old equipment replaced by HEEHRA-funded measures?*

CalMTA recommends that the CEC require retailers to offer recycling for air conditioner products being replaced by RHPs and other heat pump products to ensure responsible refrigerant disposal. We also recommend that CEC require retailers to document their recycling process and show proof of proper recycling or disposal. The CEC may want to explore a “bonus” incentive to motivate consumers to utilize appliance recycling services rather than improperly disposing of the equipment.

We appreciate the opportunity to provide comments on the HEEHRA Phase II program design approach and welcome the opportunity to discuss our comments further. Any questions regarding these comments should be directed to ECMiller@Resource-Innovations.com.

Sincerely,



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About CalMTA

CalMTA is a program of the California Public Utilities Commission and is administered by Resource Innovations. We work to deliver cost-effective energy efficiency and decarbonization benefits to Californians through a unique approach called market transformation. Market transformation is the strategic process of intervening in a market to create lasting change by removing market barriers or exploiting opportunities, accelerating the adoption of identified technologies or practices. CalMTA-developed market transformation initiatives also aim to advance state goals on demand flexibility, workforce development and equity. Learn more at www.calmta.org.