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Dina Mackin
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By email

Dear Dina and Carmen,

Thanks for the opportunity to participate in the January 26-27 workshops on the Implementation of AB 802 and to submit these informal comments as input for your drafting of the staff White Paper.

Introduction to NAESCO

NAESCO is the leading national trade association of the energy services industry. NAESCO numbers among its members some of the world's leading energy services companies, including: ABM Energy, AECOM Energy, Ameresco, CM3 Building Solutions, Clark Energy Group, ClearEnergy Contracting, Climatec, ConEdison Solutions, Constellation New Energy, Control Technologies and Solutions, CTI Energy Services, Energy Solutions Professionals, Energy Systems Group, Entegrity, Excel Energy, GEM Energy, Harshaw Trane, Indoor Environmental Services, Honeywell, Johnson Controls, Lockheed Martin, McClure Energy, Navitas, NORESCO, Onsite Energy, Opterra Energy Services, Pepco Energy Services, Performance Services, Schneider Electric, Siemens Industry, Southland Industries, Synergy Companies, Trane, UCONS, Willdan, and Wendel Energy Services. Utility members include the New York Power Authority, Pacific Gas & Electric, and Southern California Edison.

During the past twenty years, NAESCO member companies have implemented several billion dollars' worth of energy efficiency, demand response, renewable energy and distributed generation projects for California industrial, commercial, institutional and residential customers. Nationally, NAESCO member projects have produced:

- $50 billion in projects paid from savings
- $55 billion in savings – guaranteed and verified
- 400,000 person-years of direct employment
- $35 billion of infrastructure improvements in public facilities
- 450 million tons of CO2 savings at no additional cost

During this time, NAESCO has worked with the US DOE, ASHRAE, the CPUC and other parties to create and implement several generations of the International Performance Monitoring and Verification Protocol (IPMVP) and the Federal Energy Management Program (FEMP) Monitoring and Verification (M&V) Guidelines, experience which is relevant to our comments below. NAESCO has also participated in the California proceedings relating to program M&V and was for a decade a member of the New York State Energy Research and Development Authority (NYSERDA) Program Advisory Group, which was charged with reviewing and approving the NYSERDA EM&V reports and formally transmitted them to the New York Public Service Commission.

Summary of Comments

NAESCO offers the following comments on the workshops and the policy issues involved in implementing existing conditions baselines and operationalizing directives in AB 802.

1) NAESCO urges the Commission to focus on the clear intent of the legislature in enacting AB 802, which is to accelerate the reduction of energy use and the reduction of GHG by eliminating the complexity that characterizes the current program portfolio.

2) NAESCO urges the Commission to strive for simplicity and relative ease of implementation in addressing the AB 802 mandates, because complicated measurement techniques will delay implementation, increase costs, create uncertainty for administrators, implementers and customers, and frustrate the legislature's intent.

3) NAESCO urges the staff to separate the issues of measuring and verifying energy savings (M&V) from the issues of attributing those savings to program administrators or other market actors (the "E" in EM&V) in order to more efficiently fulfill the mandates of AB 802.

4) NAESCO urges the staff to recommend the broadest application of AB 802 to the utilities' EE portfolio, including industrial buildings and processes.

5) NAESCO urges the staff to outline in its White Paper an achievable work plan for implementing the mandates of AB 802 by September 1.

6) NAESCO urges the Commission to make full use of the resources of program implementers and other third parties (3P) to solve some of the problems involved in the implementation of AB 802.

7) NAESCO urges the staff and the Commission to use this proceeding to re-establish trust among the stakeholders, which NAESCO believes is key to meeting Commissioner Peterman's challenge to all stakeholders that California regain first place among all states in EE implementation.

Discussion

NAESCO offers the following arguments in support of its comments summarized above.

1) NAESCO urges the Commission to focus on the clear intent of the legislature in enacting AB 802, which is to accelerate the reduction of energy use and the reduction of GHG by eliminating the complexity that characterizes the current program portfolio.

NAESCO believes that the legislature has already made the policy decision that resets the measurement of savings from California EE programs. AB 802 allows "to code" savings be claimed, *i.e.*, energy savings achieved by changes that could under certain circumstances be required by existing codes, and acknowledges "existing conditions" for a customer, as indicated by normalized metered energy consumption (NMEC), as the baseline against which to measure and claim savings.

We urge the staff not to use the new White Paper to try to complicate and/or second guess these legislative decisions. AB 802 does allow for a possible adjustment of measuring savings in accounting for overall measurement of program administrator (PA) accomplishments compared to goals, but this adjustment does <u>not</u> apply to measuring the savings themselves, which are clearly to be measured using normalized meter data. Relevant excerpts from AB 802, Section 6 (b) are given below.

- *"…the commission, in a separate or existing proceeding, shall, by September 1, 2016, authorize electrical corporations or gas corporations to provide financial incentives, rebates, technical assistance, and support to their customers to increase the energy efficiency of existing buildings based on all estimated energy savings and energy usage reductions, taking into <u>consideration the overall reduction in normalized metered energy consumption as a measure of energy savings</u>.."*
- *"The commission shall authorize an electrical corporation and gas corporation <u>to count all energy savings achieved through the authorized programs created by this subdivision, unless determined otherwise, toward overall energy efficiency goals or targets</u> established by the commission. The commission may adjust the energy efficiency goals or targets of an electrical corporation and gas corporation to reflect this change in savings estimation consistent with this subdivision and subdivision (d*

Finally, we urge the staff to recognize that the ultimate goal of counting all energy savings starting on September 1 is to provide verifiable EE resources on an accelerated timeline for system planning purposes, EE resources that will displace the need for new gas-fired generation. We realize that the Integrated Resource Plan is the responsibility of the CEC, but we respectfully suggest that the staff and

Commission can assist the CEC, and lower the long-term costs for ratepayers by bring real urgency to the broad application of AB 802 to the EE portfolio.

2) NAESCO urges the Commission to strive for simplicity and relative ease of implementation in addressing the AB 802 mandates, because complicated measurement techniques will delay implementation, increase costs, create uncertainty for administrators, implementers and customers, and frustrate the legislature's intent.

NAESCO respectfully suggests that the recent staff white paper on HOPPs programs sought to maintain much of the legacy complexity in the classification of EE measures and the measurement of EE savings, complexity that AB 802 has made obsolete. We suggest that AB 802 provides the Commission the opportunity to reset and simplify EE program structure and administration into a form that will better serve the needs of customers and allow the EE programs to significantly expand their contribution to the achievement of California's EE goals, as outlined below.

3) NAESCO urges the staff to separate the issues of measuring and verifying energy savings (M&V) from the issues of attributing those savings to program administrators or other market actors (the "E" in EM&V) in order to more efficiently fulfill the mandates of AB 802.

NAESCO observed that the workshops appeared to continue the staff approach of trying to solve all of the issues at once, rather than separating the issues into solvable sub-sets. It is not technically difficult, in many market segments, to measure and verify energy savings based on NMEC. It is extremely difficult to measure and verify energy savings if one tries to interpret NMEC data through the complex and somewhat subjective lenses of attribution (*e.g.,* Title 24, industrial "standard practice" and the current taxonomy of building retrofits). As some of the workshop presentations demonstrated, the former can be achieved in near real time. We know from sad experience that the latter takes years.

We do not minimize the importance of some attribution issues, because we do not want to have ratepayers provide unnecessary incentives to customers and/or to pay incentives to program administrators for things they did not accomplish. The present situation, however, seems to us to be one of the "tail wagging the dog," in that staff insists on solving the seemingly intractable problems of attribution before proceeding with the expansion of EE programs envisioned by AB 802. NAESCO suggests that the current Commission cost/benefit analyses give too much weight to the cost of unnecessary incentives and little or no weight to the cost of missed/stranded EE opportunities.

For example, the recent Commission decision to use Title 24 baselines in the Prop 39 projects, rather than existing conditions baselines, hamstrings the ability of many schools to maximize a once-in-a-generation opportunity to upgrade their facilities with comprehensive energy efficiency projects. This decision leaves literally billions of dollars of EE measures on the table and burdens taxpayers with a decade or more of unnecessary energy costs and environmental emissions.

4) NAESCO urges the staff to recommend the broadest application of AB802 to the utilities' EE portfolio, including industrial buildings and processes.

Most Industrial buildings and processes have large EE opportunities that are well suited to NMEC approaches, including IPMVP. We respectfully suggest that the concept of Industrial Standard Practice (ISP) should be revisited to allow programs to capture all energy savings opportunities, many of which are currently stranded, rather than restricting very cost-effective industrial projects from participating in incentive programs. Today, customers, implementers, and program administrators can wait for more than a year for the ED and its consultants to determine the Industrial Standard Practice (ISP) baseline. We suggest that if it takes a year of research to determine, it is not a "standard practice."

5) NAESCO urges the staff to outline in its White Paper an achievable work plan for implementing the mandates of AB 802 by September 1.

NAESCO respectfully suggests that the workshops illustrated one of the problems that afflicts the current administration of EE programs – the fascination with new technologies at the expense of the nuts-and-bolts of timely program implementation. We expected that the workshops might work through the EE portfolio in order of their current and projected (under AB 802) contributions to California's EE goals, separating the programs into those that produce significant savings and can be easily adapted to the NMEC requirements of AB 802 with little or no R&D work on M&V, from those programs that will require some R&D, from those programs that will require extensive R&D. Instead, the NMEC workshop presented technologies that focus on some of the most intellectually interesting and technically difficult issues (*e.g.,* teasing out the 1-2% savings produced by residential behavior modification programs).

NAESCO has suggested in previous comments in this proceeding that there are hundreds of millions of dollars' worth of projects implemented each year that can use the IPMVP, without modification, to provide the NEMC M&V required by AB 802. The Commission and staff have cited the IPMVP as a valid system under AB 802. But we need the staff and the Commission to lay out a clear path for how to apply the IPMVP, rather than the current M&V systems, starting September 1. Every day we wait to begin this real-world planning means more lost EE opportunities and more unnecessary long-term energy expenditures for ratepayers.

6) NAESCO urges the Commission to make full use of the resources of program implementers and other third parties (3P) to solve some of the problems involved in the implementation of AB 802.

NAESCO suggests that the implementation of AB 802, by posing a set of issues and problems beyond the scope of current program administration, offers the staff, the Commission and the program administrators the opportunity to exploit the full capabilities of the current program implementers and to recruit new parties into the programs to address these new problems and opportunities.

One of the presenters in the NMEC workshop observed that when he talks with other professionals, it is apparent that EE is about a decade behind in the collection and analysis of "big data" after ratepayers have spent billions of dollars on advanced metering systems. Why is Google, which has an installed networked system of hundreds of thousands (perhaps millions?) of NEST residential and small business control systems not talking to us about how it would approach the NMEC problem? Why does the CalTF, a group composed of national M&V experts who are volunteering their time, have such a difficult time getting any of its workpapers accepted? Why, at the end of the arduous process of IDEEA proposals from 3P implementers for innovative programs, has there been only a pittance of funding available for the past few years?

NAESCO suggests that these are indicators of a closed system that is not searching out new ideas and new program approaches. Instead of trying to solve all of the problems itself with their legacy consultants, shouldn't the staff and the program administrators be putting RFPs on the street now to solicit new program approaches for specific market segments that address the requirements of AB 802 and deliver more cost-effective programs? Perhaps the work plan for the next six months could be bifurcated: the staff could work out the path to AB 802 implementation for the large project programs that can use IPMVP, while the PAs solicit proposals for program approaches to the smaller-sized projects that appear to need significant NMEC R&D.

7) NAESCO urges the staff and the Commission to use this proceeding to re-establish trust among the stakeholders, which NAESCO believes is key to meeting Commissioner Peterman's challenge to all stakeholders that California regain first place among all states in EE implementation.

NAESCO respectfully suggests that it knows of no state in the country where EE proceedings are as complex and contentious as the California proceedings and suggests that CPUC staff might usefully research historical EE program governance in New York and Massachusetts to learn how stakeholders with very different interests can productively work together.

During the decade when the New York EE program was managed by NYSERDA, it utilized a Systems Benefits Charge Advisory Group (SBCAG), which included about 30 stakeholders representing all interest groups, that was appointed by the Public Service Commission, and charged with reviewing, approving and transmitting to the Commission the annual program M&V report – three months after the close of each program year. SBCAG member representing large industrial customers objected to the very existence of ratepayer-funded EE programs, and others were pushing to program to dramatically expand. The SBCAG met quarterly to review program status and EM&V reports, argued hard, and hammered out a consensus report each year that was printed, bound and delivered to the Commission on time. A sample report is attached to these comments.

Massachusetts has a system similar to NYSERDA's, which employs an Energy Efficiency Advisory Council see: http://ma-eeac.org/about/), appointed by and reporting to the Department of Public Utilities. The EEAC includes the full range of EE program stakeholders, plays a key role in program planning and evaluation and produces an annual report to the legislature. A sample report is attached to these comments.

Given these examples, NAESCO sees no reason why California should not have thoughtful, productive working relationships among EE stakeholders. We can disagree on issues, but we have to respect each other's good will and share a commitment to timely and consensus-driven program administration. We suggest that re-establishing these working relationships are key to achieving Commissioner Peterman's goal of restoring the state's #1 EE ranking

Conclusion

NAESCO appreciates the opportunity to submit these comments, and hopes that they are useful to the staff in preparing its White Paper. We will be happy to answer questions or to supply more information on our comments.

Respectfully submitted by,

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