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Console Enterprises comments on CEC proposed rulemaking for computers and monitors

Additional submitted attachment is included below.

October 24, 2016

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Console Enterprises is filing public comment on the 2016 Appliance Efficiency Rule proposed for PC and computer manufacturers.

Console is a startup headquartered in Chico, California. We're a very small business with less than ten employees. We are not venture-backed currently, and we aren't funded by big tech companies in any substantial way.

We welcome the Energy Commission's concern about the environment, and the impact of millions of personal computers in California. We support rules that encourage innovation, and we appreciate the Commission's exemptions in these new rules for innovative device types.

However, we have one major concern - and objection - to the new rules proposed.

Specifically, the Small Volume Manufacturer exemption's device cap is arbitrary, and prohibitively low. At a mere 40 devices sold, this rule will impact even "mom and pop" PC builders, as well as Internet of Things startups in California, which often attempt to crowd fund via services such as Kickstarter.

Things that seem trivial, like the difference between a desktop computer, and an IoT device, blur quickly in the startup universe - where innovation is welcomed, and regulations should be limited in order to spark innovation.

For example, Intel manufacturers a device platform called Compute Stick. Under the new rules, it is not clear if startups building IoT solutions using this device, would be subject to costly testing measures. It hinges on if you view the Compute Stick as a desktop PC, or an IoT device. This is just one example of many.

With a 40 device cap, the very startup model that built Silicon Valley in California, will have a major compliance and remediation incentive to leave the state.

A per-device cap also can impact new device types that may be subject to this rule, but are relatively inexpensive. Devices branded as "PCs" have been sold for as little as \$9 publicly, thanks to innovations in mobile devices being brought back to PC hardware.

Moreover, the small PC retailers that build their own machines, will now have to possibly retest each and every custom-built machine sold over their 40th unit cap. These rules would be imposed on a very small business selling as few as four PCs per month, possibly even less.

While some of these machines may be exempted due to other exemptions, it may not be possible for a very small business - with possibly as few as one employee, to navigate these regulatory burdens - without fear of violating the complex rules proposed here.

October 24, 2016

We applaud ITI's decision to move away from proposing a \$750,000 revenue cap, and instead falling back to a \$2 million cap. But the 40 device sales cap is something that we feel poisons this essential exemption. It is hard to envision a scenario where a bona-fide small business would not trip the 40 device cap exemption, long before the \$2 million revenue cap exemption.

While ITI has noted the testing cost is approximately \$600 per product, this is not a comprehensive cost estimate in our view. It first does not include the real-world costs to initiate testing, both in-house and to source, and contract with a testing firm. Further, it also fails to take into account remediation costs if a small business is already manufacturing a device, or has to change production/design plans as a result of issues determined in testing - those costs could easily bankrupt a small startup, particularly one that operates without venture backing.

Recommendation

We urge the Energy Commission to employ a comprehensive small business exemption test that solely relies on annual revenue, by striking the 40 device cap to the Small Volume Manufacturer exemption. This will ensure that startups like ours can continue to innovate on traditional platforms, and non-traditional platforms alike. The revenue cap would remain to ensure that only small businesses are permitted to use this exemption.

A revised Small Volume Manufacturer exemption for startups that make less than \$2 million in net revenue annually would, in our view, ensure Silicon Valley continues to innovate locally, instead of with startups being forced to innovate in other states, and then relocate here after they have become successful.

Finally, we also encourage the Energy Commission to be broad in its exemption list, and include major fields of products such as Virtual Reality and products that utilize 3D cameras. This will further help ensure that startups can continue to innovate, without impossible regulatory burdens that no small startup, lacking venture backing, could comply with.

Sincerely,
Christopher Price
Console Enterprises Founder & CEO