

DOCKETED

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SPAN comments on Inflation Reduction Act Residential Energy Rebate Programs

Additional submitted attachment is included below.

January 10, 2025

California Energy Commission
Re: Docket No. 23-DECARB-01
715 P Street
Sacramento, CA 95814
docket@energy.ca.gov

Span.IO, Inc. (“SPAN”) appreciates the opportunity to respond to the California Energy Commission’s Request for Information (RFI) for Program Design of Inflation Reduction Act (IRA) Home Equipment and Appliance Rebates (HEEHRA) Phase II.

[SPAN](#) is a manufacturer of smart panels for single- and multifamily homes. SPAN’s flagship product, SPAN Panel, is a direct replacement of the traditional electrical panel that adds onboard intelligence, monitoring and controls to each of its available circuits. SPAN’s unique PowerUp™ intelligence (a UL-916 Energy Management System) shifts loads according to homeowner preference to control energy consumption, eliminating the need for electric service upgrades while also providing ongoing demand flexibility.

The SPAN Panel is an eligible qualified piece of equipment for HEEHRA incentives under both the Department of Energy definition and the TECH Clean California definition, specifically as an “Electric Load Service Center (Electric Panel)”. Furthermore, leveraging a smart panel such as a SPAN Panel makes electrification of the house more affordable because it avoids the need for further wiring upgrades. These avoided costs include avoided service upgrades, which can cost a homeowner in California \$7,500 to \$10,000 in 55% of cases and upwards of \$30,000 in 5% of cases.¹ Due to these service upgrade costs, in many instances the use of a smart panel is the *cheapest* option available to a homeowner, in addition to other benefits such as increased resilience and enabling whole-home demand response.

SPAN’s responses to select questions from the RFI

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?

The CEC should make the maximum rebate available to all households for electrical panels (up to \$4,000 for eligible households) and the associated wiring upgrades needed to enable electrification (up to \$2,500 for eligible households).

¹ See SPUR May 2024 “Solving the Panel Puzzle”, at p. 4. Data is specific to PG&E.

We wish to raise two specific items in support of allowing for the full rebates for these products. First, panel upgrades are often required as part of an electrification project. If the HEEHRA program does not allow for panel rebates, then an income-qualified customer is very likely to decide to not install a heat pump or other electrical appliance if that new appliance requires a panel upgrade. According to the same report cited above, this scenario could impact 80% of projects.² Without incentives for panels and associated wiring, the program risks discouraging electrification and limiting the benefits of electrification to only customers in newer and larger homes.

Second, the HEEHRA incentive provided through the IRA legislation is a unique opportunity for unprecedented federal financial support towards electrification. It behooves California to take advantage of this opportunity and plan for the long-term goal of full household electrification, in order to meet California's climate goals while ensuring even low-income customers have an opportunity to participate. We strongly recommend a program design that goes beyond incentivizing only the installation of electric appliances that can fit within a home's existing electrical service. Otherwise, when that same homeowner wants to add more electrical appliances in the future, they will be faced with an expensive service upgrade and likely yet another panel replacement. At that time, the customer may feel "stuck" living in a home that is less healthy and more expensive than a fully electrified home.

By opening up the equipment eligibility to panels and wiring, California can leverage the current federal funds to build a strong foundation for future electrification, all while improving the lives of vulnerable Californians.

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

No, the rebate amounts for panels should not be reduced. SPAN's experience is that the full rebate amount is necessary to cover the full cost of a service panel upgrade plus installation. The MSRP for a SPAN smart panel is \$3,500. When the costs of installation are included, the full rebate will barely cover the cost of a panel upgrade. Furthermore, because low-income customers are unlikely to spend money out of pocket on a panel upgrade, the state should make sure that the maximum rebate amount is available.

3) Contractor Engagement and Support

² Ibid.

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

SPAN works closely with licensed electricians who are trained to install SPAN's panels. These electricians are participating in HEEHRA rebate programs in other states, and they have shared their experience with us, which informs our recommendations below.

As a starting point, we recommend that the CEC develop a paradigm that limits requirements on electricians that go beyond their technical areas of competency. Consider that a licensed electrician is highly skilled in performing complex work in a safe and timely manner, and they have spent years developing the skillsets to exceed in their critical job. Asking the same electrician to also become an expert in income-qualified support programs or state and federal financing programs, just to name two examples, is an extremely big "ask", especially to participate in a rebate program with a finite level of funding.

This challenge is exacerbated by the ongoing shortage of skilled electricians.³ Business interests will drive electricians to serve customers who are likely to become repeat customers and who are less price-sensitive, which will leave fewer electricians focused on underserved markets.

SPAN has gathered several pieces of specific feedback from contractors in other states related to the need for additional support in helping customers leverage IRA incentives. First, electricians do not want to be responsible for income verification. Electricians are generally not comfortable asking for sensitive financial information, and do not want to be in a position to tell a customer that they are or are not eligible for a rebate. In addition, electricians will sometimes avoid proactively "selling" rebate-enabled projects to customers, both because they do not want to engage in any marketing practices that could be viewed as predatory and because they do not want a customer to think that the electrician is the entity responsible for delivering the financial value of the rebate.

Instead, SPAN proposes a model where the CEC tasks community-based organizations with generating interest in electrification and determining program eligibility. An eligible network of electricians can focus on the job of installing electrical appliances, based on leads generated by the community-based organization. The important concept is that an electrician should be engaged to provide electrical services after a qualified customer has already demonstrated interest. We are eager to work further with the CEC and stakeholders to develop a specific step-by-step rebate process that would take advantage of this structure.

³ See, for example: <https://www.cnbc.com/2024/07/27/americas-demand-skilled-electricians-boom.html>

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?

Per our comments above, we recommend that the CEC not rely on electrical contractors to determine compliance with program (specifically, program eligibility) requirements. The contractors should be aware of the basic elements of the program, and we recommend providing this through educational materials that are delivered to all contractors who participate in the program. SPAN's experience is that electricians who participate in rebate programs like HEEHRA already face very tight profit margins, and these margins may entirely disappear if the electrician is responsible for a significant administrative burden. If electricians face additional administrative burden (either real or perceived), they will not actively participate in the program. Thus, the program should place near-zero additional burden on electricians, and the training should communicate this clearly.

4) Point-of-Sale Methodologies

d. What are challenging elements with existing point-of-sale rebate programs and what are some solutions or best practices to minimize or eliminate the challenge?

The CEC should ensure that rebates are delivered early in the product distribution process. This reflects a true "point-of-sale" experience, since there are typically multiple purchasers of an appliance across the value chain. At a minimum, complex electrical appliances that are installed by licensed electricians are sold from a manufacturer to a distributor, from a distributor to an installer (the "contractor"), and from an installer to an end consumer.

The CEC has already recognized that consumers should automatically receive their rebate at the time of purchase, and should make the same paradigm for installers (at a minimum) and consider a similar paradigm for distributors. If the CEC requires that electricians - who are not in a financial position to front the value of a rebate to a customer - apply for a rebate and wait thirty days before receiving payment, electricians will choose to not participate in the program. Instead, when the installer goes to a distributor to buy an appliance to install for a customer, the installer should be able to pay an amount that reflects the full rebate available to that customer.

Conclusion

SPAN appreciates the consideration of our comments, and looks forward to continuing to work with the California Energy Commission and stakeholders on the successful deployment of HEEHRA. Please feel free to contact us with any questions.

Sincerely,

Richard W. Caperton
Vice President of Public Policy
SPAN
richard.caperton@span.io