

Energy Efficiency Rolling Portfolio Business Plan Guidance

The Rolling Portfolio process adopted in Decision 15-10-028 directs Program Administrators (PAs) to submit high level documents (**Business Plans**) that describe how PAs will achieve portfolio goals. Initial Business Plans are scheduled to be filed in September 2016. PAs may submit updated Business Plans at any time; additionally, the Plans must be revised in response to the following “trigger” events:

- An inability to meet savings goals; stay within the budget parameters of the most recent and prior Business Plan; or meet Commission established cost effectiveness metrics (excluding Codes and Standards and “spillover” adjustments);
- The filing of a new application as a result of a policy track decision in the proceeding; or
- The imminent onset of the final year of funding.¹

The Commission also conceived of **Implementation Plans** that would be uploaded to a publicly accessible website to provide detailed descriptions of the interventions that PAs would pursue to achieve the high level efforts described in the Business Plans.

D. 15-10-028 described and provided a template for the Business Plans,² and it also delegated to Commission staff responsibility to provide additional guidance on Business Plan contents. In doing so, the Commission emphasized a desire to balance the need to receive useful information from PAs with an aim to keep Business Plans “compact and focused, and to reduce administrative costs.”³ This document provides staff’s additional guidance consistent with the Commission’s request.

Market Participants’ Role in Business Plan Development

Decision D. 15-10-028 calls for the creation of a Coordinating Committee comprised of a variety of stakeholders, including market participants, to inform the Rolling Portfolios.⁴ The Coordinating Committee is comprised of a wide range of parties with varying

¹ See D. 15-10-028, pp 56-7

² Appendix 3 of D. 15-10-028 provides the draft Business Plan template.

³ See D. 15-10-028, pg. 57

⁴ See D. 15-10-028 at 72: “With those considerations in mind, here are the roles we envision for the coordinating committee and its members.

a. Scope of Work:

- i. Provide input into development of business plans *prior to and throughout the drafting process* (see notes below re scope of input and timing);
- ii. Provide input into development of implementation plans, again, *prior to and throughout the drafting process;*“

interests and roles in the ratepayer-funded energy efficiency work taking place in California including, among others, program administrators, local government organizations, regulatory agencies, and program implementers.

While staff fully supports this concept, Energy and Legal Division staffs are concerned that market actor participation in some aspects of the Coordinating Committee and subcommittee activities may give rise to a conflict of interest that will preclude market actors from bidding on implementation contracts with the PAs (or on evaluation contracts with the CPUC). Consequently, the Coordinating Committee must ensure that discussions in which market actors participate remain at a high enough level that these participants will not be precluded from performing efficiency work for the PAs.

Staff perceives that the greatest concern for these conflicts to emerge is in the **Implementation Plan** development process. To avoid such conflict, staff recommends that market actors not participate in any conversations related to the development of Implementation Plans. Further, staff recommends that **Business Plans** not contain information that is so specific that it could advantage market actors who contribute to their development. Listed below are some examples of the types of information that staff recommend not be included in the Business Plans to avoid this potential conflict:

- Vendor-specific technologies (i.e. rather than stating an intent to deploy “smart thermostats”, Business Plans would instead refer to a broader category of solutions, such as “energy management technologies”);
- Specific budget amounts directed towards specific activities (i.e. Business Plans would describe budgets for a suite of programmatic efforts, or at the sector level, rather than specific budgets for individual interventions⁵); and
- Any references to or rating of (implied or otherwise, positive or negative) implementer work already underway that could give an appearance of bias or preference – Business Plans can describe the success or shortcomings of such work, without referring specifically to implementer firms.

More generally, staff recognizes that it may not be easy to establish a consistent bright line to ensure that Business Plan discussion does not cross into topics that could benefit participating market actors and the Coordinating Committee and subcommittees may at times be working on Business and Implementation Plans contemporaneously. Staff recommends that the PAs and Coordinating Committee and/or subcommittees develop a process that will allow market actors to provide input into the Business Plans at a high level, but not be precluded from bidding on portfolio implementation or evaluation. The process should also clearly define who are or are not “market participants” (For instance, an organization that represents a broad range and number of market

⁵ As stated in D. 15-10-028, business plans should include information such as “Although this may simply be stated as “for investment of Y dollars we can expect to achieve X towards Strategic Plan objectives from Z programs/strategies/interventions...”; however, this statement in a business plan should not be so specific as to reveal how much will be spent on a particular widget or programmatic activity.

participants is likely not itself a market participant, since it is unlikely it could help inform a program design that advantages its specific members over non-members).

The process should include guidelines on how the Coordinating Committee, sector sub-committee, and working group facilitators and leadership will structure meeting agendas, materials, and discussions to create a clear break between the conceptual, high-level guidance that will be included in the Business Plans versus the more detailed information that will inform Implementation Plans. The process should also designate the entity responsible for ensuring that these boundaries are maintained.

In addition, staff expects that the types of detailed conversations in which topics that could raise conflict of interest concerns are most likely to occur are in sector subcommittee meetings, working groups or other unofficial groups of stakeholders, and at the same time staff expects that by their nature these groups will be made up of fewer and more issue-specific participants, which will reduce the level transparency of these groups' proceedings. Consequently, this process should include the list of all attendees of these meetings and, unlike the Coordinating Committee meeting notes, subcommittee and working group meeting notes should attribute statements made in these meetings to specific participants.

Finally, staff recommends that PAs and the Coordinating Committee consider inclusion of a process that provides participants with an opportunity to identify to PA staff any contractors that have an insurmountable conflict of interest based on their participation in Coordinating Committee processes. Legal and Energy Division staffs take the potential conflict of interest associated with Coordinating Committee work very seriously; consequently, if the PAs and Coordinating Committee leadership opt not to include this step in the conflict of interest process they develop in accordance with the other recommendations in this section, staff recommends that the CPUC may wish to consider ordering the Committee to incorporate this control into the Coordinating Committee and PA contracting process.

What Information Should the Business Plans Include?

A Business Plan is a "roadmap" that explains how PAs will achieve energy efficiency savings from their efficiency efforts, in general and for each customer sector (i.e. commercial, residential and industrial sectors among others), in a manner consistent with the CPUC's Energy Efficiency Strategic Plan.

Consistent with Commission direction, and particularly in light of the conflict of interest concern raised herein, the Business Plans should contain high-level information about the PAs' portfolios. However, this high-level structure should not come at the expense of omitting *useful and essential* information that will allow the Coordinating Committee, sub-committees, stakeholders, Commission staff, and the Commission to clearly understand what will be accomplished if the Business Plan proposals are implemented.

The Business Plans should describe how the overall portfolio and specific sectors will leverage prior programmatic efforts and develop new strategies to achieve the state's energy efficiency goals in the future. This includes specific references to how program administrators are addressing legislative mandates from AB 802, SB350, and AB 793, as well as other Commission directives.

In D. 15-10-028, the Commission provided guidance on the structure and content of the Business Plans filed by program administrators. The following recommendations flow from and augment specific Commission direction in D. 15-10-028.⁶

1. Portfolio summary and description of applicable intervention strategies – In this section, program administrators shall summarize the portfolio of programs they intend to field. The description should include:
 - a. Why specific intervention strategies have been selected; how each strategy will be supported by what each program administrator has learned overall about portfolio performance in prior cycles; and, how the selected strategies will continue or augment program approaches that are working and address identified market or intervention weaknesses. PAs will also provide evidence to support the inclusion of under-performing programs in the portfolio when and where that is the case.
2. A chapter for each of six sectors - In each of the sector-specific chapters,⁷ program administrators shall include the following:
 - a. *Descriptions of overarching goals, strategies, and approaches for each sector, as well as near-, mid-, and long-term strategic initiatives and sector-specific intervention strategies.* These descriptions shall be informed by PA- and Commission-led evaluations conducted over the past 10-12 years within each sector, with program administrators demonstrating an understanding of that research and how their sector-specific strategies are shaped by this work, including evidence as to why strategies were selected and how they will address and achieve specific goals based on what PAs have learned from past programmatic efforts. While high-level, the descriptions will include what has worked, what has not, and how the proposed Business Plan strategies bridge that divide. This will include a discussion of and evidence for, as relevant, why any underperforming programs remain in the portfolio.

⁶ See D. 15-10-028, pp 47-8, for full text

⁷ Sector chapters are residential, commercial, industrial, agriculture, public, and cross-cutting.

indicators (MTI) established by resolution E-4385. However, in its discussion of metrics related to business plans, the Commission clearly states that program administrators “must establish up-front expectations for their activities” and that “business plans shall contain sector-level metrics”. These metrics should be “appropriate benchmarks against which to measure program/strategy/intervention performance and should be designed to improve the chances of the metric and associated perspective of measuring it over time.”⁹

A key aspect of this Commission direction is the term “benchmarking”, which links to prior ratepayer-funded research and how program administrators will incorporate what they already know into the information presented in the Business Plans. Benchmarking is a logical component of a Business Plan; it allows measurement against industry standards and practices. For program administrators, benchmarking provides a pathway to establishing clear (and, where appropriate, directional) baselines and related metrics for their specific programmatic efforts against which they can reliably measure actual program performance.

These baselines and metrics are to be informed by what the program administrators already know about each sector, which would be included in the Business Plans. The Business Plans should clearly identify the sector-level metrics that are proposed for regulatory oversight associated with this recommendation, versus the more detailed metrics related to strategic plan and/or legislative mandates discussed in recommendation #4 below that will not be formally reported by program administrators.

4. Short and Long Term goals and milestones: In their Business Plans, program administrators should describe what they intend to accomplish in each sector in the short-term and long-term. Although this may simply be stated as “for investment of Y dollars, we can expect to achieve X towards Strategic Plan objectives from Z programs/strategies/interventions...”¹⁰, there is an expectation the metrics will be related to achieving the goals of the strategic plan and specific legislative mandates described earlier.

These metrics, which will not be formally reported like the metrics identified in recommendation #3:

a) Do not have to speak to specific numbers of widgets; rather, while remaining high-level, Business Plan metrics can still describe what program administrators expect to achieve over certain timeframes, as

⁹ See D. 15-10-028 at p. 53

¹⁰ *ibid.*

well as the type and number of customers who will be reached in the sector, where these customers are located (i.e. where savings will come from “geographically”), and anticipated milestones for the sector as sector-level efforts are implemented.

b) Should include appropriate benchmarks that will be “valuable to implementers as well as other stakeholders to improve the chances of longevity of the metric”, and allow the Coordinating Committee, stakeholders and Commission staff to clearly measure “program/strategy/intervention performance” when considered along with the more detailed metrics to be presented in implementation plans. The challenge for all as Business Plan development and review gets underway will be to keep this information sufficient for useful review of the Business Plans, when filed, while preventing specific information from giving certain market actors an advantage in bidding on work at a later date.

c) Should allow for consistent and reliable program tracking by program administrators, as well as complement EM&V efforts undertaken by the program administrators and Commission staff, and be consistent with specifications set forth by Energy Division.

d) Should be developed with a demonstrated knowledge and quantitative examples, for each of the specific sectors, about how program administrators intend to achieve strategic plan goals and legislative mandates included in AB802, SB350 and AB793.

e) Should reflect, at a high level, consideration of how the portfolios will address Section 7.3 of the California ISO’s 2016-17 Transmission Planning Process, which identifies specific locations where additional achievable energy efficiency (AAEE) is relied upon to meet transmission planning requirements.¹¹

Program administrators are encouraged to work with Commission staff and EM&V experts in developing metrics to be included in the Business Plans.

Additional Commission Proceedings that Overlap with Energy Efficiency

There are a number of additional Commission proceedings in which there is *significant* overlap with energy efficiency programmatic work. These include:

- Demand Response

¹¹ <https://www.caiso.com/planning/Pages/TransmissionPlanning/2015-2016TransmissionPlanningProcess.aspx>

- Residential Rate Reform
- Integrated Distributed Energy Resources (IDER)
- Zero Emission Vehicles (EV's)
- Energy Savings Assistance (multi-family focus)

The interrelationship of the energy efficiency proceeding with these additional proceedings require the Business Plans to include information regarding how program administrators' energy efficiency portfolios are integrated with these proceedings and advance the state's climate goals and broader legislative mandates. Below, the Demand Response and Residential Rate Reform proceedings serve as examples of the types of information that the Business Plans will need to include to be responsive to this issue of proceeding overlap. Much like the energy-efficiency-specific programmatic work, information that describes work in these proceedings will need to include relevant metrics, including targets for energy, demand, and GHG emissions.

Demand Response

The Business Plans shall include information relevant to the demand response proceeding that explains how energy efficiency programs will address the following needs.

- Facilitate installation of energy efficiency measures that include the most up-to-date demand response enabling technologies so that customers are DR ready, and there is a reduction in the duplication of costs for marketing, outreach, site visits, incentives, etc. for related or dual-purpose technologies. For example:
 - Require incented efficiency technologies for new building controls for HVAC or lighting to support OpenADR.*¹²
 - Require incented building controls technologies for large office buildings to include gateway demand response devices and programming to enable building energy management systems to provide demand response from lighting and HVAC.
 - Promote energy management technologies (EMT) that provide multiple customer benefits including those for energy efficiency and demand response, as envisioned by AB793. Specific EMT's may include, but are not limited to, "a product, service, or software that allows a customer to better understand and manage electricity or gas use in the customer's home" or place of business.¹³ These EMT's may offer opportunities to maximize

¹² Open ADR is a standardized open source communication platform that allows existing energy management systems to respond to demand response signals with pre-programmed actions customized to the customer's needs.

¹³ See http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB793

savings opportunities during a demand response event as well as provide customers with the information necessary to maximize energy efficiency savings in their home or place of business.

- Facilitate customer understanding of their peak load energy use, its cost to them, and opportunities for reducing it by:
 - Providing feedback to owners of large office buildings on their peak load reduction savings so that they keep participating in demand response.
 - Promoting the ability of large commercial building owners to understand their building's peak demand intensities and load shape data. This is similar to how they understand the energy use intensity of their building through Energy Star Portfolio Manager, and other tools, supported by required disclosure laws.

Residential Rate Reform

The Business Plans shall include information relevant to the Residential Rate Reform proceeding that explains how energy efficiency programs will:

- reduce load during TOU periods
- diminish barriers to load reduction during TOU periods
- provide information to customers and/or provide a tool to show how program may impact customer energy usage during different TOU periods
- analyze whether a customer may experience even greater savings by switching to a different, opt-in TOU rate

As a matter of timing, PAs' Time-of-Use Marketing, Education and Outreach (ME&O) plans are expected to be filed in September 2016, at the same time as the Business Plans. In consideration of this aspect of parallel planning efforts, the business plans should reflect at a high level the information proposed in the ME&O plans, including how ME&O efforts will:

- align rate reform marketing with other rate-related programs such as California Alternate Rates for Energy (CARE), California Climate Credit, energy efficiency and demand response.
- align local PA marketing activities with the Statewide ME&O efforts under the brand Energy Upgrade California.

Business Plan Document Platform and Format

To ensure that information is included in the Business Plans as directed, Energy Division staff will use a checklist, included in Attachment A. Staff is also developing a software platform for filing annual budgets and implementation plan data. Staff will use these

business plans as baseline for oversight, both in the application review of these plans and in future reported claims and evaluations.

Program administrators shall follow the Business Plan Outline, as posted on the California Energy Efficiency Coordinating Committee (CAEECC) website (<http://www.caeec.org/#!/business-plan-guidance/dzlus>), in order to ensure layout uniformity and facilitate stakeholder review.