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NRDC Comments on Draft 2021 IEPR Scope

Additional submitted attachment is included below.



February 19, 2021

Andrew McAllister
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Comments of the Natural Resources Defense Council (NRDC) on the Draft Scoping Order for the 2021 Integrated Energy Policy Report [Docket No. 21-IEPR-01]

Dear Commissioner McAllister and Commission Staff:

On behalf of the Natural Resources Defense Council (NRDC), and our more than 95,000 members in California, we appreciate the opportunity to comment on the Draft Scoping Order for the 2021 Integrated Energy Policy Report (IEPR). NRDC appreciates the Energy Commission staff's efforts in soliciting public comment from the onset of this IEPR. The topics the 2021 IEPR intends investigate – electric reliability, evolving role of the pipeline gas system, building decarbonization, and energy efficiency – are necessary and timely. Our comments on the Draft Scoping Order are organized according to these major topics.

I. Electric Reliability

Electric reliability requires demand and supply to match. Inflexible and surplus demand, and generation procurement that doesn't match demand, are both obstacles to a reliable electric system. The IEPR should investigate how grid reliability can be enhanced while furthering the state's clean energy and environmental goals. Specifically, the IEPR should recommend what type of clean energy resources, demand and supply, should the state's load serving entities (LSE) focus on being able to meet both carbon reduction and reliability goals in a least cost manner. The IEPR correctly prioritizes researching how the once through cooling plants' retirement can be expedited and how the state should best prepare for Diablo Nuclear Power Plant's upcoming retirement. Specifically, the IEPR should identify what type and amount of clean energy resources can assure that Diablo's retirement doesn't cause an increase in carbon emissions (as required by Senate Bill 1090) or a decrease in reliability.

The IEPR scoping order proposes to study whether existing gas infrastructure can be retrofitted and made more efficient to serve reliability. This is in conflict with the Draft Scoping Order's larger goal to identify opportunities to reduce reliance on fossil gas-fired electric generation in California. Any retrofits to existing fossil-gas infrastructure that further entrench the state's reliance on fossil resources should be an action of last resort; after all other cost-



effective avenues such as energy efficiency and demand flexibility have been thoroughly explored. Moreover, any gas infrastructure upgrades should be aligned with the state's SB100 goals.

As the recent Senate Bill 100 Draft Report concluded, a high load flexibility scenario helps the state achieve its carbon reduction goals cost-effectively. Recommendations on what policy changes need to be made to realize this scenario should be made. Finally, NRDC commends the IEPR for further analyzing how a western regional grid can advance both reliability and clean energy goals cost-effectively.

II. Evolving Role of the Pipeline Gas System

The CEC should draw on the findings of its [Challenges of Retail Gas Distribution](#) report.¹ The study found that to ensure a smooth transition from the gas system, thoughtful policy that eliminates unnecessary investments in gas infrastructure and invests in equitable transition away from gas end-uses in existing buildings, is necessary to an affordable and equitable transition, especially for low-income customer who can't afford to or are unable to electrify early. Lower-income communities shouldn't be left on the hook to pay for stranded gas infrastructure. The CEC should also refer to the recent reports released by Gridworks that analyze this very issue.²

III. Building Decarbonization: Include SB 1414 HVAC Compliance Plan in Scope of the 2021 IEPR

The CEC should include the Senate Bill (SB) 1414 (Wolk, 2016) Compliance Plan in the scope of the 2021 IEPR.³ The plan is a key strategy to enable affordable building decarbonization and therefore a good fit with the 2021 IEPR chapter on building decarbonization.

SB 1414 requires the Energy Commission to approve a plan to promote compliance with the Building Energy Efficiency Standards in the installation of central air conditioners and heat pumps system. It also authorizes the CEC to adopt regulations designed to increase compliance with permitting and inspection requirements, including sales and installations of heating, ventilation and air conditioning (HVAC) equipment in California, consistent with the approved plan.

As covered in NRDC's Aug. 20, 2018 comments,⁴ quality installation when replacing burnt out HVAC systems is an essential strategy for affordable building decarbonization. With average

¹ Publication Number: CEC-500-2019-055-F, Report Date: April 2020

² https://gridworks.org/wp-content/uploads/2019/09/GW_Calif-Gas-System-report-1.pdf,
<https://gridworks.org/initiatives/cagas-system-transition/>

³ <https://ww2.energy.ca.gov/title24/enforcement/>

⁴ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=224529&DocumentContentId=55079>



duct leakage rates in existing homes around 30 percent, and common practice of unpermitted replacements that fail to remedy these issues when installing replacement systems, duct leakage is responsible for a massive amount of energy wasted statewide, leading to avoidable cost burden, unnecessary carbon emissions of the order of 5 MMT annually, and negative health impacts on home occupants. Remediation of duct leakage at HVAC system replacement time would not only reduce occupants' energy costs, emissions, and health impacts, it would also enable the electrification of California homes and buildings at a much lower cost than current practice. This is because well-sealed duct systems require significantly lower-capacity heat pumps. As heat pump costs scale by capacity, rightsized systems would significantly reduce electrification project costs. More efficient duct systems and smaller heat pumps would also limit grid impacts by reducing peak load on cold winter mornings.

IV. Energy Efficiency

Energy efficiency has long been California's first energy resource. California continues to make strides in improving energy efficiency standards through the CEC's leadership on developing robust Title 20 and Title 24 standards. However, state utility energy efficiency goals have been steadily decreasing. Although some of this is due to improving baselines in energy efficiency due to the decades of progress made by energy efficiency incentive programs; a lot of this decrease in incentive program performance and funding is because energy efficiency regulation hasn't kept up with California's changing market and policy requirements.

NRDC recommends that the CEC explain how incentive program design needs to evolve to best apply energy efficiency to meet the state's energy resource needs, continue transforming energy efficiency markets, and facilitate an equitable transition to our clean energy goals. To this end NRDC has developed a suite of [policy proposals](#) that the CEC can draw from.⁵ These policy proposals illustrate how to:

- Reorganize energy efficiency portfolios to meet all the policy goals (resource, market transformation, and equity) expected of energy efficiency.
- Develop accurate cost-effectiveness policy for energy efficiency and all distributed energy resources.
- Developing a new metric to set energy efficiency goals. This new total value metric better accounts for the time and locational value of energy efficiency. This metric can also be applied to other distributed energy resources (DER) such as demand response and electrification measures and will help eliminate the silos through which these distributed energy resources are offered.

⁵ <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M339/K545/339545105.PDF>



V. Conclusion

NRDC appreciates this opportunity to provide feedback and looks forward to engaging with CEC staff on the 2021 IEPR.

Sincerely,

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