

DOCKETED

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Local OEM Computer Manufacturers Comments/Discussion/Suggestions

Enclosed are the items we discussed/presented to the CEC in May 2016

Additional submitted attachment is included below.

Agenda

- Group background LOEM definition
- Company Introductions
- Discussion points / Concerns / Suggestions
 - A. Revenue limits
 - B. Extended life products (IE industrial)
 - C. Testing cost and compliance burden
 - D. Product cost increases
 - E. Suggestions

What is a Local OEM

- LOEMs exist to service local and often specialized markets including Education, Retail Point of Sale systems, Healthcare, Enthusiast/Gaming PCs, etc.
- Revenue ranges for LOEM's are typically \$1M to \$100M/year
- LOEMs provide customized configuration and/or installation services, service what they sell, and generally succeed by providing a very personal experience for their end customers.
- LOEMs thrive by offering Configure to Order (CTO) services to define a seemingly limitless hardware specifications to hit desired price points, capability, and performance levels.



CEC proposed provision for SVM Exemption ?

- Is the \$750K revenue level for total sales or only for sales within California?
 - Comment: This threshold is much too low, based on a gross operating margin of 40%; would not allow for a break-even business considering taxes, rent, insurance, salary, marketing expenses etc. into consideration for an operation any larger than 2-3 associates.
- Is the limit of fifteen (15) units sold per Product Family related to Company Total or Just Sold in California?
 - Comment: This threshold is too low – even a single deployment within a enterprise or educational environment would exceed this figure. This would force resellers to only offer generic MNC product which meet these new power requirements within these environments, and limit/stifle creative custom solutions for specific use models such as special needs children, researchers, industrial applications. (low volume high customization sku's)

Extended Life Products

- Extended Life Product is defined as selling the exact same product for up to 5 or 7 years.
 - Many vertical enterprises invest heavily in validating a specific platform for long life cycles and securing regulatory certification for said platform
 - Contracts are already in place that will have to be fulfilled when the regulation goes into effect. These involved things like special images, regulations (battery), or health and safety. Medical CE for example or patient bedside.
 - Not allowing for the continued sourcing of equipment that has been previously validated will cause undue confusion, expense and possible sales
- Need clarification from CEC on types of industrial equipment that would be excluded from the regulation: (ex) Many PC's are mixed use IE custom PC could be used for industrial purposes.

Testing Costs and Registration Complexities

- Do all configurations of all Product Families need to be tested?
 - Or can the highest Power Consuming configuration of each Product Family be tested? (Same as Energy Star for Computers)
- Using a product with 60 configurations within one Product Family, if time and cost is similar to Energy Star
 - We would need 2-3 dedicated staff to up-keep certifications
 - Lab fees would be \$175k per year
 - Custom business ... no longer even possible
- OEM time overhead for testing and registration is prohibitive
- OEM lab costs for compliance testing is prohibitive
- Most SMB OEMs will be unable to afford to comply

What can be done to make this process possible for OEMs to still compete with MNCs for selling computers in California?

Cost Analysis

- Would like to understand CEC thoughts on Paper submitted in December 2015
 - Based on today's component pricing it could be around a \$157 cost adder per system
- LOEM Cost structure is different from MNCs(IE dell/HP)
 - MNCs have sourcing advantage due to high volume
- LOEM source components from many industry partners
 - The cost for high efficiency products could carry a premium from many vendors
 - Would need to rely on these industry partners to meet these proposed standards

Suggestions

- Raise the revenue limit to \$20M(global) or \$5M in revenue (California) –
- Exempt existing systems or stable machines(IE Long life machines- broaden the industrial PC category. Exempt High Performance professional and gaming Systems
- Allow LOEM to certify one product per family like energy star.