

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Create a Consistent
Regulatory Framework for the Guidance, Planning,
and Evaluation of Integrated Demand-Side Resource
Programs

Rulemaking 14-10-003

**REPLY COMMENTS OF THE
LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON
ORDER INSTITUTING RULEMAKING**

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FOR Local Government Sustainable Energy
Coalition

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I. Introduction

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") and the rulings of the Assigned Commissioner and Administrative Law Judge, the Local Government Sustainable Energy Coalition¹ ("LGSEC") submits these Reply Comments to the Comments submitted on November 7, 2014, by the Parties ("Parties") on the Order Instituting Rulemaking 14-10-003 to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Demand-Side Resource Programs ("IDSR").

Key recommendations in the Opening Comments include:

- Comprehensive transformation of demand-side management ("DSM") programs and policies, which consists of energy efficiency; demand response; distributed generation and storage; smart grid; water-energy nexus; electric vehicles; and innovative rate design,² including research and development, codes and standards, design, hardware, controls, installation, maintenance, and use behavior;³
- Organize the IDSM portfolio along key customer market sectors (e.g., Residential, Commercial, Governmental, Industrial, and Agricultural) to maximize synergies with market structure and industry partners in delivering services and products to customers.
- Integrated Demand-Side Resources that include customer-owned and non-customer-owned distributed energy resource assets deployed at customer sites;

¹ The LGSEC is a statewide membership organization of cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board. A list of our members can be found at www.lgsec.org.

² R. 14-10-003, page 2.

³ D.07-10-032, page 31.

- Retail energy markets that are facilitated by Open IDSR Standards (e.g., data structure, data exchange, data security, customer privacy, connectivity, telemetry, Auto Demand Response, etc.) and include a policy framework for open, fair access that mitigates unbalanced market powers.

II. Comprehensive Transformation of Demand-Side Management Programs & Policies

The LGSEC appreciates the Commission’s determined efforts since 2005 to integrate demand-side energy solutions and technologies through utility program offerings to determine the best combination of resources to meet the particular customer’s needs, increase cost-effectiveness, and avoid customer confusion.⁴ However, there has not been an overarching process to plan for and procure all demand-side resources and technologies in an integrated and coordinated manner.⁵

This has resulted in a cumbersome process for customers to participate due to “siloes” demand-side management programs. These programs have traditionally been guided by different proceedings, which at times encompassed inconsistent programmatic details and have been supported by discrete funding regimes that were authorized for dissimilar time periods. There are ample recorded instances of the detrimental effects of “siloes” DSM programs creating tremendous confusion, causing inconsistent implementation and/or delay of comprehensive energy projects and hindering clear messaging of the IDSM value proposition.⁶ For example, *“solar contractors have disincentive to integrate energy efficiency measures since it would reduce the customer’s load and the corresponding size of the solar project and associated income. In addition, most solar contractors were not qualified to make energy efficiency*

⁴ D.05-09-043, pages 28 and 71.

⁵ R.14-10-003, page 2.

⁶ Southern California Regional Energy Network’s Comments on R.14-10-003, page 2.

*improvement directly and would need to subcontract that work.”*⁷

Thus, in response to the Office of Ratepayer Advocates’ (“ORA”) suggestion to narrowly focus changes to customer-side programs⁸ and The Utility Reform Network’s (“TURN”) recommendation that IDSM in the residential sector should focus primarily on energy efficiency and demand response,⁹ the LGSEC advocates for comprehensive transformation of customer-side programs to include all IDSM programs¹⁰ and activities.¹¹ The LGSEC supports the Commission in establishing this “game-changer” rulemaking to pursue the complex and challenging objectives of delivering the full spectrum of integrated demand-side resources as reliable, cost-effective solutions for reducing energy demand and greenhouse gas emissions in California, while being tailored to the specific needs of individual customers.

III. Organize the Integrated Demand-Side Management Portfolio along Key Customer Market Sectors

The LGSEC supports the consolidation and restructuring of numerous disparate DSM programs along key customer market sectors (e.g., Residential, Commercial, Governmental, Industrial and Agricultural). We caution that there are some programs that cut across market sectors, and encourage the Commission to be mindful of maintaining the positive aspects of those programs.

First, the proposed structure will best facilitate achieving the long-term vision and goals of the *Energy Efficiency Strategic Plan* (“Plan”) by aligning with the Plan’s segmentation of markets. Second, this proposed structure agrees with the proposed consolidated and streamlined structure of the Energy Efficiency Rolling Portfolio directed in R.13-11-005 by customer market

⁷ Center of Sustainable Energy, Opening Comments, p. 6.

⁸ Office of Ratepayer Advocates, Opening Comments, p. 2.

⁹ The Utility Reform Network, Opening Comments, p. 11.

¹⁰ R.14-10-003, p. 2.

¹¹ D.07-10-032, p. 31.

sectors to deliver customer-focused programs while reducing the regulatory and program administrative burdens. Third, the proposed structure lines up with the market's natural demarcation of residential, commercial, industrial, etc. By structuring and directing all supporting activities specific to each customer segment, the programs will take full advantage of the synergies with sales channel partners, manufacturers, trade-allies, and other market partners' activities to deliver cohesive, expedited, and integrated energy solutions that are tailored to the unique needs of individual customers within their respective market segments.

IV. Integrated Demand-Side Resources

The incentive strategy of the current generation of energy efficiency portfolios seems to be based on the paradigm of customer-owned equipment. This approach leads to two fundamental challenges. First, the interventions must all grapple with the fact that many customers cannot afford to purchase and own energy saving equipment. This has, in turn, led to many program designs that emphasize minimizing incremental cost instead of maximizing customer benefits. Second, the focus on customer affordability may actually hinder customers from considering the higher cost of comprehensive integrated demand-side resource assets that actually result in greater long-term financial benefits.

However, we have learned from the solar PV and wireless telecommunication industries, which successfully demonstrated that a model where customers do not own the assets is capable of delivering high value customer benefits without conflating customer ownership and affordability. This issue is critical as IDSM programs seek to drive wide-spread customer adoption of IDSM solutions that will be significantly more capital intensive. Thus, the LGSEC proposes a clarification or modification to the Center for Sustainable Energy's proposed

definition of DSM resources¹² to include assets owned by others that customers agree to have installed on their premises.

V. Retail Energy Markets

The LGSEC concurs with the SoCalREN that open, fair, efficient, and vibrant retail energy markets¹³ where innovative IDSR products, customers' participation, and capital market investments thrive will fuel wide-spread adoption of IDSR solutions more effectively than the traditional measure-by-measure intervention approach. Unimpeded market supply and demand forces will help to define the optimal values and characteristics of the deployed demand-side resources as the market continually seeks to align features of product offerings with what customers are willing to pay.

This vision needs a re-affirmation of the roles and responsibilities of the regulators to focus more on the strategic direction, policy, and portfolio frameworks. The LGSEC encourages a departure from the IDSM portfolio's current operational paradigm where the activities of the regulator are focused on excessively nuanced activities such as approving the saving values for each measure or customized project, rather than setting the stage for a vibrant market to move on its own momentum. We also encourage the Commission to expand its visions of the entities that can serve as market leaders and innovators, as suggested by MCE.¹⁴

The LGSEC asserts that leveraging market forces in transforming California's energy landscape would enable the Commission and program administrators to tackle the ambitious goals set out in this Rulemaking. The LGSEC, in our Opening Comments, encouraged the Commission to move to a system that measures reductions in greenhouse gas emissions, of

¹² Center for Sustainable Energy, Opening Comments, page 14.

¹³ Southern California Regional Energy Network, Opening Comments, p. 2.

¹⁴ MCE, Opening Comments, pp. 3-6.

which energy savings would be a subset. Toward this end, the Commission might consider grid neutral programs as part of this proceeding. With over one billion dollars annually budgeted to pursue the bold vision of the *Energy Efficiency Strategic Plan*, the LGSEC supports the Commission's determination and diligent efforts to reform the full spectrum of IDSM programs, not limited to just energy efficiency and demand response efforts.

The formation of healthy retail energy markets requires harmonization of industry-developed open standards for IDSR products and a transparent policy framework. The Program Administrators must work with industry stakeholder groups and standards bodies to develop an open standard for IDSR products ("Standard"). The Standard needs to include data structure, data exchange, data security, customer privacy, equipment connectivity, telemetry, Auto Demand Response, and so forth. The LGSEC appreciates the Commission seeking active participation from key stakeholders and local and regional governments on this Rulemaking. The LGSEC encourages the Commission to engage stakeholders to develop the policy framework that ensures equal right and efficient access to the electricity distribution networks, mitigation of unbalanced market powers, and supports non-energy goals described in the *Energy Efficiency Strategic Plan*.

VI. Conclusion

The LGSEC appreciates the opportunity to reply to the Parties' comments on this Rulemaking and supports the Commission's coordinated efforts to remove the current silos between DSM programs to provide customers with integrated demand-side management solutions tailored to individual needs, while avoiding duplicative efforts and customer confusion.

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Respectfully submitted,

A handwritten signature in blue ink that reads "Jody S. London". The signature is fluid and cursive, with a long horizontal stroke at the end.

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