

# FGC NMEC Guidance Issue Brief

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The Future Grid Coalition appreciates the CPUC's continued work on NMEC and welcomes the opportunity to review the guidance issued March 23 by Commission staff. The FGC is a 501(c)(3) promoting effective policy in order to accelerate meter-based energy efficiency adoption. We believe the CPUC has the opportunity to shape its guidance in a careful, comprehensive way that can make meter-based energy efficiency the primary vehicle for deploying energy efficiency in California and nationwide. We have some concerns about the guidance, which we have articulated below. Overall, we believe the focus at this early stage should be on building trust and rolling out projects. We are also concerned that without workshops or other means for feedback and understanding of regulatory intent, we will not be able to meet our mutual goals. Our specific concerns are:

## **Early-stage NMEC guidance should be aimed at helping the market scale so that it can help fulfill obligations under SB 350 and AB 802**

- SB 350 mandates a doubling of energy efficiency by 2030 – AB 802 articulates NMEC as a key way to achieve that doubling .
- The NMEC framework offers the potential to streamline program requirements and reduce transaction costs by shifting performance risks from ratepayers to aggregators.
- However, the guidance as laid out on March 23 by the CPUC in the NMEC Rulebook and associated documents would severely hamstring NMEC and will ensure that it does not reach the scale contemplated in SB 350 and AB 802.
- At this early stage, NMEC guidelines should be focused on providing certainty while allowing market actors the flexibility to scale.

## **NMEC guidance should be comprehensive**

- There should be a clear articulation of how various documents in the Rolling Portfolio Program Guidance Website relate to each other. The website should also not have missing documentation.
- We suggest that residential and commercial program evaluation should be treated equally – we also find insufficient guidance on residential in the documentation.
- Data processing guidance should exist – simple, checklist-style guidance on data processing and quality would be helpful.

## **NMEC review should be streamlined**

- NMEC review process should be lightweight and should sit at the program, not the project level – at this early stage of NMEC, review should focus on savings outcomes and data access.
- NMEC programs and projects should not generally be subject to custom review processes. A different NMEC-specific review may be appropriate for programs that

focus, for example, on buildings with difficult-to-characterize baselines or extensive non-routine adjustments.

- Responsibility for review should sit with the PAs, not the CPUC.
- Residential and commercial projects should face the same review standards.
- Review of software, and the way software is used – including baseline fit results and NRE adjustment methods – should be lightweight or even automated where appropriate and should be more careful when necessary.
- NMEC can be used to design programs around energy and power as a grid resource rather than “savings incentives.” Such programs may not require access to incentive dollars at all and therefore may be better served outside of the traditional energy efficiency incentive-qualification regulatory and management structure.

### **Baseline treatment of early programs should ensure NMEC programs reach scale**

- Program-level (or portfolio-level) evaluation of baseline fit metrics is most appropriate given state goals and legislative direction, rather than evaluation on a project-by-project basis.
- Model qualification and goodness-of-fit testing methods – in NMEC, baseline models are meters of efficiency – should be transparent, low cost, and automated as much as possible.
- Baseline adjustment for non-routine events are generally not needed for NMEC metering for programs in which the measurement period is sufficiently short, and the aggregated measurement sufficiently stable, such that non-routine event effects during the measurement period are statistically unlikely. California’s existing residential P4P pilot programs are an example of this. In such cases, programs employing baseline models that do not adjust for non-routine events represent a very material improvement in accuracy and cost over current M&V methods.
- Baseline adjustment for persistent non-routine changes in buildings generally will be needed for programs in which the stability of the baseline over the measurement period cannot be safely assumed. Seattle’s “energy as a service” program (a variant off MEETS) is an example. In such cases, the need to adjust the baseline would be statistically indicated.
- Concerns about savings effective useful life (EUL) with regards to incentive payments can and should be addressed, but not upfront in the baseline-modeling exercise. Baseline formation times should not be longer than one year.
- Baseline models cannot be adjusted up front for Normal Replacement Measures in any practical, accurate, non-gameable way, and in any case should only be relevant to incentive program qualification, not savings measurement. Savings measurement should follow existing conditions baselines, as mandated by AB 802.

## Signed:

Tom Arnold, *Gridium*

Bill Campbell, *Equilibrium Capital Group*

Matt Golden, *Open Energy Efficiency*

Tim Guiterman, *EnergySavvy*

Rob Harmon, *MEETS Coalition*

Steve Kromer, *SKEE*

Bruce Mast, *Ardenna Energy*

Ian Molloy, *Autodesk*

Derrick Rebello, *Quantum Energy Services and Technologies (QuEST)*

Mark Shahinian, *Future Grid Coalition*