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February 7, 2022

CA Public Utilities Commission  
Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, CA 94102-3298

### **MCE Advice Letter 60-E**

#### **Re: Marin Clean Energy’s Proposal for a Residential Market Access Program**

Pursuant to Decision (“D.”) 21-12-011, *Energy Efficiency Actions to Enhance Summer 2022 and 2023 Electric Reliability*,<sup>1</sup> and guidance from the California Public Utilities Commission (“CPUC” or “Commission”), Marin Clean Energy (“MCE”) hereby submits its proposal of a Residential Market Access Program (“Residential MAP”) for program years (“PYs”) 2022 and 2023 as MCE Advice Letter (“AL”) 60-E.

#### **Tier Designation**

This AL has a Tier 2 designation pursuant to Ordering Paragraph (“OP”) 1 of D.21-12-011.

#### **Effective Date**

Pursuant to G.O. 96-B, MCE requests that this Tier 2 AL become effective on March 9, 2022, which is 30 calendar days from the date of this filing.

#### **Background**

MCE has been administering energy efficiency (“EE”) funds under California Public Utilities Code (“Code”) Section 381.1(a)-(d) since 2013.<sup>2</sup> On August 6, 2021, the Commission issued an Email Ruling<sup>3</sup> in R.13-11-005 inviting parties to submit proposals for specific actions that the Commission can take to expedite or accelerate clean energy project development in response to

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<sup>1</sup> D.21-12-011, *Energy Efficiency Actions to Enhance Summer 2022 and 2023 Electric Reliability*, OP 1 at p.59.

<sup>2</sup> To date, MCE is the only community choice aggregator (“CCA”) to have requested energy efficiency funding under Code Section 381.1(a)-(d).

<sup>3</sup> *Email ruling requesting comments/proposals to address Governor’s Proclamation of July 30, 2021*, from Friday, August 06, 2021

projected energy supply shortages during the afternoon-evening peak and net peak periods<sup>4</sup> of high power demand during summer months. In response to this Email Ruling, several parties, including MCE, made specific proposal on how to deliver increased peak load reduction and grid benefits during the summers of 2022 and 2023.<sup>5</sup>

Decision 21-12-011 approved several initiatives designed to reduce peak demand. Most notably, it created the new, two-year “Market Access Program”, funded at \$150 million statewide, to deliver peak and net peak demand savings using normalized metered energy consumption (“NMEC”) methods.<sup>6</sup> Existing utility energy efficiency (“EE”) program administrators (“PAs”) and MCE were authorized to administer the MAP within their geographic area.<sup>7</sup> The Decision also gave MCE the exclusive right to administer the program within its service area.<sup>8</sup>

### **Purpose**

In this AL, MCE is describing its proposal for a Market Access Program focused on residential customers (the “Residential MAP”). MCE is proposing a MAP for residential customers only because MCE is already running an analogous offering for commercial customers, the “Commercial Efficiency Market” program. Here, MCE requests that the Commission approve \$6 million in funding for PYs 2022 and 2023 to expand offerings to include the Residential MAP. MCE provides additional details about its proposed Residential MAP in Attachment A.

As directed by D.21-12-011, MCE and PG&E met several times during the preparation of this AL to discuss budget allocation and coordination on key program features. The meetings were fruitful and efficient, and the outcomes were incorporated into MCE’s program design as described in Attachment A.

### **Notice**

A copy of this AL is being served on the official Commission service lists Rulemaking 13-11-005.

For changes to these service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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<sup>4</sup> Summer peak and net peak periods are defined as 4-9pm and 7-9pm, respectively, from June 1 through September 30 each year.

<sup>5</sup> MCE made several proposals with the main one being focused on a funding authorization or MCE’s Peak FLEXmarket program. Read more in MCE’s Opening and Reply Comments on the Email Ruling, filed on August 31, 2021 and September 10, 2021, respectively.

<sup>6</sup> D.21-12-011 also granted MCE’s funding request for the Peak FLEXmarket program with unrequested EE funds for PYs 2022 and 2023. However, this funding request is separate from the Market Access Programs and hence not subject of this Advice Letter.

<sup>7</sup> D.21-12-011 at p.28

<sup>8</sup> Id.

## **Protests**

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address as above).

In addition, protests and all other correspondence regarding this AL should also be sent by letter and transmitted electronically to the attention of:

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Strategic Policy Manager  
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There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

## **Correspondence**

For questions, please contact Jana Kopyciok-Lande at (415) 464-6044 or by electronic mail at [jkopyciok-lande@mceCleanEnergy.org](mailto:jkopyciok-lande@mceCleanEnergy.org).

**Conclusion**

MCE respectfully requests approval of the Residential MAP for PYs 2022 and 2023 as described in Attachment A to this AL.

/s/ Jana Kopyciok-Lande

Jana Kopyciok-Lande  
Strategic Policy Manager  
MARIN CLEAN ENERGY

ATTACHMENTS

Attachment A: Proposal for a Residential Market Access Program

cc: Service List R.13-11-005



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC       GAS       WATER  
 PLC       HEAT

Contact Person:

Phone #:  
E-mail:  
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type:  Monthly     Quarterly     Annual     One-Time     Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes     No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes     No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed<sup>1</sup>:

Pending advice letters that revise the same tariff sheets:

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

## ENERGY Advice Letter Keywords

Affiliate	Direct Access	Preliminary Statement
Agreements	Disconnect Service	Procurement
Agriculture	ECAC / Energy Cost Adjustment	Qualifying Facility
Avoided Cost	EOR / Enhanced Oil Recovery	Rebates
Balancing Account	Energy Charge	Refunds
Baseline	Energy Efficiency	Reliability
Bilingual	Establish Service	Re-MAT/Bio-MAT
Billings	Expand Service Area	Revenue Allocation
Bioenergy	Forms	Rule 21
Brokerage Fees	Franchise Fee / User Tax	Rules
CARE	G.O. 131-D	Section 851
CPUC Reimbursement Fee	GRC / General Rate Case	Self Generation
Capacity	Hazardous Waste	Service Area Map
Cogeneration	Increase Rates	Service Outage
Compliance	Interruptible Service	Solar
Conditions of Service	Interutility Transportation	Standby Service
Connection	LIEE / Low-Income Energy Efficiency	Storage
Conservation	LIRA / Low-Income Ratepayer Assistance	Street Lights
Consolidate Tariffs	Late Payment Charge	Surcharges
Contracts	Line Extensions	Tariffs
Core	Memorandum Account	Taxes
Credit	Metered Energy Efficiency	Text Changes
Curtable Service	Metering	Transformer
Customer Charge	Mobile Home Parks	Transition Cost
Customer Owned Generation	Name Change	Transmission Lines
Decrease Rates	Non-Core	Transportation Electrification
Demand Charge	Non-firm Service Contracts	Transportation Rates
Demand Side Fund	Nuclear	Undergrounding
Demand Side Management	Oil Pipelines	Voltage Discount
Demand Side Response	PBR / Performance Based Ratemaking	Wind Power
Deposits	Portfolio	Withdrawal of Service
Depreciation	Power Lines	

**Attachment A:**  
**Proposal for a Residential Market Access Program**



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February 7, 2022

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## 1. Introduction

MCE proposes a new Residential Market Access Program (MAP) in response to California Public Utilities Commission (CPUC) Decision D.-21-12-011. The Decision allocated a budget of \$150 million to be deployed by the Investor-Owned Utilities (IOUs) and MCE to design and implement MAPs during the 2022 and 2023 program years (PY). To access the funds, the program administrators (PAs) were directed to submit Tier 2 Advice Letters (AL), including the information and budget request contained herein.

MCE requests funding to implement a MAP which is focused on the residential sector. MCE's proposed Residential MAP builds on two similar "Marketplace" programs that MCE already administers. First, MCE's Commercial Efficiency Market<sup>1</sup> is a first-of-its-kind energy efficiency (EE) program that leverages market access principles, population-level normalized-metered energy consumption (NMEC) measurement, and the avoided cost calculator (ACC) to align program payments with cost-effective EE savings. The program's payments are designed to not exceed the total system benefit (TSB) value of completed projects, which establishes a cost-effective floor for program expenditures. Second, MCE's Peak FLEXmarket uses the same participation and measurement and verification (M&V) framework but focuses exclusively on summer peak hours to incentivize load shifting and event-driven demand response (DR). The Peak FLEXmarket operates in parallel to MCE's Energy Efficiency Markets and fulfills two purposes. First, it incentivizes Aggregators<sup>2</sup> to integrate EE and demand management capabilities and be rewarded for impacts. Second, it provides value to short-term, "single season"<sup>3</sup> demand management and DR strategies, whose TSB value is not easily captured with the current EE cost effectiveness tool (CET). The Peak FLEXmarket is designed to measure and pay for energy impacts that are incremental to savings which accrue to the Commercial Efficiency Market.

With this Advice Letter, MCE aims to expand its Marketplace programs to provide savings solutions to residential customers. MCE had already planned on expanding its Marketplace programs into the residential sector prior to the publication of D-21-12-011 and will be proposing a residential Marketplace program in its EE Application on March 4, 2022.<sup>4</sup> However, D-21-12-011 spurred action to generate wide-reaching energy impacts on an expedited timeline, and MCE's Residential MAP will be well-positioned to deliver. The program will benefit from the early

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<sup>1</sup> See the Implementation Plan for MCE's Commercial Efficiency Program at <https://cedars-staging.sound-data.com/documents/download/1902/main/>

<sup>2</sup> Aggregators - referred to as implementers in D-21-12-011 - are participating vendors or program partners who generate energy efficiency and/or demand savings for an aggregated group of customers.

<sup>3</sup> "Single season" refers to projects whose impacts are limited to the summer peak timeframe in which they were measured, and for which there is no effective useful life, which is a dominant driver of TSB value in energy efficiency

<sup>4</sup> Per D.21-05-031, MCE will be filing both a four-year portfolio plan (for PYs 2024-2027) and an 8-year business plan (for PYs 2024-2031) on March 4, 2022.

learnings of MCE’s other Marketplace programs, which inform its design. Like MCE’s other Marketplace programs, the proposed Residential MAP combines pay-for-performance (P4P) principles with an open market of qualified Aggregators who deliver EE and demand management solutions to residential customers within MCE’s service area.

The following description of MCE’s proposal for a Residential MAP outlines the information required per ordering paragraph (OP) 1 of D.21-12-011. MCE also added a description of program eligibility requirements to provide the Commission and stakeholders with a full picture of program requirements, scope, goals, and budget.

## 2. Budget Request

MCE requests \$6,000,000 million to administer the Residential MAP in PYs 2022 and 2023. Table 1 provides more details about MCE’s budget request. The budget reflects a program ramp-up period in 2022, with most of the funding expected to apply to the 2023 PY. The majority of the proposed program budget will be paid only on a performance basis, using some of the most advanced M&V standards available.

*Table 1: Proposed Program Budget*

<b>Budget Category</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
General and Administrative Overhead	\$84,000	\$156,000	\$240,000
Direct Implementation Non-Incentive	\$63,000	\$117,000	\$180,000
M&V	\$315,000	\$585,000	\$900,000
ME&O	\$63,000	\$117,000	\$180,000
<b>Total Non-Incentive</b>	<b>\$525,000</b>	<b>\$975,000</b>	<b>\$1,500,000</b>
<b>Incentive</b>	<b>\$1,575,000</b>	<b>\$2,925,000</b>	<b>\$4,500,000</b>
<b>Total Program Budget</b>	<b>\$2,100,000</b>	<b>\$3,900,000</b>	<b>\$6,000,000</b>

### a. Incentive Budget

As shown in Table 1, MCE’s budget projection is largely driven by incentive payments, which account for 75% of the total budget. MCE calculates the incentive budget based on the forecasted value of TSB net of 25% non-incentive costs.

b. Administrative and Implementation Budget

The total administrative and implementation budget, which covers general and administrative (G&A) overhead, direct implementation non-incentive (DINI), M&V, and marketing, education and outreach (ME&O) budgets, has been forecasted at up to 25% of the total program budget. It is important to note that while MCE does expect a minimum of fixed costs to staff the program, a majority of the M&V and administrative costs will also align with program performance, scaling up only as the program itself expands. This is consistent with the contract mechanisms currently in place to support other Marketplace programs.

A key advantage to expanding MCE’s Marketplace programs into the residential sector is that the large majority of the one-time program start-up costs were already funded when MCE developed the Commercial Efficiency Market program. MCE forecasts only modest ongoing administrative costs due to the market-driven program participation model, while leveraging “embedded” M&V which limits unsubstantiated or unnecessary spend of ratepayer dollars.

**3. Peak Demand Reduction, Energy Savings and Total System Benefits**

Table 2 provides an overview of MCE’s PY 2022 and 2023 forecasted peak and net peak<sup>5</sup> demand savings, annual kWh savings, and TSB for the Residential MAP.

*Table 2: Program Goals*

<b>Metric</b>	<b>2022</b>	<b>2023</b>	<b>Cumulative Annual Impacts</b>
Peak Demand Savings (kW)	406	716	<b>1,122</b>
Net Peak Demand Savings (kW)	491	866	<b>1,357</b>
Annual kWh Savings (Gross)	1,659,741	2,928,118	<b>4,587,859</b>
Annual kWh Savings (Net)	1,410,780	2,488,900	<b>3,899,680</b>
Program TSB (\$)	\$2,100,000	\$3,900,000	<b>\$ 6,000,000</b>

MCE forecasts average peak and net peak demand savings using a combination of expected interventions and their deemed and custom inputs. Examples of deemed savings include heating, ventilation and air conditioning (HVAC), building envelope, lighting, and water heating. Custom-generated savings values are used to integrate load shifting and shedding into the forecast, which account for 5% of total savings. The peak and net peak estimates are determined by taking the average demand impact between June 1 and September 30 during the 4-9 pm and 7-9 pm windows, respectively.

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<sup>5</sup> Peak demand hours are defined as 4-9pm and net peak demand hours as 7-9pm from June 1 to September 30 each year.

Per D.21-12-011, these savings and TSB goals are incremental to MCE's EE portfolio goals as outlined in MCE's Annual Budget Advice Letter (ABAL) for PYs 2022 and 2023 (MCE Advice Letter 54-E).<sup>6</sup> Also, as per D-21-12-011, the costs and benefits from this program will not be included in MCE's EE portfolio cost-effectiveness calculations.<sup>7</sup>

#### **4. Eligibility Requirements**

MCE's Residential MAP will compensate participating Aggregators for the TSB value they can deliver for residential customers (including single-family and multifamily) within MCE's service area. As a ratepayer funded program, eligibility is not restricted to MCE generation customers, but is open to MCE and PG&E customers alike.

Under the Marketplace model, MCE primarily engages with Aggregators in the implementation of the program. Aggregators then lead the engagement with customers, who must meet the project and/or customer eligibility requirements determined by MCE. The following section describes both eligibility requirements for participating Aggregators, as well as customers, within MCE's Residential MAP.

##### **a. Aggregator Eligibility and Enrollment**

All of MCE's Marketplace programs benefit from a diverse network of pre-qualified Aggregators. A distinguishing characteristic of MCE's Marketplace programs is that MCE and participating Aggregators are not in contract with one another. There are several reasons for this, but it is primarily because MCE is not buying a specific service from participating Aggregators. Instead, participating Aggregators are generally allowed to develop new projects and approach customer acquisition as they see fit. MCE has mostly limited its relationship with Aggregators to purchasing the TSB value they can deliver.

However, to participate in any of the Marketplace programs, including the Residential MAP, Aggregators must sign a "Flexibility Purchase Agreement" (FPA) with MCE's implementation contractor for the Marketplace programs (Recurve Analytics). The agreement was developed jointly between MCE and Recurve and describes MCE's terms and conditions for program participation, as well as M&V and settlement between MCE and Aggregators. The FPA can only be modified with MCE's authorization or direction.

Standards which apply to Aggregators as outlined in the FPA include, among others:

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<sup>6</sup> Per D.21-12-011, Market Access Programs must achieve net peak savings that are incremental to the energy efficiency goals adopted in D.21-09-037 (see p.25). As a non-IOU program administrator, MCE's EE goals were not determined in D.21-09-037. Instead, D.21-09-037 determined that MCE may set its EE portfolio goals for PYs 2022 and 2023 through the filing of the ABAL.

<sup>7</sup> D.21-12-011 at p.26

- A minimum of 2 years of industry experience and financial stability;
- Minimum insurance policies (e.g., general liability, auto liability, workers' compensation, and privacy and cybersecurity liability), safety precautions, and background checks;
- Compliance with the workforce standards, qualifications, certifications applicable to the project types they propose to complete;<sup>8</sup>
- Proper license and/or certification at all times;
- Subcontractors must comply with all terms and conditions;
- Quality assurance procedures, data security measures, and warranties to customers.

The forthcoming program Implementation Plan (IP) further details aggregator eligibility requirements.<sup>9</sup> The IP also outlines the services offered by the program to Aggregators, provided that certain conditions are met. For example, the program can assist Aggregators in customer acquisition through direct referrals and through the identification of customers with exceptional exposure to peak period energy consumption. Furthermore, the program can support customer acquisition with MCE-branded marketing collateral.

#### b. Project and Customer Eligibility

Once Aggregators have been enrolled under the program as outlined above, they may submit prospective projects to the Residential MAP where they will be pre-screened for data sufficiency and eligibility.

Eligibility criteria include:

- Residential customers only (single-family and multifamily);
- Customers must be located within MCE's service area;
- Bundled (i.e. PG&E generation service) and unbundled (e.g. MCE generation service) customers may be enrolled;
- Customer may not have participated in another ratepayer-funded EE program within the 12 months prior to enrollment;
- Adequate historical energy usage data must be available to assess data sufficiency and baseline model fit;<sup>10</sup>
- Projects must demonstrate an effective useful life (EUL) of longer than 1 year;<sup>11</sup>
- If the customer has an onsite solar system, installation of the system must have been completed at least 12 months prior to the EE intervention; and

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<sup>8</sup> Aggregators must meet the workforce standards for EE projects determined in D.18-10-008.

<sup>9</sup> MCE will submit an IP before the launch of the program as described in more detail in section 9 below.

<sup>10</sup> More details on data sufficiency and project eligibility will be outlined in the program M&V and implementation plans.

<sup>11</sup> Projects with an EUL of 1 year or less will be enrolled in MCE's Peak FLEXmarket Program, which is designed specifically to incentivize NMEC-verified demand management solutions.

- Projects must be installed by no later than Aug. 1, 2023.

Projects submitted to the program should be grounded in long-term EE measures which are targeted to deliver savings during peak and net peak hours during summer 2022 and 2023. An emphasis on long-term energy efficiency is not only within the spirit of D.21-12-011, it also serves a functional purpose: without an “anchor” EE measure and an associated EUL, it is difficult to assess lifecycle savings, and subsequently, the TSB generated by a project. Projects or interventions that are focused specifically on peak load shifting, demand management or DR will instead be enrolled in MCE’s Peak FLEXmarket. The Peak FLEXmarket’s compensation structure is grounded in measured results, not projected TSB, and is therefore an optimal fit for these types of projects and interventions.

To enroll projects under the program, Aggregators are responsible for submitting a project enrollment form which describes the project’s scope of work and forecasted savings. Enrolled projects receive a reservation letter, which outlines available funding. Once a project is installed and operational, aggregators provide a final invoice and project completion form confirming installed scope, and any adjustment to forecasted savings.

## **5. Compensation Structure**

The Residential MAP operates under a P4P compensation structure where aggregator payments are capped based on the value of NMEC-verified savings and a TSB calculation. The model encourages participating Aggregators to focus on peak and net peak savings. Aggregators will not be paid based on deemed load shapes; instead, they will be compensated for the time-dependent value of their projects’ savings.

The program anticipates payments to Aggregators will be made on a quarterly basis. There are no predetermined customer payments or rebates set by the program - customer rebates are determined by participating Aggregators, and are expected to be variable depending on business models, cost of service, etc.

Per D.21-12-011, the program’s compensation structure is based on two components - (1) a payment based on the “long-term savings” of a project, and (2) a “kicker” payment. The Decision intends for both payments - at the program level - to be capped by TSB net of administrative costs.<sup>12</sup>

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<sup>12</sup> D.21-12-011 at p.47 and Finding of Fact 7 at p.53.

a. Long-Term Savings Payment

Project-level energy savings will be paid directly to Aggregators based on the TSB delivered by their projects, discounted to account for non-incentive costs,<sup>13</sup> which will not exceed 25% of a project's forecasted TSB. Program expenditures are designed to be limited by the TSB achieved, and all payments will be made in accordance with rules outlined in the NMEC Rulebook<sup>14</sup> and D.21-12-011.

In order to align program payments and TSB, it is necessary for the program to pay for savings and report the long-term benefits on the basis of a custom load shape. Without generating a custom load shape for the long-term savings, the value of those savings cannot be properly captured which could result in paying more than the reported TSB-grounded value, while undervaluing the program impacts on the whole. Aggregators will be incentivized to generate more peak period impacts if they are confident that they will be compensated for the additional value delivered, rather than capped at a projected TSB value. Because the current CET is not capable of fully capturing the benefits of energy efficiency and demand response with custom load shapes, MCE will leverage Recurve's FLEXvalue tool<sup>15</sup> to calculate TSB for the program.

Since Aggregators are only paid based on performance and the basis for determining the TSB of a project is the ACC, bonuses and penalties are inherent to the program design through two factors:

- The avoided cost value is higher during peak hours, resulting in a clear “bonus” to pursue peak period energy impacts;
- If fewer than expected savings accrue, an aggregator will not be paid the expected sum and will incur the cost of the customer intervention.

b. Kicker Payment

In addition to the long-term savings payment described above, the program will offer “kicker payments” for peak and net peak savings delivered from June 1 through September 30 each year. MCE commends the Commission for including peak and net peak kickers under the MAP, which can be effective tools to drive increased investment in both long-term savings and peak-focused technologies needed to have an immediate impact on grid reliability. However, MCE notes that it may prove challenging to establish a kicker payment *and* ensure that program payments will not exceed the program's TSB value. In fact, the more successful the program is at driving peak period impacts in the summers of 2022 and 2023, the greater the possibility that program payments will exceed TSB. This could theoretically happen with projects that successfully incorporate demand

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<sup>13</sup> Non-incentive costs will include all program management costs - administrative, M&V, direct implementation and ME&O - not to exceed 25% of the total program budget.

<sup>14</sup> See the latest version of the NMEC rulebook at <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/n/6442463694-nmec-rulebook2-0.pdf>

<sup>15</sup> Find Recurve's FLEXvalue tool at <https://flexvalue.recurve.com/>

management to drive peak period savings but lack significant long-term EE value. These types of projects may be paid high rates during summer peak hours but will not necessarily return that payment in TSB value.

Against this background, MCE proposes to implement a two-step process to establish a kicker payment. First, MCE will smooth the capacity value for generation, transmission and distribution to be spread equally across summer peak and net peak hours. At issue is the fact that most of the capacity value is concentrated in a select number of days throughout the year. This is the result of simulated peak demand, but since actual critical peak demand days are unknown ahead of time, the optimal approach is to take the capacity value and distribute it evenly across peak and net peak hours.<sup>16</sup> This creates a more consistent value for peak period savings - which, when coupled with the kicker - supports a reliable, premium rate for peak impacts.

Second, MCE will establish the peak and net peak kicker rates to further incentivize savings during peak and net peak hours. To optimize alignment with a TSB-based cap on program payments, MCE will pull avoided cost value from off-peak hours, and add them to the peak and net peak hours. This helps to keep program expenditures below TSB by lowering the value of off-peak savings and increasing the value of peak savings. Kicker payments will only apply to verified savings during the peak and net peak hours between June 1 and September 30 in 2022 and 2023.

MCE aims to implement a kicker payment for peak hours between \$100/MWh and \$200/MWh, with a separate net peak kicker of \$300-\$500/MWh. Smoothing the summer avoided cost values and the simulated capacity spikes will also result in average peak hour values between \$250/MWh and \$350/MWh. When combined, these two values establish a meaningful price signal to deploy peak-focused energy efficiency and demand management projects.

MCE will provide more information on the methodology for calculating the kicker rate, as well as the proposed level of peak and net peak rates in its forthcoming Implementation Plan. MCE also intends to remain in regular communication with Energy Division staff throughout the program period and will notify Energy Division of any issues or risk of exceeding the TSB cap on program expenditures.

## **6. Reporting**

Per D.21-12-011, PAs are required to upload implementation plans to the Commission's California Efficiency Data and Reporting System (CEDARS) and report incremental savings achieved, including the annual report, through their regular reporting requirements under the EE portfolio.<sup>17</sup>

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<sup>16</sup> More specifically, MCE would evenly distribute the average peak value across peak hours (i.e. from 4-7pm between June 1 and September 30) and would also evenly distribute the average net peak values across net peak hours (i.e. from 7-9pm from June 1 through September 30).

<sup>17</sup> See D.21-12-011 at p.30

However, CEDARS functionality is currently not set up to accept uploads of implementation plans or reporting of programs with different reporting metrics that are not approved via an ABAL.

Hence, MCE recommends submitting a separate monthly report to the Commission's Energy Division and serving it onto service list R.13-11-005 until CEDARS can manage reporting for these programs (e.g., the Residential MAP). In this monthly report, all savings achieved under the Residential MAP will be described separately and as incremental to the savings achieved under MCE's EE portfolio.

MCE proposes the tracking of the following program metrics in the monthly reports for enrolled and completed projects:

- Program savings to date (kWh);
- Forecasted program savings (kWh);
- Peak demand savings and net peak demand savings (kW);<sup>18</sup>
- Forecasted average peak demand and net peak demand savings (kW);
- Program TSB to date (\$);
- Forecasted program TSB (\$);
- Payments to Aggregator to date;
- Forecasted Payments to Aggregator;
- Total budget reserved;
- Number of enrolled projects per month;
- Number of completed projects per month.

D.21-12-011 also states that Commission staff will determine additional details on reporting requirements and process.<sup>19</sup> MCE would appreciate the opportunity to work with the Commission in the development of these final reporting requirements.

MCE will leverage Recurve's FLEXvalue tool<sup>20</sup> to calculate TSB for the program. The FLEXvalue tool enables custom load shape calculations and therefore fully captures the benefits of integrating energy efficiency and demand response, which is not possible with the current CET. Custom load shape calculations are foundational to capturing and compensating for the value created by the MAP. This approach is vital to achieve the Commission's MAP goal: "to find energy efficiency projects that deliver measurable peak or net peak demand savings."<sup>21</sup>

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<sup>18</sup> Peak demand is defined as 4-9pm, and net peak demand as 7-9pm, from June 1 through September 30 in 2022 and 2023

<sup>19</sup> See D.21-12-011 at p.30

<sup>20</sup> Find at <https://flexvalue.recurve.com/>

<sup>21</sup> D.21-12-011, at 24.

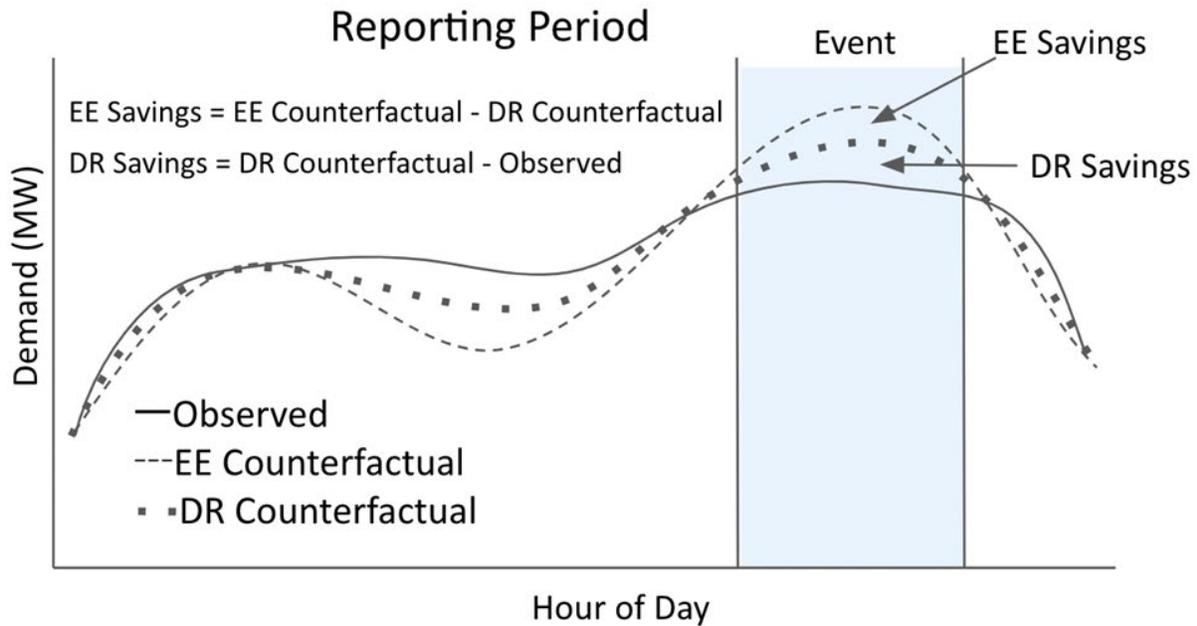
## **7. Integration of Energy Efficiency and Demand Response**

MCE established the Peak FLEXmarket specifically for the purposes of driving participation in daily load shifting and event-based DR alongside participation in MCE's EE Marketplace programs. The Peak FLEXmarket is designed to measure and pay for energy impacts that (a) currently do not fit within the EE portfolio framework; or (b) are incremental to savings which accrue under MCE's Efficiency Market programs (e.g., event-based DR). Leveraging an integrated DR program opportunity in this way unlocks new value for Aggregators since participation is seamless. The programs are also capable of disaggregating EE savings from DR in most cases, provided sufficient baseline data is available.

Projects which include DR capability can be enrolled directly into MCE's Peak FLEXmarket program, alongside the Residential MAP participation. Projects which are simultaneously enrolled in the Residential MAP and the Peak FLEXmarket would not be eligible for the Peak FLEXmarket's load shifting incentive structure (also called "Flex Savings") since these would already be captured by the Residential MAP. However, they are eligible for participation in the Peak FLEXmarket's event-based DR events, provided that incremental peak hour savings can be verified.

To accommodate dual enrollment in the Residential MAP and the Peak FLEXmarket, the program anticipates using two approaches to attribute peak reductions between energy efficiency and event-driven savings. Both approaches, and any new ones to be developed in the future, will be outlined in more detail in the program's M&V plan. The first approach introduces a separate, event-based DR baseline and counterfactual in accordance with open-source FLEXmeter methods. Hourly efficiency savings are determined as the difference between the EE counterfactual and the DR counterfactual. The load reduction assigned to the DR intervention is then the difference between the DR counterfactual and observed usage. Figure 1. below provides a schematic to delineate the components of a combined EE/DR savings calculation.

Figure 1: Disintegrating EE and DR Impacts



The second approach will likely only be deployed in edge-case projects where efficiency interventions occurred within 45 days before the DR event baseline period. Under this approach, the hourly peak efficiency savings for non-event hours will be averaged and the value will be assigned as the EE savings component of event hours. The additional difference between the EE counterfactual and the event period observed usage is taken as the DR load reduction.

More details on the integration of EE and DR programs and the methodology for attributing peak demand reductions between energy efficiency and event-driven savings will be described in MCE’s forthcoming Implementation Plan.

## 8. Program Design to Achieve Incremental Savings

MCE’s Residential MAP is designed to achieve savings that are incremental to the main EE portfolio by attracting:

- New vendors that are not currently participating in EE programs;
- New services, solutions, and deeper retrofits that are oriented around peak savings;
- Increased volume of projects from existing project implementers.

### a. New Vendors

MCE’s Residential MAP creates scale and achieves incrementality by opening access to a network of qualified Aggregators, many of whom are either not participating in EE programs at all, or who

are not participating in an EE program within MCE's service area. To date, MCE has found that many potential Aggregators are not participating in EE programs because they:

- Have not pursued or won third-party contracts to implement EE programs;
- Operate a business model which is not grounded in EE program implementation but customer sales and service; or
- May have innovative customer solutions which can drive energy efficiency and peak period energy savings, but do not fit neatly into a work paper or deemed technology program.

In many cases, it is a combination of all these reasons. The Residential MAP sidesteps these issues by allowing any Aggregators to submit projects upon meeting a set of standard qualification criteria. Because of this, any projects submitted by these new market entrants are inherently incremental to the main portfolio. In addition, as part of the enrollment process, Aggregators must disclose participation in any other ratepayer-funded EE program in California. Hence, MCE will be able to verify that their participation in the Residential MAP is incremental to any participation in existing EE programs.

#### b. New Services & Solutions

MCE's Residential MAP offers flexibility for Aggregators to deliver customer-specific, deep EE solutions since the program measures savings at the meter and is non-prescriptive. This design allows Aggregators to move beyond pre-determined measures and instead focus on delivering the most valuable impacts possible for a given project. Because of this, MCE expects to see projects that are unique, and incremental to other programs.

In addition, the Residential MAP is designed to heavily incentivize peak savings, encouraging Aggregators to be thoughtful in matching unique solutions with diverse customers in order to achieve the most peak savings.

#### c. Increased Project Volume

MCE's program also offers an opportunity for existing program Aggregators to expand their footprint in support of summer reliability. Existing Aggregators may be able to increase their volume of projects and enroll them into the program with a shift in focus to achieve peak impacts. However, by participating in this program, Aggregators must agree that participation does not release them from any existing active program obligations or forecast goals.

### **9. Timeline**

MCE is uniquely positioned to deliver savings under the Residential MAP during the summer of 2022 as MCE already developed the foundational program infrastructure for its existing Marketplace programs. By leveraging the pre-existing program framework, MCE will be able to launch quickly after the disposition of this Advice Letter.

Per D.21-12-011, MCE will post an IP on CEDARS before program launch. The IP will include a program-level M&V plan that meets the requirements of the NMEC rulebook. MCE expects to post the IP on CEDARS within 30 days after the disposition of this Advice Letter. MCE will consider the posting of the IP the official “program launch” for the Residential MAP.

Upon approval of this Advice Letter, MCE will also begin enhanced outreach to Aggregators. As mentioned above, MCE’s outreach on the Residential MAP can lean upon the established network of Aggregators that MCE has developed for its existing Marketplace programs. MCE therefore expects to be able to quickly and efficiently pivot to Aggregator enrollment and customer participation in preparation for demand reductions by June 1, 2022.