

Energy Division Guidance on Integrated Demand-Side Management (IDSM) Tier 3 Advice Letter Submissions from the Energy Efficiency Portfolio Administrators (PAs)

December 28, 2023

CPUC Decision 23-06-055 directs the PAs to file tier 3 advice letters by March 15, 2024 to seek approval for their upcoming IDSM portfolios. This document provides guidance from the Energy Division on what should be detailed in those advice letters, including measurement approaches, the rules from non-energy efficiency resource areas to be used to govern the distribution of funds for non-energy efficiency measures, and other items such as inclusion of effective useful life data, baselines, and assumptions about the technologies that make up the California IDSM portfolio.

The forthcoming IDSM portfolios represent a departure from previous recent approaches to IDSM: The approach approved in the 2018 energy efficiency business plan authorization (D.18-05-041) focused on the integration of demand response programs with energy efficiency programs, whereas the 2023 energy efficiency business plan decision provides for a multi-distributed energy resource (“multi-DER”) approach focused on “ongoing or permanent load shifting or load reduction” rather than event-based DR. This new method offers greater flexibility and an opportunity to provide utility customers with a more comprehensive range of technologies to fulfill their needs and to move toward the state’s goal and statutory requirement for full decarbonization by 2045 or sooner.

The new strategy launched in D.23-06-055 also involves some complexity because different measurement approaches and funding sources are used for different technology areas. For example, California’s energy efficiency portfolio assesses goal achievement via the quantity of energy savings, like KW, kWh, and therms, achieved and the portfolio is shifting in 2024 to assess goal achievement via Total System Benefit (TSB), which incorporates energy savings with other grid benefits. Energy storage technologies, electric vehicle charging infrastructure, rooftop solar, and other measures are not anticipated to use TSB. Comparing the cost effectiveness, grid, and other benefits of these disparate technologies that use different measurement approaches offers a challenge. “Like to like” comparisons may not always be possible, and the PAs will have to develop new approaches to measurement and comparison. Doing so may require iterations over time. This document provides early guidance on what to include in that process, and Energy Division may revise this guidance after future rounds of implementation, learning, and input from stakeholders.

The March advice letters that will come from the PAs per the 2023 decision do not modify older approvals of IDSM that are already in place per the 2018 decision or other avenues. Funding approved by the 2018 decision continues separately and in parallel to the programs that will be

proposed in the March advice letters. However, the challenges of defining measurement approaches and following the multiple sets of rules from multiple proceedings will likely be larger with the 2023 multi-DER approach.

Overall, PAs should either propose specific programs or propose the framework and structure for future multi-DER programs. Many PAs will not have completed solicitations and scoring for their future IDSM programs by the March 15, 2024 deadline for the tier 3 advice letters. For those PAs who are ready, they can include the details of the new programs they are ready to propose in their March 15 advice letters. PAs who have not completed the development of the future programs in time should provide the framework and structure that they will use for the new programs by March 15 and then provide the details of the specific new programs in future tier 2 advice letters.

A template is provided at the bottom of this document to keep the responses from the PAs parallel and consistent. In their advice letter filings, PAs need to cover the questions below and also the cells of the template but they do not need to cover questions more than once. PAs can use a narrative, itemized responses to the questions, and the table in a complementary manner.

California Energy Efficiency Portfolio Administrators should, at a minimum, include the following in the IDSM advice letters they submit by March 15, 2024.

- **Describe the PA's goals for its new multi-DER IDSM programs or framework.**
 1. What outcomes does the PA intend to achieve through its new IDSM programs?
 2. What mechanisms will the PA have available to prioritize the DERs that are achieving the most successful outcomes from question 1?
 - What criteria will be used to determine if increased budget should go toward those measures in future portfolios?
 3. What metrics or indicators will be used to measure progress toward the outcomes and to determine whether the new programs are successful?
 - Provide details of the measurement approaches, including measurement methods used to disaggregate savings/impact results between energy efficiency and other resources.
 - Does the PA have a way to compare energy savings, cost effectiveness, or other characteristics of the different DERs with each other? (For example, can a TSB facsimile be developed from DER avoided costs?)
 - What baselines or assumptions will be used for the metrics or indicators?
 - What timeline will be used for developing and reporting on the metrics or indicators?
 - Provide targets if possible. If not, describe how targets will be established.
 4. What concerns does the PA have regarding the new programs or framework?

- **Follow all requirements from D.23-06-055, as is expected, including but not limited to:**

1. Provide the scope of the multi-DER programs or framework proposed including the technologies and types of programs included.
 2. Detail the approach to coordination with other DER proceedings including the rules of the non-energy efficiency proceedings involved and any rules for exemptions or deviations from those proceedings if that is applicable.
 3. Detail the funding requirements broken down and separated according to proceeding or other category such as energy efficiency, transportation electrification, customer generation, and so forth. Develop new methods if necessary to show stacking of costs and how those will draw from each funding source and through which procedural path.
 4. Include Ex Ante assumptions if there are any for energy efficiency reporting such as project benefits, measurement methods, baseline, and effective useful life.
 5. Include the Ex Post process: project benefits, measurement methods, list of applicable measurement protocols, project costs, and methodology.
 6. Include the project cost methodology.
 7. Describe the reporting process and timing for each piece.
- **Stay true to the rules, procedures, and requirements of all proceedings involved including non-energy efficiency proceedings.** D.23-06-055 says, “To be clear, this decision does not change any rules, budgets, or other policies for non-efficiency resources. Non-energy-efficiency funding used for this purpose will be required to abide by the rules and budgets set forth in their relevant proceedings or decisions.”
 - Reference applicable rules from non-energy efficiency resource areas that will be used to govern the distribution of funds for non-EE measures.
 - **Detail the use of non-energy efficiency funding.** D.23-06-055 says, “The advice letters shall include details of the use of non-energy efficiency funding, measurement approaches including any methods that will be used to ensure that impacts on consumption are not double-counted, and references to applicable rules and approved budgets from non-energy efficiency resource areas that will govern the distribution of those funds.”
 1. How will IDSM be integrated into existing program plans? Which programs?
 2. What is PA’s plan for continuing or updating IDSM efforts taken on via past decision?
 3. Provide context for the IDSM programs proposed per the 2023 decision by describing how they compliment and/or integrate with IDSM programs authorized by the 2018 decision or other avenues (or whether the programs are simply separate.)
 4. Which types of IDSM will the PA implement and how?

5. From where will money come and flow to (including between EE budgets and non-EE budgets)?
 6. Are there any limits on the amount of funding from non-energy efficiency sources, such as a maximum number of rebates.
 7. Are any protections or funding reservations needed for 3P procurements? Protections for CPUC, PA, Implementers?
- **Describe the balancing accounts and sub accounts that will be used and any that will need to be created.** D.23-06-055 says, “The IOUs, in their Tier 3 advice letters, should include establishing balancing accounts with sub-accounts, or utilizing new sub-accounts within existing balancing account, if appropriate, for each non-energy efficiency funding source, to track the relevant costs to be recovered from non-energy efficiency sources. The balancing accounts would be reimbursed based on rebates and incentives from other programs and proceedings, based on the rules for those other resources.”
 - What is the timeframe for integrating IDSM and developing appropriate accounting structures?

Any requirement provided in D.23-06-055 or any other CPUC decision or vehicle or by statute, but not included in this Energy Division guidance, is nevertheless still required. And full and proper stewardship of the state’s energy system and programs is required at all times regardless of whether an item is included in an Energy Division guidance. Programs like IDSM that span a wider than usual range of proceedings invoke a larger than usual number of decisions and coordination processes, and therefore present a challenge for the PA staff working on the new programs. The CPUC appreciates the work and expertise of the PAs, the staffs of the PAs, and consultants.

The new multi-DER approach to IDSM has the potential to move the state toward its goals including the requirement for full decarbonization. It has parallels with other multi-DER approaches taking place at the CPUC. The work that is needed to clarify or develop new measurement approaches and rules for energy benefits, cost effectiveness, TSB, affordability, and more for multi-DER programs will help move California toward its goals.

Scope	Program or Framework	<i>PA to complete</i>
	Technologies	
	Programs (or types)	
Approach to Coordination with other DER Proceedings	Proceeding(s) (one per cell)	
	Relevant Rules for Implementation from Proceeding	
	Rules for Exemptions or Deviations (if applicable)	
	Funding requirements	
	Approach to draw from each funding source	
	New methods to show stacking of costs	
	Reporting Requirements (incl timing)	
	Procedural Path for access to funding	
Consistency with EE	Ex Ante assumptions for energy efficiency reporting such as project benefits, measurement methods, baseline, and effective useful life	
	Ex Post process: project benefits, measurement methods, list of applicable measurement protocols, project costs, and methodology	