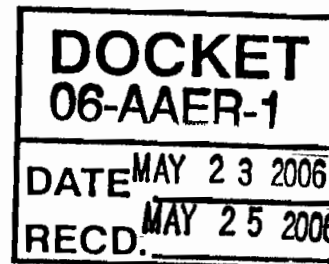




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May 23, 2006

Jackalyn Pfannenstiel
Vice Chair
Presiding Member, Efficiency Committee
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512



Arthur H. Rosenfeld
Commissioner
Associate Member, Efficiency Committee
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Subject: **Rulemaking on Appliance Efficiency Regulations (DOCKET NO. 06-AAER-1); Response to Recent NRDC Comments**

Dear Commissioners Pfannenstiel and Rosenfeld:

The Consumer Electronics Association (CEA) would like to briefly respond to recent comments, dated April 10, 2006 and April 17, 2006, submitted to the California Energy Commission by the Natural Resources Defense Council (NRDC) regarding amendment of the Appliance Efficiency Regulations for external power supplies. CEA hopes that information it has provided to the Commission to date has been helpful in understanding the dynamics and characteristics of the consumer electronics industry from industry-level, manufacturer-level and product-level perspectives.

Following are responses on behalf of the consumer electronics industry regarding several assertions raised in the NRDC's recent submission:

"...Compliant EPS are available by a wide range of EPS manufacturers in large quantities"

This claim by NRDC appears to be based on letters received from three suppliers in China, most likely in response to a form letter solicitation. Industry experience suggests



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that suppliers from this region invariably present affirmative and optimistic statements about supply capability. Only after adequate due diligence, including site visits, product evaluation and testing, as well as safety and compliance assessments, can a manufacturer determine with any level of certainty that a supplier meets the need. Based on feedback from a wide range of consumer electronics manufacturers, CEA maintains that the Commission's regulations for external power supplies should take into account a marketplace that simply is unprepared in terms of adequate supply, reasonable cost and technically feasible solutions.

Setting aside the critical issues mentioned above and taking the production figures on page two of NRDC's April 10th comments at face value, there still would be a significant under-capacity issue as explained in previous industry testimony to the Commission. Industry is assessing adequate supply based on the total U.S. market, not just California, since products are manufactured and distributed at the national, not state, level. In addition, many manufacturers have long-standing relationships with suppliers, some of which are contractual. Suddenly switching from one supplier to another is not a reasonable option in many cases.

"The incremental cost... is far less than the unsubstantiated claims being made by the OEMs"

As detailed in prior testimony to the Commission, there are two key issues regarding incremental cost that should be considered in the Commission's analysis supporting the EPS regulation. First, incremental costs are not consistent across product lines. Moving from non-CEC-compliant external power supplies to compliant external power supplies incurs costs that vary depending on the product in question. For some products utilizing external power supplies, the costs are relatively small, but for other products, the compliance costs are large, especially for product safety (e.g., UL) and electromagnetic compatibility and interference (e.g., FCC). Second, the actual cost to the consumer for consumer electronics incorporates at least three markups that need to be considered, including factory-to-retailer, retailer-to-consumer, and taxes. The incremental cost to the consumer equals the product of these three markups and the OEM cost (for outsourced EPS) or production cost (for EPS produced in-house). In practice, factory-to-retailer cost and retailer-to-consumer cost markups for different consumer electronics products vary significantly with product type and niche, as well as with manufacturer market share, manufacturing location, product maturity, and sales channel.

"The challenges made by the cordless and corded telephone manufacturers are unfounded"

Recent testimony by wireline telephone manufacturers, the Telecommunications Industry Association (TIA) and CEA are clear on the particular safety, technical and marketplace impacts of the Commission's EPS regulation on this product category.

"Switching EPS can easily be designed to prevent interference..."

On page six of its April 10th comments, NRDC provides several points to support its statement above. However, none of the NRDC's statements addresses the underlying issue: The Commission's regulation for external power supplies should factor in product redesign issues necessitated by a mandated change to power supplies that meet the CEC's regulatory specifications.

As stated in previous testimony before the Commission, manufacturers have found minimal technically feasible solutions or a need to undertake major product redesign. The fundamental point is that in many cases there simply is no "drop-in" replacement. Compliance with the Commission's EPS regulation is not as simple as substituting a compliant switch-mode power supply for a non-compliant linear power supply. External power supplies are part of a product system that must be considered, evaluated and tested as a system. We agree that solutions exist to address many problems related to interference, but this is not the concern. Solutions involve product redesign and product compliance recertification, both of which take time and incur cost and should be contemplated in the analysis or timelines related to the Commission's EPS regulation.

Additionally, NRDC notes that many products use internal switching power supplies in close proximity to video tuners. Video tuners are not the issue, as tuner frequencies are not close to switching EPS frequencies. NRDC also claims that Federal Communications Commission specifications "prevent interference between products through the power line and through radiation." For the record, the FCC establishes limits, but the limits do not prevent interference.

Thank you for the opportunity to provide additional comments for the docket in response to the NRDC's recent submissions.

Sincerely,



Douglas K. Johnson
Senior Director, Technology Policy