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SCE Comments on SB 350 AB 802

Additional submitted attachment is included below.

February 3, 2017

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 17-IEPR-06
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.ca.gov

Re: Framework for Establishing the Senate Bill 350 Energy Efficiency Savings Doubling Targets — Comments of Southern California Edison Company (Docket No. 17-IEPR-06)

Dear Commissioner Weisenmiller:

Southern California Edison Company (SCE) appreciates the opportunity to provide comments on the California Energy Commission's (CEC's) Staff Paper on creating a Framework for Establishing Energy Efficiency Savings Doubling Targets, pursuant to Senate Bill (SB) 350.

SCE also thanks the CEC for inviting the investor-owned utilities (IOUs), public owned utilities (POUs), and stakeholders to provide input at the Workshop on the Staff Paper held on January 23rd. SCE representatives participated at the workshop in person and via teleconference.

I. INTRODUCTION

SCE has long been a national leader in energy efficiency (EE) and has worked with Federal and State governments and the private sector to develop and implement EE programs that have provided California consumers with financial and energy-savings benefits. SCE continues to work with the California Public Utilities Commission (CPUC), the California Energy Efficiency Coordinating Committee (CAEECC) and stakeholders to develop and implement its Business Plan as part of the new EE rolling portfolio process. The Business Plan presents SCE's vision of EE in California, its vision and goals for SCE's portfolio, and describes how SCE will comply with new requirements for statewide administration and third-party solicitations. Additionally, the Business Plan outlines SCE's strategy to support six sectors: Commercial, Industrial, Agricultural, Residential, Public and Cross-Cutting.

SCE supports the CEC's Staff Paper's overall direction and looks forward to ongoing collaboration with the CEC and CPUC as well as with public and private stakeholders in future workshops. SCE also provides the following recommendations and requests additional clarifying points.

II. RECOMMENDATIONS:

A. STAFF PAPER SHOULD PROVIDE FURTHER CLARITY FOR THE DEFINITION OF "DOUBLING ENERGY EFFICIENCY".

The Staff Paper recommends that stakeholders should interpret "cumulative" EE savings to mean the cumulative savings¹ realized in 2030 rather than the sum of cumulative EE savings realized in every year from 2015 through 2030.² Additionally, Staff recommends that the 2018-2030 annual targets be based upon an arithmetic doubling of projected Additional Achievable Energy Efficiency (AAEE) savings, adjusted for errors found in the computational framework used in the *California Energy Demand Updated Forecast, 2015–2025*.³ These targets would be measured against cumulative EE savings realized in 2030 based on the total of the first-year EE savings for measures installed and behavior changes in 2030, plus the savings realized in 2030 from all previous measure installations from 2015 through 2029 (reflecting persistence decay that has occurred since the measures were installed), for all end uses.⁴

SCE understands the doubling recommendation to mean that SB 350's targets will be set by a literal doubling of AAEE based on a 2030 target date projected from 2015 with tracked savings beginning in 2018. SCE appreciates the challenge in projecting savings from 2025 through 2030 given that no EE potential studies extend to 2030 and SCE agrees with cautiously approaching the assumed cost-effective potential that is expected to grow between 2025 and 2030.⁵ However, SCE requests further clarification on the rationale for the selection of a 3% growth rate⁶ as well as clarification about the choice of using 2015 as the goal forecast start date for SB 350 compared to a 2018 start date when savings tracking will begin. SCE recommends aligning the forecast and tracking of savings to the same starting year, 2015, to better account for claimable savings that are expected to occur between 2015 and 2030. Long lasting measures as well as Codes and Standard savings may actually exceed the 12-year time horizon from 2018 to 2030.

SCE welcomes the opportunity to receive and review data underlying the graphs and charts included in the Staff Paper including Figure 6 (Alternative Interpretations of "Cumulative") to better understand the assumptions and data sources between program inputs and AAEE. SCE

¹The definition of cumulative savings matches the CPUC's definition contained in Decision 07-10-032 which references D.04-09-060 meaning of cumulative EE savings as representing the "annual gigawatt hour (GWh) and megawatt (MW) savings achieved by the set of programs and measures implemented in that specific program year"

² Framework for Establishing the Senate Bill 350 Energy Efficiency Savings Doubling Targets (Page 5) available at: <https://efiling.energy.ca.gov/getdocument.aspx?tn=215437>

³Ibid (Page 5)

⁴Ibid (Page 12)

⁵Ibid (Page 16).

⁶Ibid (Page 16) Assumptions for the 3% growth rate were not included in the Staff Paper.

recommends further discussions be held through the Demand Analysis Working Group (DAWG) forum in order to provide more transparency to changes, errors and the underlying calculations in the forecast for the doubling of AAEE targets.

SCE also appreciates that Staff recognizes there is uncertainty in meeting the 2030 goals through current approaches and that new savings opportunities, such as stranded or behavioral, retrocommissioning and operational (BROs), are required to meet a literal doubling of EE but may be insufficient alone. SCE also appreciates the recognition that the path toward reaching AAEE by 2030 may be difficult to identify achievable cost-effective savings today. As these targets are developed, SCE understands the approach of including “SB 350 friendly”⁷ forecasts to identify potential contributions to meeting the doubling of AAEE. Capturing BROs and stranded savings related to Assembly Bill (AB) 802 will require EE programs to be developed, expanded and/or redesigned. Additionally, the realizable potential to achieve “to code” and “through code” savings has not been fully tested and will be refined over time during the development of PA Implementation Plans (IPs). SCE supports and agrees with the Staff’s observation that in order to meet the SB350 target, the CEC and CPUC may need to recommend to the Legislature additional policy options to remedy the gap.⁸

As the Staff Paper pointed out, SB 350 target-setting needs to consider the impact on integrated resource planning (IRP).⁹ It is important for the CEC to align its SB 350 EE target setting process with the CPUC’s IRP process to establish consistency and more holistic views. SCE recommends additional stakeholder engagement and technical discussions to determine which subtargets should be included in IRP. In general, intra-agency coordination efforts need to be a priority to develop consistency with IRP activities across various agencies.

B. STAFF PAPER SHOULD CLARIFY GOAL SETTING AND THE UNCERTAINTY IN THE ENERGY EFFICIENCY FORECAST.

SCE agrees with Commission Staff that it is useful to track a common unit, such as MMBtus, to measure progress toward meeting goals set forth by SB 350 but agrees that “targets should be apportioned into multiple energy saving subtargets with cost-effectiveness, feasibility and reliability evaluations to be applied as appropriate for each subtarget.”¹⁰ Additionally, SCE agrees with the staff proposal to use “energy units more common to electricity (gigawatt hours) and gas (therms)”¹¹ and SCE appreciates the clarity that the CPUC will lead the goal setting process for IOUs and other appropriate entities to align rules that guide cost-effectiveness.

SCE interprets this to mean that the CPUC will develop IOUs’ EE goals through their Potential Goal study process which will contribute to the doubling of AAEE. SCE requests

⁷ Integrated Energy Policy Report (page 181) available at: http://docketpublic.energy.ca.gov/PublicDocuments/16-IEPR-01/TN215418_20170118T122654_Proposed_Final_2016_Integrated_Energy_Policy_Report_Update_Clea.pdf

⁸ Framework for Establishing the Senate Bill 350 Energy Efficiency Savings Doubling Targets (Page 11) available at: <https://efiling.energy.ca.gov/getdocument.aspx?tn=215437>

⁹ Ibid. (Page 18)

¹⁰ Ibid. (Page 16)

¹¹ Ibid. (Page 14)

additional clarity between the interactions of Potential Goals and AAEE as subtargets are defined. SCE believes there is an opportunity to better align the CPUC Potential Goal process and the IEPR forecast regarding cost-effectiveness, changing EE program requirements and subtargets. Additionally, nontraditional targets such as energy savings currently outside of PAs' EE portfolio (e.g. PACE financing, etc.) or conservation voltage reduction may require further alignment, process and clarity.

C. STAFF PAPER SHOULD FURTHER EXPLORE THE DEFINITION OF FUEL SUBSTITUTION IN RELATION TO TRANSPORTATION ELECTRIFICATION.

The Proposed Implementation Framework presentation defines "Fuel Substitution" as measures that save energy in final end uses by using cleaner fuels... on a life-cycle basis to reduce GHG emissions, and postulates that Fuel Switching (e.g., transportation electrification (TE)) does not reduce electricity or natural gas consumption and is deemed out of scope for the SB 350 EE target setting framework. SCE recognizes that the Staff Paper relies on the definition of "energy efficiency" as provided in Public Resources Code Section 25010 (a) as amended by SB 350. Specifically, EE is defined to include end-use consumption including but not limited to, heating, cooling, or lighting, or class of energy uses upon which an energy efficiency program is focused, typically categorized by equipment purpose, equipment energy use intensity, or building type.¹²

SCE believes that the Staff's definition of fuel substitution may be overly restrictive and should consider TE given similar objectives to reduce GHG emissions and utilize cleaner fuel sources. The fuel substitution definition does not consider the EE benefits if the fuel source begins with petroleum (diesel or gasoline) and subsequently changes to natural gas or electricity. Examples may exist with equipment pumps or motors/engines where diesel/gasoline consumption is switched to natural gas and/or to electricity. The fuel substitution definition only recognizes the change in fuel source between natural gas and electricity. Likewise, transportation electrification may undergo a similar conversion process (gasoline/diesel). SCE recommends that further consideration be given to fuel substitution for transportation electrification as a component of meeting SB 350's targets.¹³

III. CONCLUSION

¹² Public Resources Code Section 25010 (a) (2)

¹³ Language in SB 350 Section 44258.5.b encourages discussions to recognize the interactions between petroleum end-use consumption and electricity and the exploration of efforts to support transportation electrification, e.g., "The State Board shall identify and adopt appropriate policies, rules, or regulations to remove regulatory disincentives preventing... greenhouse gas emission reductions in other sectors through increased investments in transportation electrification."

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November 1, 2016

In conclusion, SCE appreciates the Energy Commission's consideration of these responses and looks forward to continuing collaboration with the Energy Commission on the Framework for Establishing Energy Efficiency Savings Doubling Targets, pursuant to Senate Bill (SB) 350 and related initiatives. Please do not hesitate to contact me at (916) 441-3979 with any questions or concerns you may have. I am available to discuss these matters further at your convenience.

Very truly yours,

/s/

Catherine Hackney