California Energy Efficiency Industry Council

Moving Efficiency Forward

July 12, 2013

California Energy Commission
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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 12-EBP-1
1516 Ninth Street
Sacramento, CA 95814
VIA EMAIL (docket@energy.ca.gov)

RE: CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL'S COMMENTS ON THE CEC'S DRAFT ACTION PLAN FOR THE COMPREHENSIVE ENERGY EFFICIENCY PROGRAM FOR EXISTING BUILDINGS

I. INTRODUCTION

The California Energy Efficiency Industry Council (Efficiency Council) appreciates this opportunity to provide comments on the California Energy Commission's (CEC) *Draft Action Plan for the Comprehensive Energy Efficiency Program for Existing Buildings* (the Plan). We commend the work and leadership of the CEC Commissioners and staff, as well as those involved from the CPUC, to produce this Plan and outline strategies for Phase II implementation of the AB 758 program.

The Efficiency Council is a statewide trade association of non-utility companies that provide energy efficiency services and products in California.[1] Our member businesses employ many thousands of Californians throughout the state. They include implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Efficiency Council's mission is to support appropriate energy efficiency policies, programs, and technologies that create sustainable jobs and foster long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

[1]More information about the Efficiency Council can be found at www.efficiencycouncil.org.

As a voice for the efficiency industry in the state, and on behalf of companies and organizations that design, implement and evaluate energy efficiency programs and services in California, the Efficiency Council has a strong interest in the strategies outlined in the Plan. The Efficiency Council and its members have a long-term commitment to the success of AB 758, as we supported the bill's passage in the State Legislature and many of our member companies were involved in the design and implementation of Phase I of the program through the American Recovery and Reinvestment Act (ARRA) efforts.

The Efficiency Council supports the goals and objectives in the Plan and we applaud the CEC's coordination with the CPUC to help move both agencies in the same direction to increase efficiency in existing buildings. A few general comments first:

- We encourage the CEC to incorporate numerical energy savings targets and a timeline. We acknowledge that funding specific items is an issue and that many activities need to be integrated with other agencies' actions. But even so, it would be helpful for the CEC to set specific goals within this context.
- We believe that a major barrier to achieving the State's energy efficiency goals is a lack of consumer demand. Building benchmarking, energy performance ratings and disclosure are critical steps that will result in increased consumer demand. The CEC can help drive demand through focusing on the voluntary and mandatory ratings and disclosure actions outlined in the Plan.
- In fact, we also urge the CEC to move more quickly on some of the ratings and disclosure activities in the Plan, particularly those that can be accomplished in State buildings and buildings rented for use by the State. The State can lead the commercial building market as a demonstration of what "users" of buildings can and should expect in terms of disclosure and building performance.

- We also strongly support the development of activities that will reduce energy consumption for plug loads and urge the CEC to move forward in this area, even though this is not currently covered in the draft Action Plan.

Our specific comments focus in the following areas: increasing access to data, taking a consumer-centric approach to drive demand, making energy efficiency visible, encouragement for mandatory measures, and leveraging and magnifying all energy efficiency efforts.

II. INCREASE ACCESS TO DATA

The CEC's Plan presents key initiatives within the "no regrets strategies" section aimed at working to make energy performance data more accessible to market participants. This includes collaboration with the CPUC, utilities, local and regional governments, and others to coordinate data collection efforts and build a comprehensive and complete energy performance database. The Efficiency Council strongly supports this strategy and encourages the CEC to engage in existing regulatory and legislative processes, such as the CPUC proceeding R. 08-12-009[2] and AB 1274[3], to encourage and promote the Plan's strategies around data access. It is important that the plan clearly outline that open access to granular data from smart meters is a key goal, even though smaller steps (such as access to monthly data) might be taken first. The Efficiency Council believes that evolving rules and procedures regarding the access and utilization of customer energy usage data are vital to develop the full potential of energy efficiency upgrades to existing buildings, as well as to ensure the continued future growth of the energy efficiency industry.

Detailed and real-time data from Smart Meters can greatly expand the ability

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[2] R. 08-12-009 "*Order Instituting Rulemaking to Consider Smart Grid Technologies Pursuant to Federal Legislation and on the Commission's own Motion to Actively Guide Policy in California's Development of a Smart Grid System*" California Public Utilities Commission, December 18, 2008.

[3] AB 1274 (Bradford) "Privacy: customer electrical or natural gas usage data" as amended, June 25, 2013.

of the efficiency industry to determine consumer energy-consumption characteristics, define and document potential opportunities to implement efficiency and demand reduction measures, and track performance over time. This real time data can actually be integrated into the implementation of efficiency actions, particularly those that involve automated feedback and optimization. Simply providing high-quality energy usage information to consumers can lead to more efficient use of energy through behavioral actions (in addition to the adoption of high efficiency equipment) particularly in commercial and institutional buildings. It will also create business opportunities for the development of new consumer products so consumers can better manage their energy costs. These business opportunities, in turn, create jobs and economic growth.

At the same time, maintaining data privacy and ensuring security are equally important. This means the focus of any policy or regulatory actions regarding data need to center on proper disclosure and transparency, along with access. Consumers (both business and residential) will benefit if the market can gain clear and easy access to usage data, within the bounds of maintaining consumer privacy.

III. TAKE A CONSUMER-CENTRIC APPROACH TO DRIVE DEMAND

Whether you call them customers, ratepayers, consumers, or energy users this component of the market is the most vital to any efforts aimed at driving demand for energy efficiency upgrades. Energy efficiency has to make sense to those who use the energy. This means that energy efficiency programs and services, including marketing and outreach activities that support these programs, must be designed, implemented and evaluated from the perspective of the consumers' participation experience. There are a number of approaches outlined within the Plan's "voluntary pathways" strategies aimed at increasing consumer participation in energy efficiency programs. This includes a focus on multiple pathways for residential property owners and hard to reach segments like multifamily and small businesses. While the Efficiency Council supports the Plan's intention to increase uptake through encouraging flexibility in programs by allowing multiple participation pathways, we want to stress the need to maintain a focus on increasing

consumer demand from efficiency and demand response as well as long-term engagement to achieve comprehensiveness.

Policies, programs and market interventions should be designed to work with the consumer over an extended period of time and through several cycles of their decision-making to achieve all savings possible ("deep savings"). This means that the first activities and measures need to demonstrate to the consumer that value is derived from the efficiency work, so they can more easily decide to take further actions. Eventually, we want to see all savings incorporated, but it will take time, over multiple decision points for the trust to build based on demonstration of savings and value. This approach also has the benefit of spreading out significant upfront costs over time.

One idea to be "consumer-centric" is to create long-term energy "action plans" with consumers or buildings to undertake comprehensive improvements over time, rather than single measure upgrades or programs that only incentivize one-time actions. There should be a focus on implementing strategies and designing programs that track the energy use for major buildings and facilities over time, so whole integrated systems in these facilities can be made more efficient through on-going identification and management of equipment energy performance. Tracking energy use over time highlights anomalies that cause building operators to ask themselves "what changed?" so problems can be addressed immediately. Continuous energy information also facilitates adoption of low- and no-cost behavioral measures since their benefits become quickly visible through the time-series energy data.

We also recommend promoting the further development and availability of tools and mechanisms that help customers overcome upfront costs hurdles, such as incentive and financing program offerings. These will ensure that program implementers, contractors and customers have the support needed to make energy efficiency improvements.

Another major factor that can influence and help make energy efficiency programs and policies more consumer-focused is to incorporate and realize the

non-energy benefits associated with building upgrades. Non-energy benefits, such as comfort and improved indoor air quality, are often the principal driver of program participation by consumers. The current program cost-effectiveness requirements of the CPUC as well as many public-owned utilities (POUs) ignore the significance of non-energy benefits and even work against them through the conventional net-to-gross adjustment mechanisms. We strongly encourage the CEC to collaborate with the CPUC in order to address this issue. The approach might also include establishing a measurement and verification method for savings associated with operational and behavioral efficiency improvements.

IV. MAKE ENERGY EFFICIENCY VISIBLE

To achieve the state's goals and policy objectives for energy efficiency and to support the further development of the energy efficiency marketplace, energy efficiency needs to be made visible to energy users. After all, consumers cannot be expected to make good decisions on the efficiency of existing buildings if they don't have the information readily available. It would be like encouraging people to buy the most efficient cars and appliances without the information (a label) to know which one is more efficient.

The Plan outlines a number of initiatives within both the "voluntary" and "mandatory" strategies aimed at increasing visibility and awareness of buildings' energy performance. The Efficiency Council strongly supports the intentions of these initiatives and recommends the CEC consider undertaking the following strategies in order to support the objectives of the Plan: 1) Require an Energy Performance Score and Energy Efficiency Asset Rating on all residential, commercial and public buildings, 2) Provide for timely disclosure of energy efficiency scores and ratings to the residential and commercial building market, particularly at the time of purchase, rent, lease, or mortgage refinance, 3) Encourage measures that would incorporate energy efficiency scores and ratings and energy efficiency performance in both the residential mortgage and realty appraisal processes, such as envisioned

in The Sensible Accounting to Value Energy (SAVE) Act (S. 1106, 113th Congress)[4] and similar state legislation.

We encourage the CEC to focus on these approaches as a way to drive further market adoption of energy efficiency improvements, and also to help address broad issues such as the tenant-landlord split incentive and realization of energy efficiency benefits in property valuations.

If the CEC needs to go through an extensive public process to discuss these initiatives for privately held commercial buildings, we urge you to break out state-owned and rented buildings now -- and require rating of these buildings and the prominent display of the rating to raise public awareness.

V. ENCOURAGEMENT FOR MANDATORY MEASURES

Many in the efficiency industry believe that to reach the State's efficiency and climate protection goals will ultimately require dramatically enhanced voluntary programs, such as increased incentives offered with utility-consumer funds, or mandatory requirements will need to be significantly ramped up. This is because market barriers to voluntary actions limit adoption in a significant portion of the energy consuming population. Thus, we encourage more emphasis on the Mandatory Pathway in the Action Plan. As one recommendation, we would suggest the CEC provide technical support and incentives to local jurisdictions that voluntarily mandate "green leases" (as referenced in the Action Plan, but more broadly called commercial energy conservation ordinances – CECOs – or residential energy conservation ordinances – RECOs). Whether pilots or existing RECOs/CECOs, these can be demonstrations for potential statewide regulation.

Another possibility is to require energy efficiency upgrades at time of sale. But the important point here is that current voluntary energy efficiency program goals and inducements are inadequate to meet the buildings sector's share of the

[4] S. 1106 (Senators Bennet and Isakson), "The Sensible Accounting to Value Energy (SAVE) Act" as introduced, June 6, 2013.

AB32 goals. Much more aggressive strategies than now proposed in the AB758 draft plan are likely to be needed. The draft Plan should address this issue more directly.

VI. LEVERAGE AND MAGNIFY ALL EFFORTS

A challenge that exists in the implementation of the strategies outlined in the CEC's Plan for Phase II of the AB 758 program is the constrained availability of funding and resources to support these efforts. There is a vital need to leverage planned and existing efforts that target the same goals and objectives. Aligning the approaches outlined in this plan with existing efforts from CPUC-driven energy efficiency programs -- such as those administered and implemented by the investor-owned utilities (IOUs), Regional Energy Networks (RENs), and third-party implementers -- allows for the most "efficient" use of rate-payer and tax payer funding while maximizing the potential for positive program impacts.

The CEC, through its AB 758 program, is uniquely positioned to collaborate with other agencies and integrate the Plan's strategies throughout the state. For example, the Efficiency Council encourages the CEC to align the efforts of the Plan with the implementation of Prop 39[5] and the California Air Resources Board (CARB) Implementation Plan[6] for the Cap-and-Trade auction revenues. Energy Efficiency is key component of both of these efforts and their goals and objectives align with those of the AB 758 program. These efforts should be complementary, collaborative and not duplicative.

Leveraging resources and strategies across all of these major policy initiatives creates a win-win-win situation. Consumers win through the benefit of centralized program implementation and streamlined outreach designed to eliminate market confusion. The energy efficiency industry wins through combined strategies and resources aimed at market growth and expanded opportunities for businesses to support programs with innovative product and service offerings.

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[5] SB 73 (Senate Budget and Fiscal Review Committee) "Proposition 39 Implementation" as chaptered, June 27, 2013.

[6] "Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16". California Air Resources Board, May 14, 2013.

California wins by magnifying all efforts aimed at achieving cross-agency broad policy goals through implementing a broad array of energy conservation and carbon reduction strategies.

VI. NEXT STEPS

The Efficiency Council looks forward to continuing to engage with the CEC Commissioners, staff and other key stakeholders in helping to further refine and implement the strategies outlined in the Plan. We support the CEC's suggestion to create an AB 758 Working Group in order to gain input and provide detailed recommendations on the key components of the Plan. As a representative voice of members of the energy efficiency industry, the Efficiency Council plans to be involved in this process. Most importantly, the energy efficiency industry stands poised and ready to support State policies and programs to drive demand for energy upgrades and assist consumers and businesses in making improvements to their buildings that will provide long-term energy and cost savings.

Respectfully,

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