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Peninsula Clean Energy and Marin Clean Energy on the IRA Home Efficiency Rebate (HOMES) Pay for Performance Pathway Workshop

Additional submitted attachment is included below.

April 5, 2024

California Energy Commission
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RE: Peninsula Clean Energy and Marin Clean Energy on the IRA Home Efficiency Rebate (HOMES) Pay for Performance Pathway Workshop RE: Inflation Reduction Act Home Efficiency Rebate Program (HOMES) Docket No. 23-DECARB-01

Dear Commissioners, Board Members and Staff,

I. Introduction

Peninsula Clean Energy ("PCE") and Marin Clean Energy ("MCE") strongly endorse the goals of the Inflation Reduction Act ("IRA") Home Efficiency Rebate program ("HOMES") to support comprehensive and innovative energy efficiency ("EE") programs, energy affordability in low-income households and disadvantaged communities, and reducing pollution from buildings.

PCE is a Community Choice Aggregation ("CCA") agency and the official electricity provider for San Mateo County and for the City of Los Banos. Founded in 2016 with a mission to reduce greenhouse gas emissions, the agency serves a population of 810,000 by providing electricity that is 50 percent renewable, 100 percent clean and provided at lower cost than Pacific Gas and Electric ("PG&E"). MCE is a CCA who provides clean electricity service and cutting-edge energy programs to more than 1.5 million residents and businesses in 37 member communities across Contra Costa, Marin, Napa, and Solano counties. MCE's mission is to confront the climate crisis by eliminating greenhouse gas emissions, producing renewable energy, and creating equitable community benefits. In addition to other customer programs,[1] both PCE and MCE have been

[1] Since 2013, MCE is a dedicated PA of EE, demand response ("DR") and decarbonization focused programs. MCE programs serve residential, commercial, agricultural and industrial customers. MCE also specifically administers Equity-focused residential direct install programs, and pay-for-performance efficiency programs. PCE is forecasting to invest $100 million through FY 2028 to grow building and transportation electrification, as well as distributed energy resources in its service area. PCE programs include commercial scale solar and storage, incentives and financing for residential building decarbonization, targeted low-income/disadvantaged community home upgrades, and EV charging installation in apartments. Learn more about PCE's residential and commercial programs.

administering pay-for-performance ("P4P") programs, also called "Market Access Programs"[2] or "MAPs," for both residential and commercial customers for several years.[3]

PCE and MCE offer substantive comments on the questions presented at the California Energy Commission's ("CEC" or "Commission") March 21, 2024, *IRA Home Efficiency Rebate (HOMES) Pay for Performance Pathway Workshop* ("HOMES P4P Workshop") based on lessons learned from administering their own P4P efficiency programs. PCE and MCE submit specific recommendations for leveraging and scaling existing P4P programs with HOMES funding, layering incentives, optimal incentive structures, and broader implementation strategies. PCE and MCE reiterate their support for braiding HOMES program funds into the Equitable Building Decarbonization ("EBD") Direct-Install program. PCE and MCE submit the following comments only to inform the HOMES P4P pathway.

II. Responses to Workshop Questions

Scale and Market Transformation

1) Residential P4P programs in CA have been small. How can a P4P approach scale to move tens of millions of dollars in residential decarbonization incentives quickly?

PCE and MCE recommend the CEC leverage the administrative infrastructure and outreach strategies of existing MAPs to support expeditious and successful disbursement of HOMES incentives. The CEC should avoid duplicating existing administrative structures and unnecessary administrative costs. The CEC should also incorporate the lessons learned of existing MAPs in California to avoid unnecessary barriers, duplicating unsuccessful strategies and known challenges.

Based on its collective experiences administering MAPs and other efficiency programs, PCE and MCE recommend the CEC prioritize aggregator outreach and support in the development of the HOMES P4P program. Aggregators play an essential role with critical functions for a successful MAP. For example, aggregators identify and recruit customers for participation in the program, develop the customer value proposition, and often assume some degree of financial risk for the performance payment. Residential MAPs have historically faced challenges recruiting aggregators, especially smaller ones, due to program complexities, as well as the risk of the performance payments and associated cash-flow challenges.

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[2] CPUC funded "market access programs." *See* CPUC, Market Access Program, available at: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/market-access-program.

[3] PCE runs a Residential FLEXmarket program and a Commercial Efficiency Market. MCE's P4P programs include its Residential Efficiency Market Program, Commercial Efficiency Market Program and its Peak FLEXMarket program. *See* MCE, FLEXmarket Programs, available at: https://www.mcecleanenergy.org/flexmarket/.

To facilitate participation of aggregators under the HOMES P4P program, PCE and MCE recommend the program:

- **Provide partial upfront incentives**. While the HOMES program's measured pathway requires remitting rebates following 9-12 months of performance data,[4] the CEC can support stacking complementary state, and local programs (such as the existing MAPs) to provide partial upfront incentives. In its current Residential Efficiency Markets, for example, PCE and MCE distribute an up-front payment of 20% of the forecasted energy savings value and then issue performance payments quarterly based on the measured results until the 12-month measurement and verification period is complete. This strategy is vital to the programs' success as it protects a participating customer, or participating contractor/aggregator, from financial risks and encourages their program participation. Stacking HOMES funding also allows for multiple funding sources to collaboratively deliver greater results to a participant. This model both reduces risks for the aggregator while also ensuring payments based on actual savings measured at the meter (as a portion of the incentives is still paid after the 12-months measurement period). PCE and MCE therefore strongly support the CEC advocating for permission from DOE to remit partial upfront incentives under the HOMES P4P program;
- **Support aggregators with energy savings calculations** to reduce any associated performance risks. Some implementers of existing MAPs provide tools to support aggregators in the savings calculations, such as, but not limited to, Recurve's Project Value Estimator ("PVE") tool;
- **Support interested aggregators in marketing and outreach to customers**;
- **Streamline information and provide clarity on complementary program offerings.** Many aggregators consistently provide feedback that the existing program landscape can be confusing and that they lack the bandwidth to engage in all available programs. Program engagement is difficult because of the sheer number of offerings and the complexities of understanding varying participation requirements. The CEC should strive for streamlining and combining programs offerings as much as feasible in the development of the HOMES P4P program.

2) Can existing residential P4P programs adjust to incorporate HOMES requirements?

Yes, PCE and MCE submit that existing P4P programs that receive ratepayer funds from the California Public Utilities Commission ("CPUC") may incorporate IRA funds, including HOMES program funds, without requiring a significant adjustment of program goals or rules. PCE and MCE address the following key differences between existing P4P programs (i.e. MAPs) and HOMES rules as addressed in the *HOMES P4P Workshop*.[5]

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[4] Department of Energy, State & Community Energy Programs, Home Efficiency Rebates Program: Sample Application Responses and Guidance, January 2024, available at: https://www.energy.gov/sites/default/files/2024-01/50121%20Sample%20Application%20Responses%20Revised.pdf.

[5] CEC, HOMES Pay for Performance Pathway Workshop Slides, March 21, 2024, at Slide 20.

Cost Effectiveness

The CPUC's Decision ("D.") *Authorizing Energy Efficiency Portfolios for 2024-2027 and Business Plans for 2024-2031* directly addressed layering IRA funds into ratepayer-funded programs and states, "If IRA funding becomes available directly to PAs [Program Administrators], the PAs may be able to use both IRA and ratepayer funding in a market access-style program, without impacting the cost-effectiveness calculations of the program. Instead, the PAs may be able to simply add extra funds to the budgets seamlessly."[6] The layering of HOMES measured pathway funding is only *beneficial* to cost effectiveness calculations for existing MAPs in California, as further discussed in **Response to Question 3** in the **"Incentive"** section below.

Threshold Savings

PCE and MCE recommend the Commission further analyze the impact that the HOMES 15% energy savings requirement (at the portfolio level) would have on existing P4P programs. To achieve 15% savings, a P4P program may have to focus on a "whole home approach" instead of a single (or a few) EE or electrification measures. This would be a new and additional requirement for existing P4P programs which have, to date, allowed EE and electrification projects of any size and scope to participate. PCE and MCE recommend the CEC engage with PAs of existing MAPs, contractors and/or aggregators to further investigate the advantages and challenges of implementing a "whole home approach" under a P4P program model.

Incentive Recipient

PCE and MCE understand existing CPUC rules governing PCE and MCE's residential P4P programs do not prohibit splitting an incentive between a customer and aggregator. PCE and MCE support directing a percentage of HOMES incentives directly to customers and submit they could adjust their existing programs rules to incorporate this HOMES program requirement.

Advance Payments

As stated in **Response to Question 1** in the section on **"Scale and Market Transformation,"** MCE and PCE support upfront payments, especially if directed to the customer. PCE and MCE support the CEC advocating for permission from the DOE to remit partial upfront incentives especially for low-income customers as further discussed in response to **Question 4** in the **"Administration and Implementation"** section.

Incentive Value

HOMES incentive values can readily be added to the incentives provided under existing residential MAPs as described in more detail in response to **Question 2**, section on **"Administration and Implementation."** PCE and MCE recommend a time differentiation for HOMES incentives as further described in response to **Question 1** in the **"Incentive Structure"** section.

Consumer Protection, QA/QC and Eligibility Checks

PCE and MCE support incorporating the HOMES program's consumer protection, QA/QC, and eligibility check requirements into existing residential P4P programs that receive HOMES funds. PCE and MCE note that some of these requirements are already part of existing P4P programs (e.g. measure requirements like EnergyStar etc.) and do not anticipate obstacles or policy barriers

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6 CPUC, Decision Authorizing Energy Efficiency Portfolios for 2024-2027 and Business Plans for 2024-2031. D.23-06-055 at p. 74.

for incorporating these requirements into its existing programs if they received associated funding. PCE and MCE provide more details in response to **Question 3** in the section on **"Administration and Implementation."**

Incentive Structure

1. ***How should HOMES incentive structure related to kWh reduction be aligned with CPUC policy around the Total Systems Benefit (TSB) and Avoided Cost Calculator (ACC)?***

Existing MAPs value savings based on time, i.e., they provide increased incentives during times when energy savings are valuable to the California grid (i.e. during 4-9pm peak hours) and reduced incentives during the remainder of the year. The hourly incentive level (and associate grid value) is set by the CPUC's Avoided Cost Calculator ("ACC").[7]

To further support CA's goal of greater grid reliability, emissions reductions and reducing peak loads, PCE and MCE recommend time differentiated HOMES P4P incentives. This could be implemented in one of two ways:

- The set $0.55/kWh HOMES incentive for general-market customers (or $1.10/kWh for low-income customers) could be adjusted to hourly incentive values based on the ACC value in each hour of the year. The dispersion of incentive values across hours could be modeled in a way to target an average incentive rate of $0.55/kWh or $1.10/kWh across the year. But projects that focus on energy savings during peak hours would receive higher incentives than those that save energy off peak.
- To simplify implementation, HOMES P4P incentives could be distinguished between on-peak and off-peak incentives. In this scenario, HOMES incentives for general market customers could, for example, be set at $0.15/kWh for off-peak hours and $0.90/kWh for on-peak hours (4-9pm).

PCE and MCE believe that this time-differentiation of HOMES incentives is reasonable and allowable under the DOE's HOMES Program Requirements and Guidelines.[8] HOMES guidelines specify that incentives must be based on 20% annual savings in the average CA home. Based on this guidance, the CEC developed the $0.55/kWh or $1.10/kWh base incentive level, thereby meeting DOE's HOMES requirements.[9] To PCE's and MCE's knowledge, it is allowable to further differentiate the HOMES P4P incentives based on CA's goals of reducing peak demand, emissions reductions and mitigating the "duck curve."[10]

[7] *See e.g.* CPUC, DER Cost-Effectiveness, Avoided Cost Calculator, available at: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/der-cost-effectiveness (2022 ACC Electric Model version 1b).

[8] DOE, Home Energy Rebates: Program Design and Implementation, Office of State and Community Energy Program, available at: https://www.energy.gov/scep/home-energy-rebates-program-design-and-implementation.

[9] DOE, Inflation Reduction Act, Home Energy Rebates, Program Requirements and Application Instructions, 2023, available at: https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf at pp. 13-17.

[10] California ISO, Our Evolving Grid, 2022, available at: https://www.caiso.com/about/Pages/Blog/Posts/Our-Evolving-Grid.aspx.

3. ***How can federal funding help navigate some of the constraints with Total Resource Cost (TRC) requirements for residential projects?***

MAPs formed in response to the state's grid reliability crisis and a state of emergency called by Governor Newsom in the summer of 2021.[11] At that time and in that context, MAPs were exempt from traditional cost-effectiveness requirements.[12] The CPUC recently resolved that starting in 2024, MAPs are more generally subject to the cost-effectiveness requirements of the broader EE portfolio, "[W]e clarify that MAP approaches are part of the overall energy efficiency portfolio and, as such, are no longer exempt from the cost-effectiveness requirements. This was implicit in the fact that the program will now reside within the regular energy efficiency portfolio. Thus, it is subject to the same rules."[13] Cost-effectiveness requirements for residential MAPs limit the incentive levels PAs may offer under the programs. Residential MAPs have historically faced challenges identifying aggregators and customers due to low incentive levels and the P4P programs' financial risks.

As stated above in response to **Question 2** in the **"Scale and Market Transformation"** section, PAs of MAPs may layer IRA funds without impacting their CPUC controlled cost-effectiveness requirements.[14] Layering the significant HOMES P4P incentives, without impacting the cost-effectiveness calculations of MAPs, allows existing programs to substantially increase the incentives offered under the programs. This, in turn, will enhance the value proposition for customers and aggregators, encouraging greater program participation and benefits.

4. ***How does P4P work when interval meter data is not available?***

PCE and MCE submit streamlined access to gas and electric interval meter data are an essential prerequisite to a successful P4P or MAP program. PCE and MCE recognize barriers to accessing streamlined interval meter data can exist for certain housing types, communities, and geographic locations. PCE and MCE recommend the Commission serve households and communities presently lacking the requisite interval meter data with complementary programs like the EBD's Direct-Install program or other state, and local decarbonization offerings.

5. ***How should the program control for the risk of contractors underestimating savings and retaining excess savings?***

PCE and MCE have not observed a risk of contractors underestimating savings and retaining excess savings. First, the existing MAPs provide standardized tools for forecasting energy savings

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[11] D.21-12-011 at p. 2.
[12] D. 21-12-011 at pp. 26-27.
[13] D.23-06-055 at p. 76.
[14] D.23-06-055 at p. 74 ("The market access approach represents a particular opportunity in the residential and commercial downstream retrofit markets because those markets include project types targeted by the federal Inflation Reduction Act (IRA) of 2022, making it possible to leverage federal funds. If IRA funding becomes available directly to PAs, the PAs may be able to use both IRA and ratepayer funding in a market access-style program, without impacting the cost-effectiveness calculations of the program. Instead, the PAs may be able to simply add extra funds to the budgets seamlessly.").

(e.g., Recurve's Project Value Estimator tool) which mitigate the risk of contractors or aggregators underestimating savings. Second, the existence of a partial upfront payment motivates aggregators to not underestimate savings.

If the CEC perceives these risks, PCE and MCE recommend the Commission explore use of self-attestation forms for aggregators calculating savings in good faith and committing to not retaining excess savings. For example, MCE uses self-attestation forms for its Peak Flex Market program to ensure aggregators and customers do not violate dual enrollment requirements.[15] Further, to mitigate any potential risks of contractors retaining excess savings exceeding forecasted savings (and associated incentives), both PCE and MCE set aside 120% of forecasted incentives for each project to ensure that the program budget can cover any incentives that exceed forecasted incentives within a 20% margin.

Administration and Implementation

1. ***What are the tradeoffs between a statewide and locally-administered HOMES program(s)?***

PCE and MCE recommend implementing the HOMES P4P program locally by seamlessly layering HOMES funds into existing MAPs (where those exist). In areas where no local residential MAP exists that meets the requirements of the DOE's "Measured Performance Pathway," the Commission could offer a statewide program. As CPUC D.23-06-055 required the creation of both residential and commercial MAPs for all IOUs and MCE[16] starting in 2024,[17] it is effectively only in the service areas of publicly-owned utilities ("POUs") where MAPs may not exist yet and a statewide HOMES program could be considered.

PCE and MCE note the following benefits of a locally-administered HOMES P4P program:

1. **Quick Disbursement of Rebates.** Layering HOMES funding into the existing local MAPs will facilitate a quick and efficient rollout of the HOMES program in California. Designing and implementing a new program, especially a statewide one with a larger scale, may easily take 12-18 months. In contrast, existing local MAPs already have their administrative and implementation structures in place and can disperse HOMES P4P funding to customers quickly and efficiently. The additional HOMES incentives would enable the local MAPs to serve more customers with deeper retrofit projects and support immediate impacts, versus the risked delays from starting another statewide P4P program.

2. **Limiting program complexity in support of easier customer and aggregator participation.** As noted in response to **Question 1** in the **"Scale and Market Transformation"** section above, aggregators are at the center of P4P programs and are

[15] MCE Advice Letter 74-E, March 15, 2024, at p. Attachment A – 4.
[16] The requirement applies to all CCAs that offer EE programs under the "Apply to Administer" ("ATA") pathway per PU Code 381.1. (a)-(d). Currently, MCE is the only CCA offering EE programs under the ATA model.
[17] D.23-06-055 at Ordering Paragraph 26.

integral for the success of the program. Program administrators and funding agencies must do their best to make program participation easy for aggregators and customers. To date, it has proven challenging to recruit aggregators to existing residential P4P programs. Smaller project developers and aggregators especially struggle with the complexities of the program model and the performance-based payment structure. Under a statewide HOMES P4P program, *in addition to the existing local MAPs,* an individual aggregator would have to understand both the rules and requirements of the statewide and the existing local programs. The aggregator would have the dual administrative burden of both program application processes and layer both incentives together for participating customers. This would effectively double the work required for aggregators participation in two distinct, rather than one streamlined, program. The CEC should strive for facilitating participation of aggregators and customers in the program and therefore impose the work of seamlessly layering the program rules and requirements of the existing local P4P programs and the HOMES program on existing local administrators rather than aggregators. Aggregator and customer participation benefits from this streamlined approach.

3. **Reduce administrative costs and ensure consistent P4P program rules statewide**. If HOMES P4P funding were to be added to local MAPs, the local MAP PAs would be responsible for ensuring that HOMES rules and requirements are seamlessly incorporated into local MAPs. This would ensure consistent rules between local MAPs and the HOMES P4P program, which could not be as readily guaranteed if a separate, statewide program were to be created by a different administrator. An additional statewide program would add another layer of administrative complexity and require additional reconciliation between local and statewide programs' rules. Additionally, the administrative costs of creating a new statewide program would be duplicative to the administrative costs of the existing local program costs, leading to an inefficient use of public funds.

4. **Customer-focused energy programs are best implemented locally.** PCE and MCE strongly believe that customer-focused energy programs (also called "downstream programs" in the CPUC's EE programs) are best implemented locally. While there are some benefits to administering and implementing certain *technology incentive programs* (also called "mid- or upstream programs") statewide to take advantage of economies of scale, customer-focused energy programs are best implemented by local administrators. There are many challenges to recruiting customers (and or aggregators) to energy efficiency, and especially P4P programs. Local administrators in meaningful partnership with trusted community-based organizations ("CBOs") are best suited to identify and respond to the diverse local needs of the customers and aggregators in their service areas. Locally-led program design and implementation with CBO partnerships are critical for programs serving low-income and environmental social justice community ("ESJ") customers especially. In addition to mitigating the participation challenges experienced by all customers and aggregators discussed above, trust with a PA and community leadership

in the design and implementation[18] of programs is a key determinant of project success for low-income and ESJ customers.[19] Statewide programs administered by unknown or distrusted entities at large scales place barriers for community-led design, and implementation of programs to meet the self-identified needs of low-income and ESJ customers. The larger the geographic scope of a program, the greater the incentive for a PA to adopt a more uniform administration approach with less locally trusted CBOs. While potentially efficient from an administrative resource perspective, this approach replicates existing decarbonization programs that are not delivering benefits to low-income and ESJ customers in a proportional manner.

2. ***What does layering of incentives look like with multiple P4P funding streams?***

PCE and MCE submit that PAs of existing MAPs can easily layer HOMES incentives on top of their incentives. Under the existing ratepayer-funded MAPs in California, incentives are set based on project type, effective useful life of a measure, forecasted savings of the measures, and the time of energy savings (per the CPUC's ACC). As an example, MCE has provided incentives for smart control thermostats ranging from \$0.15/kWh - \$0.90/kWh based on the time of energy savings under its Residential Efficiency Market. Under this example, MCE could layer the HOMES incentives in one of two ways, as determined by the CEC:

- **Layering set HOMES incentive**: the local MAP PA would simply add the HOMES incentive of \$0.55/kWh for general market customers or \$1.10/kWh for low-income customers on top of the existing incentives for every kWh reduced. In the MCE example above, general market customers would be paid \$0.70/kWh - \$1.45/kWh based on the time of energy savings.

- **Layering time-differentiated HOMES incentive**: As described above in response to **Question 1** in the **"Incentive"** section, PCE and MCE recommend to design time-differentiated HOMES incentives where the HOMES incentives of \$0.55/kWh or \$1.10/kWh would be adjusted based on the hour of the day the energy is saved. This aligns with California's goals of reducing peak load and mitigating the challenges faced by the duck curve. Similarly to the methodology described above, PAs could add HOMES hourly incentives to the existing MAP incentives for each hour of the year.

[18] BEEP Coalition, Community *Priorities for Equitable Building Decarbonization Report* (March 2022), available at: https://ww2.arb.ca.gov/sites/default/files/2022-03/BEEP%20Letter%20and%20Report_Equitable%20Decarb%20March%202022.pdf at p. ii ("Statewide rebate or incentive programs will continue to fail to reach those communities without significant investment in community-led efforts to engage communities that are being left behind.").
[19] California Energy Commission, *SB 350 Barriers Study*, available at: https://assets.ctfassets.net/ntcn17ss1ow9/3SqKkJoNIvts2nYVPAOmGH/fe590149c3e39e51593231dc60eeeeff/TN214830_20161215T184655_SB_350_LowIncome_Barriers_Study_Part_A__Commission_Final_Report.pdf, pp. 48-49 (discussing distrust of energy utilities).

3. ***Which entities are best poised to fill the various HOMES requirements that are not currently part of Market Access Programs?***

PCE and MCE submit that existing local PAs are already satisfying several of the of the requirements listed as "Additional HOMES requirements" in the HOMES P4P Workshop.[20] For example, the contract that aggregators sign under existing P4P programs (also called the "Flexibility Purchase Agreement"), already establishes certain contractor and measure requirements as established by the CPUC for ratepayer-funded programs. It is also customary for ratepayer-funded programs under the auspices of the CPUC to verify income eligibility, track customer incentives, implement audits and inspections, conduct home assessments, and to ensure that total incentives do not exceed total project costs. MCE and PCE stand ready to engage in further discussions with the CEC on this topic to delve deeper into these HOMES P4P requirements.

PCE and MCE submit potential concerns about two of the listed additional HOMES requirements:

- **1. DOE rebate reservation system integration:** In PCE and MCE's understanding, the goal of this integration is to ensure that customers do not receive duplicative incentives from various federal funding sources. This integration could be potentially complex and could benefit from a third-party entity administering for all federal funding recipients in California across programs (e.g. EBD, HOMES etc.). One benefit of a P4P program model is at least a portion of the incentive would be paid after a 12-month measuring period. This requirement provides sufficient time to check on dual enrollments in other federal programs. If dual enrollment is identified, the program could potentially reduce the HOMES P4P incentive to ensure that total incentives do not exceed total project costs.
- **2. Bill impact disclosure to participants**: Ex-ante bill impact analyses are typically not implemented under CPUC ratepayer-funded programs. If at all, bill impact analyses for CPUC ratepayer-funded EE programs are implemented ex-post in the evaluation of programs. PCE and MCE are not opposed to including this offering under the existing MAPs but would like to highlight the additional burden that comes with such analyses on a per-customer basis. Furthermore, ex-ante bill impact analyses may not be very useful to the customer as they are vulnerable to high uncertainty of future rates, especially if the customer is fuel switching.

Finally, PCE and MCE note that the PA is ultimately responsible for ensuring satisfaction of both the rules and the requirements of the local MAPs and the HOMES P4P program. PCE and MCE recommend that the CEC does not prematurely prescribe which entity would be responsible for which HOMES requirements. PCE and MCE recommend the Commission allow the PA to designate the appropriate roles for their partners (implementer, Evaluation, Measurement & Verification ("EM&V") provider and aggregator etc.) per their specific program design and needs including customer needs.

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[20] CEC, HOMES Pay for Performance Pathway Workshop Slides, March 21, 2024, at Slide 100.

4. *What are the best options to minimize and allocate financing costs during the 9 to 12-month M&V period prior to when the HOMES rebate can be paid?*

As noted in response to **Question 1** in the **"Scale and Market Transformation"** section, PCE and MCE strongly recommend providing partial upfront incentives under any P4P program to reduce financial risks for aggregators and participants while still ensuring payments based on performance (i.e. actually savings measured at the meter). If the CEC blends HOMES funds with other programs, such as local MAPs, PAs of local programs could investigate providing the majority (or all of) the up-front payment and HOMES P4P funds could then replenish the program funds following the measurement and verification period.

Regarding the performance payment more generally, PCE and MCE strongly state that customers should be faced with minimal, or preferably no, financing costs for their EE upgrades. Especially low-income customers should not be subject to any costs related to their home upgrades to enable their participation in the program. PCE and MCE believe that it is essential for any P4P program designed to serve low-income households to eliminate any potential project risks for a participant. A participating low-income household should not be penalized or assume any financial risk associated with participation if the energy savings thresholds are not achieved. Transferring any risk to a low-income household is unethical and runs counter to the HOMES program goals.

Strategies for reducing a customer's performance risk under P4P programs include:

- Aggregators providing "financing" or shouldering the performance risk for customers. More specifically, this means that aggregators pay customers the full estimated incentive upfront and then assume the performance risk if the actual savings measured at the meter after the 12-months Measurement & Verification ("M&V") period are lower than the estimated incentive; or
- Some CCAs, such as PCE, are willing to be the "financing agent" for customers and aggregators and assume the performance risks under a P4P program. Under this "self-aggregation model," a CCA could function as the aggregator for residential projects that include EE and electrification measures under other CCA programs. A CCA could choose to pay 100% of home upgrade costs for participating customers under its program and then assume the incentive paid by the P4P program based on actual savings measured at the meter after the 12-months measurement period. Under this model, the CCA would effectively cover the difference between the P4P incentive and the total project costs for the participating customer. PCE and MCE would like to highlight that this is one of the advantages of working with CCAs as local administrators of P4P programs in California - due to their mission of serving their communities with beneficial customer programs, CCAs are willing to complement publicly funded programs with their own funding, thereby enhancing the value proposition to the customers.

III. Conclusion

PCE and MCE respectfully submit these comments to **Docket No. 23-DECARB-01** and look forward to future collaborations with the CEC and all stakeholders on successful implementation of the HOMES program.

PCE and MCE thank the Commission for the opportunity to submit written comments on the HOMES P4P Workshop and all the Commission's thoughtful, ongoing public engagement efforts in support of an innovative, beneficial and equitable HOMES program.

Sincerely,

/s/__________
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DATED: April 5, 2024.