



**DRAFT**

## **Cal TF Technical Position Paper (TPP) No. 8: Proposed Statewide Measure Development and Measure Update Processes**

### **I. Overview**

The current new measure development and updating process, as set forth in prior Cal TF memos and Technical Position Papers, has not produced the intended results from the perspective of its key constituents, including California Public Utilities Commission (CPUC or Commission) Staff, the utility Portfolio Administrators (PA), and third-party program implementers. A Cal TF Business Plan goal for 2017 is for Cal TF to develop and propose an improved measure development and updating process that will better meet current and past Commission policy directives, and will more effectively address issues and concerns identified by Commission Staff and California's energy efficiency stakeholders (stakeholders).<sup>1</sup> This process is not intended to modify Staff's current role in developing and updating measures ("DEER values").

### **II. Current Practice**

Historically the investor-owned utilities (IOUs) have developed measure workpapers to address utility-specific program needs; there was limited effort to coordinate workpaper development across all IOUs, or statewide. Each IOU follows their own unique internal process to develop estimates of measure impacts, conduct quality assurance, and secure approval prior to submission of the workpaper to the CPUC. Moreover, some IOUs have developed written standards for internal measure development and review prior to submission, but others have not. Finally, new measure development has not been coordinated between IOUs and publicly-owned utilities (POUs), leading to different input assumptions, savings calculations, and values for the same measure.

Annual measure update requirements are developed by the Commission's ex ante review (EAR) Team and proposed by Commission Staff through a resolution, with the associated comment/protest period provided by General Order 96-B. The current update process was developed for the rolling energy efficiency portfolio in Decision 15-10-028 which directed parties to update and revise DEER values once per year and all approved values will remain "locked"

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<sup>1</sup> California's energy efficiency stakeholders could include any non-utility or CPUC organization who operates in the energy efficiency industry. This could include third-party program implementers, regional energy networks, manufacturers of energy efficiency technologies, or firms that provide support or advisory services, such as engineering or evaluation firms.

until the following annual update deadline (referred to as the “bus stop”). The Decision set forth specific deadlines for workpaper updates and DEER updates to ensure the IOUs can include updates and new measures in their Annual Budget Advice Letter filings due on September 1st each year.<sup>2</sup>

### III. Statement of Cal TF Need

This TPP intends to address issues and concerns that Commission Staff, PAs, and third parties (implementers) have identified relating to the workpaper review process; these issues are described in a companion memo.<sup>3</sup> Some of the proposed process changes align with current Commission policies and directives or bring the process into alignment with Commission directives that currently are not being fulfilled. Other proposed changes to the process would require a change in Commission policies and are summarized at the end of this memo.

### IV. Objectives

The overarching objective is to ensure that the new ex ante measure development and review process is in alignment with the new energy efficiency paradigm in California, in both philosophy and function, and with the Commission’s policy directives. The proposed framework will better support the utilities’ role as program administrators and third parties’ role as program designers and implementers than the current structure while preserving the Commission Staff authority to effectively regulate in the energy efficiency proceeding.

The specific objectives of the proposed New Measure Review Process are to:

1. **Grant equal access to all parties (IOUs, POUs, implementers).** Under the proposed framework, any program administrator or implementer, not just the IOUs, will be able to submit a new measure for consideration. This will be an essential element when 60% of the energy efficiency portfolio funding is to be designed and implemented by third parties.
2. **Achieve Single Set of Statewide Measures.** Channeling new measure requests and screening through a single committee will facilitate the Commission’s directives for standardized, statewide measures.<sup>4</sup> It will also provide for more effective collaboration among the IOUs, POUs, CEC, and the CPUC to achieve the State’s climate goals<sup>5</sup>.
3. **Allow for transparency and predictability.** The new measure and measure update processes will be open to all stakeholders and conform to established guidelines. All

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<sup>2</sup> CPUC D. 15-10-028. *Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics*, Section 3.4.1.5.

<sup>3</sup> “Cal TF Review of the Current New Measure Development and Approval Process” memorandum sent to Commission Staff from Annette Beitel.

<sup>4</sup> CPUC D.12-05-015. *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*, p. 54 and ALJ Ruling Regarding Non-DEER Measure Ex Ante Values, November 18, 2009, p. 1-2.

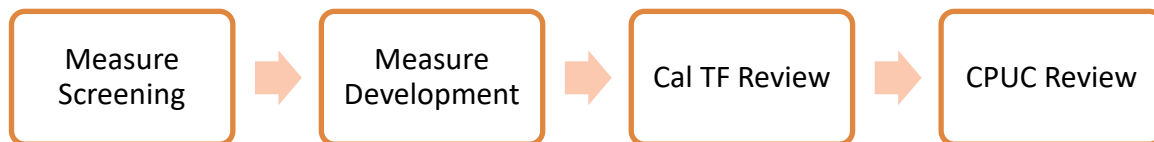
<sup>5</sup> CPUC D.05-01-055. *Interim Opinion on the Administrative Structure for Energy Efficiency: Threshold Issues*, p. 131 and D.09-09-047. *Decision Approving 2010 to 2012 Energy Efficiency Portfolios and Budgets*, p. 305.

implementers will have access to the same information so they can effectively plan and run their programs. Measure requests and measure development will conform to established timeframes so program designers and implementers can adequately plan to integrate new and updated measures into program plans, as per the timeline established in Decision 15-10-028.

4. **Measure and Quality Assurance/Quality Control (QA/QC) Standardization.** The new measure guidelines will ensure measures are standardized and there is a standard, agreed-upon process for measure QA/QC prior to submission to Commission Staff to facilitate review and promote consistent measure quality.
5. **Carefully manage potential conflicts of interest.** New measure work papers and data specifications will be developed by qualified independent firms. These firms will be screened to ensure that financial motivations are understood and potential conflicts of interest can be managed. Cal TF Members (both implementers and utilities) who expect to offer a measure in their portfolio within the next three years may not participate in the Cal TF measure affirmation process.
6. **Dispute Resolution for Technical Disagreements.** Any party will be able to initiate the dispute resolution process if they disagree with the outcome of the measure screening or measure review process. The process will ensure that disputes are resolved by an independent entity rather than a party to the dispute.

## V. Cal TF Proposal for a New Measure Development Process

This section describes the major steps in the proposed new measure development process as illustrated in Figure 1 below; a more detailed process diagram is provided in Attachment A: Process Diagram for New Measures. The process will be managed by the Cal TF and tracked in the eTRM. The process is triggered when a program administrator or other stakeholder identifies a need/opportunity for a new measure and submits a measure request to the Cal TF. Measure requests can be submitted at any time throughout the year.



**Figure 1. New Measure Development Overview**

The proposed process outlined below is intended to work within the rolling portfolio cycle schedule established in Decision 15-10-028.

## **A. Measure Screening**

The Measure Committee will conduct a measure screening to identify issues that would prevent a measure from being approved before the resources are expended to develop it. Since the Cal TF will have a fixed annual budget for new measures which will restrict the number of new measures that can be developed each year, the screening process will include prioritization so that the resources are devoted to measures with the best chance of success.

The measure screening will use a consistent set of criteria to identify common issues that might prevent a measure from being approved by the EAR Team (such as no incremental measure cost between the base case and measure case, the measure is not likely to be cost effective, or the key savings parameters are not supported by data) or factors that would make a measure less worthwhile to develop (such as low potential for energy savings or market demand or whether there is a delivery channel/program for the measure)<sup>6</sup>. Since a key aspect of the new measure development process is that any stakeholder can request a measure, the measure request form will be structured to capture information adequate to support the measure screening and prioritization, but will not be so onerous as to make submitting a request overly burdensome.

The Measure Committee will consist of representatives from the IOUs, POU, implementers, and state agency staff (both the CPUC and CEC). Details of how the Measure Committee members would be selected and how long they would serve will be developed once agreement has been reached on the key concepts related to how the revised process will work. The Measure Screening will also be the stage during which the EAR Team will provide early input on the measures selected for development.

- **Input:** Measure request
- **Output:** Yes, no, or more information needed determination from Measure Committee. Early input on measure from EAR Team.
- **Time:** One month

## **B. Measure Development**

Measure development includes both populating the eTRM Data Specification for the measure and documenting all sources, assumptions, methods, calculations, and QA/QC prior to submission of the measure to Cal TF for review. Creating the measure and populating the eTRM Data Specification entails all necessary data collection, secondary research, and the development of all calculation input values and assumptions, and per-unit measure savings and demand impacts (if applicable).

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<sup>6</sup> It is important to note that before starting the development of a measure, that measure developers, as well as other program administrator staff (portfolio managers, program managers, product developers) to understand the market for the measure including the current (baseline) practices, market barriers, customer awareness, and market potential, to inform measure development and program design.

When the Measure Committee approves a measure request, the Cal TF Staff will select a qualified firm from its Technical Contract Matrix list. The firms on the Technical Matrix list (Tech Matrix Contractors) will be subject matter experts that have been pre-approved to conduct the necessary technical analysis. The Tech Matrix Contractors will be screened for their technical qualifications<sup>7</sup>, and be trained in the Cal TF measure development procedures and requirements, which will include training on CPUC requirements that apply to deemed measures (applicable documents are described in Attachment C).

Implementers will be allowed on the Technical Matrix but will typically not be allowed to develop measures that they have proposed or plan to implement. Exceptions may be made when an entity is in the best position to develop a measure. In some cases, measure requesters (implementers or manufacturers) who are not on the Technical Matrix but are well-qualified and willing to develop a measure will be allowed to do so, but will be required to partner with a Tech Matrix Contractor to ensure that Cal TF processes and standards are met, the measure meets all CPUC requirements, and that any conflicts of interest are managed.

Cal TF Staff will seek price quotes from at least two firms for new measures that are expected to cost more than \$25,000 to develop. When taking on a new project, the Tech Matrix Contractor will agree to complete all work within the established timeframes and disclose any financial interests in the measure.

The Tech Matrix Contractor project team will consist of a Measure Developer, Peer Reviewer, and Measure Development Manager as required by the Cal TF QA/QC process.<sup>8</sup> The Measure Requester will be invited to participate and contribute to the extent they are willing; at a minimum, they will be kept apprised of the progress of measure development. This team will be responsible for adhering to the established measure development requirements laid out in the eTRM Data Specification. The Measure Developer will compile all calculations, simulation model inputs and output files, and all sources for input parameters and assumptions. All such material must be provided to the Peer Reviewer and the Measure Development Manager. The Peer Reviewer will verify technical data, methodology, inputs, assumptions, and references to identify and eliminate errors. The Measure Development Manager will conduct a higher-level of QA/QC, including (but not limited to) verifying that Peer Review comments were adequately addressed and ensuring that the measure as developed is applicable statewide.

The time and costs associated with new measure development and review will be tracked using the eTRM workflow management feature so Cal TF Staff can track and report on the costs of new measure development.

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<sup>7</sup> The Tech Matrix Contractor screening process will include qualification beyond technical capabilities and will include internal QA/QC procedures.

<sup>8</sup> *Cal TF Technical Position Paper (TPP) No. 7: Statewide Measure Development Guidelines and Internal QA/QC Procedures. Draft.* Distributed to Cal TF via email on July 19, 2017.

- **Input:** Measure request approved by Measure Committee. Early input on measure from EAR Team.
- **Output:** Completed measure (eTRM Data Specification, all supporting documentation and analysis, QA/QC Reviews from Internal Manager and Peer Reviewer)
- **Time:** Measure Development: 2 – 3 Months, depending on complexity of measure.

### **C. Cal TF Review**

Upon completion of the Measure Development process, the Cal TF will review the proposed measure, and will focus on the following elements:

1. **Measure Application Type:** Is the proposed measure application type (such as replace on burnout, early replacement, direct install, etc.) a sound and optimal approach for introducing the measure into the market.
2. **Measure Parameters:** Was the approach to developing key measure parameters analytically sound? Should an alternative approach have been considered?
3. **Supporting Data and Studies:** Do the data/studies support values for the key parameters? Are they applicable? Is there alternative or better data that should be considered?
4. **Further Data Collection:** What additional data should be considered during program implementation, early EM&V, or regular EM&V that can make the measure parameters more robust?
5. **Program Restrictions:** For the measure to produce the expected savings, should there be program requirements or restrictions, such as who can install the measure, specific measure installation requirements, etc.

The measure will be available for use by the POU's and other non-IOU program administrators after Cal TF approval, but POU's will be encouraged to wait to use the measure until CPUC Staff provides feedback to strive for as much statewide consistency in measures as possible.

- **Input:** eTRM Data Specification completed by the Tech Matrix Contractor's team. Measure proposal approved by Measure Committee. Early input on measure from EAR Team.
- **Output:** Completed measure, updated based on Cal TF input (eTRM Data Specification, all supporting documentation and analysis, QA/QC Reviews from Internal Manager and Peer Reviewer, Cal TF review and comments)
- **Time:** Cal TF review: 1 – 2 months, depending on complexity of measure and the nature and extent of the Cal TF review comments

### **D. CPUC Staff Review**

Once the measure has been reviewed by the Cal TF, the Commission Staff will review the measure according to current guidelines and timeframes. As described below in Attachment C, Cal TF recommends that Commission Staff adopt a new format for their measure review that is

more clear and succinct than the current “disposition” memo. This format would itemize each of Commission Staff-required changes to the measure and the CPUC decision or other source that requires the change. It would also capture staff rationale for the change as well as the expected impact of the change.

If the Commission Staff feedback includes guidance or requirements that extend beyond the measure under review and has not been provided in previous Commission policy or staff dispositions, Cal TF Staff will update the Technical Compendium<sup>9</sup> so that it is a complete and current source of all information relating to deemed measure development and review.

With the exception of the recommended change to the memo format, the Commission Staff review process and output remains the same as the current practice.

- **Input:** Completed measure (eTRM Data Specification, all supporting documentation and analysis, QA/QC Reviews from Internal Manager and Peer Reviewer, Cal TF review and comments)
- **Output:** Commission Staff measure determination: Approved, Adjustments Requested, Interim Approval, Declined
- **Time:** 45 days (current timeline for preliminary review and full review)

## **VI. Cal TF Proposal for a Measure Update Process**

This section describes the proposed measure update process as illustrated in Attachment B: Process Diagram for Annual Measure Updates. The process will be conducted annually and in time to ensure that the IOUs can include the updates in their Annual Budget Advice Letter filings.<sup>10</sup> A measure update can be proposed by any stakeholder but will be assessed and prioritized by the Measure Committee through this annual process.

The proposed measure update process outlined below is intended to work within the rolling portfolio cycle schedule established in Decision 15-10-028.

### **A. Annual Measure Update Prioritization**

The measure update process will occur annually to accommodate new information gained through EM&V and market studies, changes in building and/or appliance codes and standards, or updated information or data gathered through program delivery or market insights. Similar to the new measure development process, measure updates can be proposed by any stakeholder, not only the IOUs or parties to the proceeding, but must be submitted by a pre-determined date to be considered.

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<sup>9</sup> The Technical Compendium will be a single, definitive volume of all the technical and regulatory requirements established related to developing ex ante estimates for new measures and for updating measures. Currently, this guidance is located throughout a number of sources.

<sup>10</sup> As required in CPUC D. 15-10-028. *Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics*. Section 3.4.1.5.

Measure updates will be prioritized by the Measure Committee based on a standardized set of criteria that takes into account the cost-effectiveness and potential savings of the measure, among other criteria. Certain updates, however, will be required, including updates due to DEER updates and changes to code. The Cal TF will allocate a fixed budget for measure updates each year which will limit the volume of work that can be completed. For each update cycle, the Measure Committee will screen the requests based on consistent criteria and rank them in order of importance/urgency. The updates will then be executed in order up to the Cal TF budget. Any non-code or -DEER updates that are not accommodated will be put in the queue for the following year.

The time and costs associated with measure updating will be tracked by the eTRM workflow management feature to provide an accurate picture of the costs of measure updating.

- **Input:** Measure update proposal
- **Output:** Yes, no, or more information needed determination from Measure Committee. Early input on measure update from EAR Team.
- **Time:** 6 weeks

## **B. Measure Updates**

The measure updates will be completed by the Tech Matrix Contractors. As in the new measure development process, the Cal TF Staff will assign the updates to firm(s) on the Technical Matrix based on their familiarity and experience with the technology, and absence of financial conflicts of interest. In some cases, groups of related measure updates may be assigned to a single firm. If the update volume is significant,<sup>11</sup> Cal TF Staff will seek price quotes from more than one firm to ensure price competitiveness of work. The Measure Developer will update the measure based on direction from the Measure Committee. Updated measures will still need Peer Review, but will require a QA/QC review and approval by the Measure Development Manager.<sup>12</sup>

- **Input:** List of Measure updates approved by Measure Committee. Early input on measure update from EAR Team.
- **Output:** Completed measure update documentation, which may include updates to eTRM Data Specification; supporting documentation and analysis, and QA/QC Reviews from Measure Development Manager (but not Peer Reviewer).
- **Time:** Measure Update: 2 - 4 weeks, depending on complexity of measure.

## **C. Cal TF Review**

Upon completion of the development of the measure revision, the Cal TF will review the proposed measure updates. This review will be limited to updated parameters or information

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<sup>11</sup> This threshold will likely be in the range of \$25,000 for a single measure or technology category.

<sup>12</sup>Cal TF Technical Position Paper (TPP) No. 7: Statewide Measure Development Guidelines and Internal QA/QC Procedures. Draft. Distributed to Cal TF via email on July 19, 2017.



and will focus on issues similar to the issues that Cal TF would review for a new measure (described above).

The measure will be available for use by the POU's and other non-IOU program administrators after Cal TF approval, but POU's will be encouraged to wait to use the measure until CPUC Staff provides feedback to strive for as much statewide consistency in measures as possible.

- **Input:** Updated Measure from assigned Measure Developer (updated eTRM Data Specification, all supporting documentation and analysis, Measure Development Manager QA/QC Review)
- **Output:** Updated measure, based on Cal TF input (eTRM Data Specification, all supporting documentation and analysis)
- **Time:** Cal TF review: 1 month.

#### **D. CPUC Staff Review**

Commission Staff will review measure update according to current guidelines and timeframes.

- **Input:** Completed measure (eTRM Data Specification, all supporting documentation and analysis, Cal TF review and comments)
- **Output:** Commission Staff measure determination: Approved, Adjustments Requested, Interim Approval, Declined
- **Time:** 45 days (current timeline for preliminary review and full review)

## **VII. Dispute Resolution**

The need for an effective dispute resolution process has been identified as an important element of the new measure development process to ensure that legitimate differences of opinion are fairly and reasonably resolved. The possibility of a difference of opinion is anticipated under both the new measure and measure update processes and would escalate up to the Commission's dispute resolution process in place for ex ante values. However, the Cal TF will take steps to resolve any disputes internally before triggering the Commission's process.

We note that this process assumes that the current Commission dispute resolution process pertaining to ex ante values is modified to allow Cal TF to initiate a dispute. The Commission's current provision for dispute resolution can only be initiated by Commission Staff, who is also potentially a party in a dispute. The current process requires that every six months Commission Staff prepare a draft resolution identifying the disputed ex ante values<sup>13</sup>. The fact that a draft resolution has never been prepared through this process, even though there have been many disagreements, underscores the conflict inherent in allowing the Commission Staff to be the only party that can initiate a dispute.

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<sup>13</sup> CPUC D.12-05-015. *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*, p. 335.

If the Commission does not amend the dispute resolution process, the Cal TF would memorialize any disputes in a memorandum to Commission Staff and request that the issue be added to their next bi-annual resolution.

#### **A. Cal TF Proposed Dispute Resolution Process**

The Cal TF's proposed solution resolves several key issues with the current practice. First, it allows for *any* party to initiate the dispute resolution process, rather than placing this responsibility solely with the Commission Staff. The current process only accommodates disputes between the Commission and the IOUs, but the process will need to be expanded to include others to appropriately accommodate the future state when 60% of the energy efficiency funding is to be delivered by third parties. Second, and perhaps most importantly, Cal TF's proposed solution provides for separation between the assigned administrative law judge (ALJ) who will decide the dispute and the Commission Staff/EAR Team whose determinations are the subject of the dispute.

The proposed solution is a three-tiered process that is comprised of: 1) the Commission's Alternative Dispute Resolution (ADR) process, 2) the EM&V Dispute Resolution process, and if neither is successful, and 3) resolution from the full Commission.<sup>14</sup> Each of these tiers is summarized below.

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<sup>14</sup> Additional efforts are underway that may lead to a dispute resolution process that could also be applicable to deemed measure development. In D.16-08-019, the Commission directed Staff convene two Working Groups to address specific issues relating to the administration of the energy efficiency portfolio that were identified in the Decision. Among other things, the Track 2 Working Group (T2WG) tasked to recommend improvements and streamline the ex-ante review process and the custom programs administered by the IOUs. The first T2WG final report released on September 7, 2017. The T2WG report "recognized a need for a dispute resolution process" (p. 92) and sample proposals for dispute resolution were provided in an Appendix to the Final Report. Insofar as the Commission did not assign a specific deadline for the T2WG to address Task 6 and thus the Final Report falls short of including a formal recommendation for a dispute resolution process. The T2WG did state, however, that recommendations to streamline the ex-ante review process be delivered to the Commission no later than April 2, 2018. p.93.

1. **Alternative Dispute Resolution.** The ADR process established by the Commission is an “early neutral evaluation” process that appears promising. In general, early neutral evaluation entails a presentation by each side to the assigned ALJ, who then provides those parties with a confidential, nonbinding evaluation of the strengths and weaknesses of their positions. ADR processes are often preferable to a litigated result because the ADR:

- Can produce outcomes that are more responsive to the parties’ needs,
- Is more consistent with the public interest,
- Avoids the narrow results of litigation that may not adequately address the parties’ problems,
- Encourages more active participation of all parties (regardless of an individual party’s size or resources),
- Can save the parties’ time and resources, and
- Allow the Commission to direct its decision-making resources to other important proceedings.

The existing ADR is described in ALJ Resolution 185.<sup>15</sup> While the ADR is non-binding, it has the advantage of yielding another “official, unbiased” review of the matters in dispute rapidly and at low cost, which could help the parties settle without recourse to a more formal, expensive dispute resolution process. Most of the matters that generate disputes in deemed/ex ante measure review relate to the question of whether there is sufficient data to move forward with a measure, and what source of data is best to use. They do not revolve around complicated engineering equations that only engineers can understand. ALJs at the Commission are used to sifting through competing, complex technical information in other contexts; they are well-qualified to render a second, unbiased, opinion.

2. **EM&V Dispute Resolution.**<sup>16</sup> If the ADR does not resolve the dispute, the next option is to invoke the EM&V Dispute Resolution process.<sup>17</sup> Through the EM&V Dispute Resolution process, any party to the proceeding, not just utility, may file a Motion seeking dispute resolution. An important element of this process is that the Motion must include a statement from the Energy Division regarding its position of the dispute which would improve one aspect of the current ex ante review process which is that the feedback from the EAR Team changes with each review iteration. The ALJ may or may not seek additional information before issuing a Ruling to resolve the dispute.

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<sup>15</sup> ALJ Resolution 185, p. 1.

<sup>16</sup> The Commission has explicitly ruled that the EM&V dispute resolution process does not apply to workpapers, and provided the rationale that recent experience suggests that such a process would interfere with the Commission’s ability to update values with the best available information. (D.12-05-015. *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*, p. 328). This logic is hard to follow, and could be reconsidered.

<sup>17</sup> As set forth in D. 10-04-029. *Decision Determining Evaluation, Measurement and Verification Processes for 2010 Through 2012 Energy Efficiency Portfolios*, p. 33.

3. **Resolution from Full Commission.** If either party is not satisfied with the “EM&V Dispute Resolution Process”, the party or the Energy Division may request that the dispute be resolved by the Assigned Commissioner or the full Commission. As noted in D.10-04-029, the ALJ will consult with the Assigned Commissioner to determine the most appropriate path to resolution. Then either the ALJ or the Assigned Commissioner will issue a Proposed Decision and allow for comment prior to the Final Decision.

## VIII. Conclusion

This New Measure Review and Update process proposed herein is intended to address numerous concerns and complaints voiced by Commission Staff, PAs, and implementers over several years. It will ensure workpaper quality, consistency, and standardization while minimizing the possibility that financial conflicts of interest will influence measure development and/or review. It will also allow the costs and time for measure development and updating to be monitored, tracked, and hopefully reduced. It is intended to align with the Commission’s policy direction that 60% of the portfolio should be designed and implemented by third parties, and hence places implementers on equal footing in the measure development and updating process. The points of alignment between the proposed processes and Commission policy are summarized in Table 1 below.

**Table 1. Alignment with Current Commission Policy**

Area of Alignment	Commission Directive	How the Proposed Process Meets This Directive
Equal access to all parties	Decision 16-08-019 <sup>18</sup> requires that 60% of the energy efficiency portfolio funding is to be designed and implemented by third parties by 2020.	Any program administrator or implementer, not just the IOUs, will be able to submit a new measure for consideration.
Statewide Measures	The Commission has given directives for statewide measures in Decision 12-05-015 <sup>19</sup> :  “We agree that similar measures delivered by similar activities should have single statewide values unless recent evaluations show that a significant variation between utilities and that difference is supported by a historical trend of evaluation results.”	The measures will be developed centrally, have a single, statewide value and be applicable to the entire state.

<sup>18</sup> CPUC D. 16-08-019. *Decision Providing Guidance For Initial Energy Efficiency Rolling Portfolio Business Plan Filings*, Ordering Paragraph 12.

<sup>19</sup> CPUC D.12-05-015. *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*, p. 54

Measure Standardization	<p>The Commission has given direction for standardized measures in and ALJ Ruling<sup>20</sup>:</p> <p>“The Utilities’ non-DEER measure naming and classification process lacks uniformity and the workpaper standards of content, methodological approach, documentation conventions and formatting vary widely in quality and completeness.”</p>	Cal TF will have a consistent approach to measure naming and classification. Measures will be developed using written guidelines that ensure rigorous and consistent methodological approaches, documentation, formatting and quality.
Collaboration Between Agencies	<p>Commission has established its intent to coordinate with the CEC and other affected agencies in its Policy Oversight and Research Analysis responsibilities in Decision 05-01-055<sup>21</sup>:</p> <p>“We will also explore creating a more formal arrangement with the CEC for collaboration in this area and in EM&amp;V, building on the working relationship we have established in this proceeding.”</p>	The Measure Committee would include representation from the CPUC and the CEC.

Though the proposed process is in alignment with a number of key Commission directives, implementing the process will require the following changes to Commission policies or practices:

**Table 2. Changes Necessary to Commission Policy**

Issue	Current Commission Directive	Change Required
Reconsider Efficiency Savings and Performance Incentives Related to WP Development	Decision 13-09-023 adopted a shareholder incentive that contains an EAR Incentive Mechanism to ensure that the utilities were applying sufficient	The Commission would need reconsider the EAR Incentive Mechanism related to utility workpaper development if other organizations submitted

<sup>20</sup> *Administrative Law Judge’s Ruling Regarding Non-DEER Measure Ex Ante Values*, November 18, 2009, Attachment, pp. 1-2.

<sup>21</sup> CPUC D. 05-01-055. *Interim Opinion on the Administrative Structure for Energy Efficiency: Threshold Issues*. P. 129.

	<p>due diligence and engineering rigor in developing ex ante savings value.<sup>22</sup></p> <p>The Commission indicated that the ESPI mechanism could be revisited and improved over time. (p. 93)</p>	workpapers to the EAR Team for review.
<p>Modify WP Dispute Resolution Provision</p>	<p>Decision 12-05-015 describes the current process on page 335:</p> <p>“Every six months, the Commission will prepare draft resolution that identifies the disputed ex ante values...the IOUs may articulate their proposed disagreements with Commission’s staff proposed adjustments. Draft resolution subject to Commission vote.”</p>	<p>The Commission would need to reconsider the WP dispute resolution process to allow any party (not just staff) to invoke and to ensure the decision-maker is not being advised by a party to the dispute.</p>
<p>Allow non-PAs to develop WP and WP updates</p>	<p>Utilities submit non-DEER Measures following the uniform template<sup>23</sup></p> <p>The Energy Efficiency Policy Manual section on Ex Ante Savings and Review contains multiple references to “...IOUs and other entities submitting workpapers...”<sup>24</sup></p>	<p>The Commission would need to allow parties besides the IOUs to submit measures and measure updates.</p>

These changes could be accomplished through a motion filed in Phase 3 of the Rolling Portfolio proceeding. A motion is appropriate since the Rolling Portfolio Cycle, Phase 3, Scoping memo specifically lists the “Role of the Cal TF” as an ongoing policy issue that could be considered in Phase 3, consistent with the ALJ’s direction in the Phase 3 Scoping memo.<sup>25</sup> The motion could be prepared by Cal TF Staff, and signed by interested parties on the Cal TF Program Advisory

<sup>22</sup> CPUC D. 13-09-023. Decision Adopting Energy Savings and Performance Incentive Mechanism, as modified by D. 15-10-028. Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics.

<sup>23</sup> ALJ Gamson Ruling Regarding Non-DEER Measure Ex Ante Values, Attachment 1, p. 5 (2008).

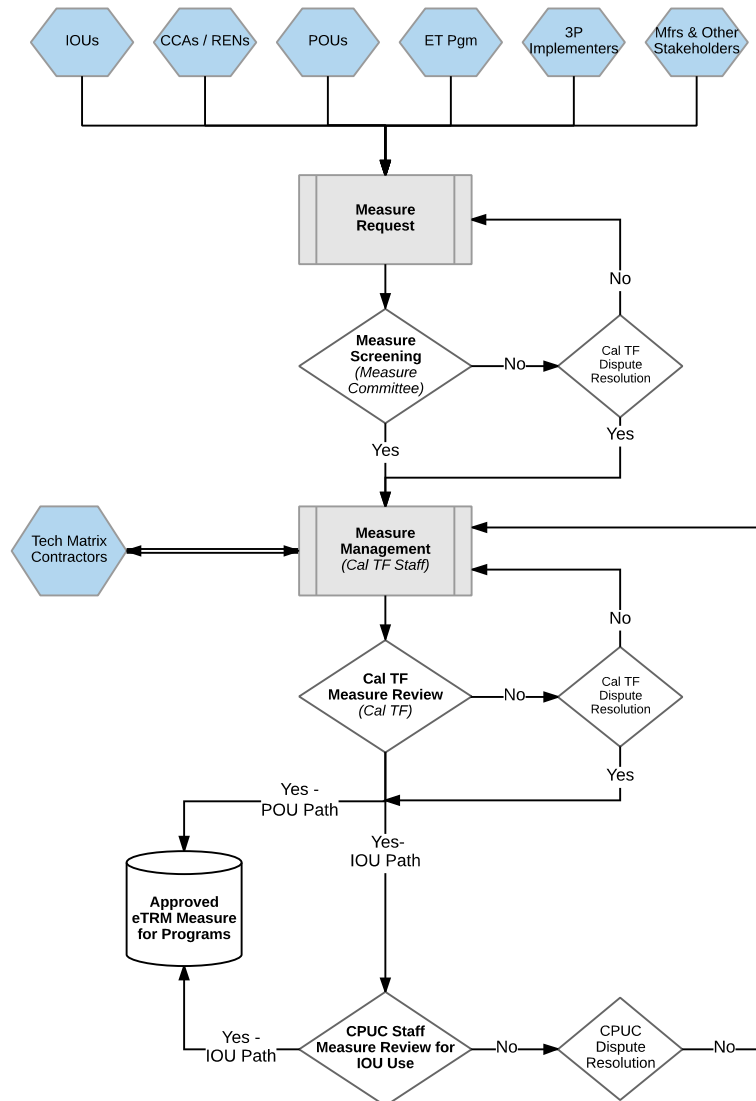
<sup>24</sup> Energy Efficiency Policy Manual, Version 5, July 2013, p. 30.

<sup>25</sup> Phase 3 Scoping memo, at p. 8-9.

Committee and the Technical Forum. The motion would, of course, first be discussed and reviewed by Commission Staff prior to filing.

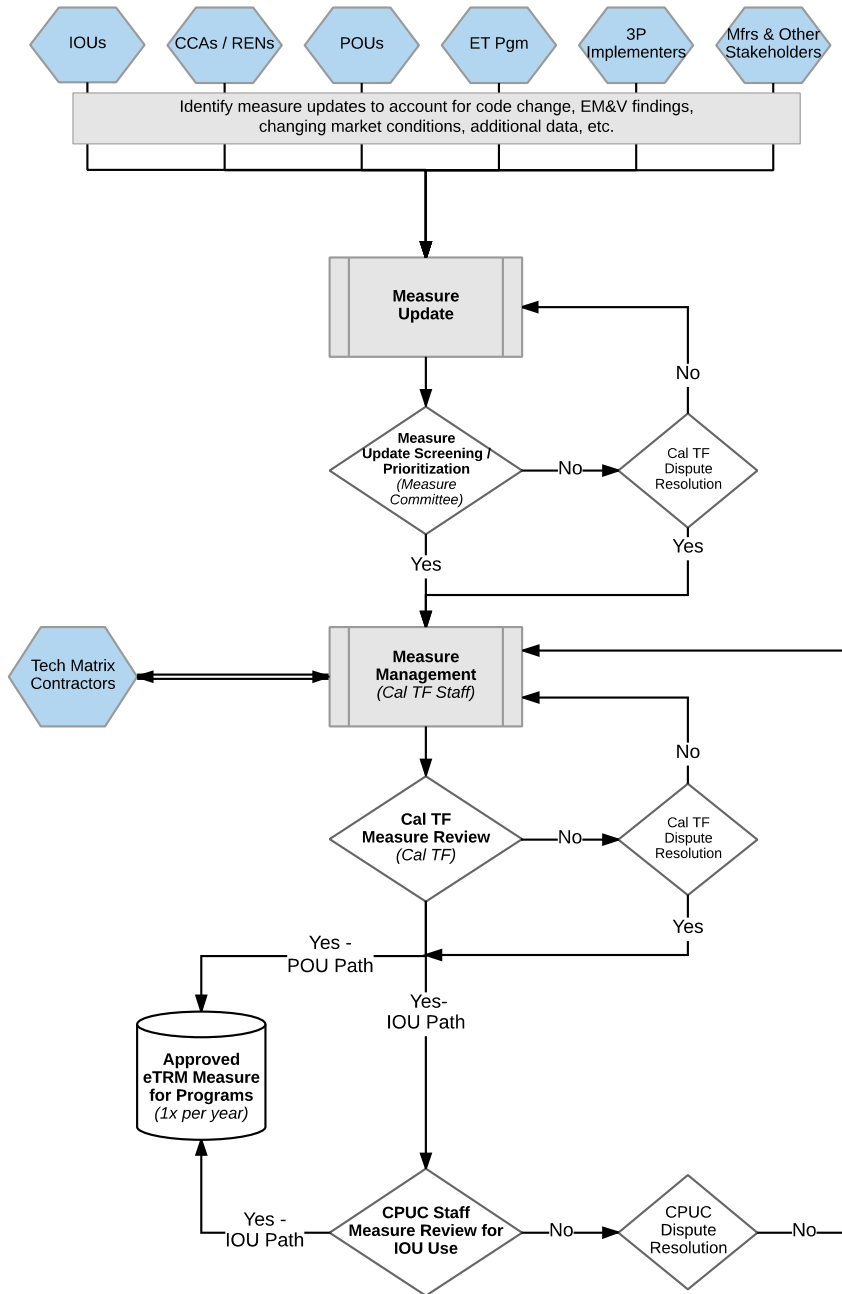
Attachments D and E contain outstanding items to address as we refine the processes and non-consensus items, respectively.

## Attachment A: Process Diagram for New Measures





## Attachment B: Process Diagram for Annual Measure Updates



**Attachment C:**  
eTRM Deemed Measure Requirements, Guidelines and Templates

The new measure review process would adhere to the following requirements, guidelines and templates to ensure clarity, consistency and transparency.

1. eTRM Data Specification: An Excel spreadsheet that contains the data required for measures for the eTRM as well as the qualitative documentation of all sources, assumptions, methods, calculations. The eTRM Data Specification replaces the previous Workpaper Template and Ex Ante Data Specification.
2. Data Dictionary: This will clearly identify and describe each field, indicate the allowable entries (value ranges or text) and explain the relevance of the information (e.g. used for cost-effectiveness calculations, impact assessments, etc.)
3. Statewide Measure Naming Convention: Common approach for naming measures statewide.
4. eTRM Style Guide: Editorial guidelines to ensure consistency and standardization in all documents produced as part of the eTRM project.
5. Cal TF TPP No. 7: Statewide Measure Development Guidelines and Internal QA/QC Procedures: Provides guidelines for the Tech Matrix Contractor's peer-to-peer engineering review, review and QC, and management approval of a workpaper. The QA/QC process will ensure that each measure has been developed as a statewide measure with an appropriate level of technical rigor, appropriate due diligence to identify all relevant studies, adequate market research, and data collection of key parameters, includes appropriate documentation, and allows full transparency into how all values were calculated and the sources of all inputs.<sup>26</sup>
6. Technical Compendium: Technical Compendium is a set of guidelines/manual that describes regulatory and technical requirements for developing deemed ex ante estimates. (To be developed in 2018). The Technical Compendium would contain:
  - a. Commission's technical requirements for deemed ex ante measure development (from Commission decisions and other Commission-adopted documents).
  - b. Commission Staff Guidelines, organized by technology category and specific measures (from dispositions and other sources of staff guidance).
  - c. Cal TF and "Best Practice" technical guidelines for developing and updating measures<sup>27</sup>.
  - d. Requirements for using computer models, including:
    - i. Statutory (Public Utilities Code Sec. 1821 – 1822).

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<sup>26</sup> Cal TF Technical Position Paper (TPP) No. 7: Statewide Measure Development Guidelines and Internal QA/QC Procedures. Draft. Distributed to Cal TF via email on July 19, 2017.

<sup>27</sup> Such as those in the State and Local Energy Action Network's *Guidance on Establishing and Maintaining Technical Reference Manuals for Energy Efficiency Measures*.

- ii. Rules of Practice and Procedures (Rule 10.3: Computer model documentation).
    - iii. Staff technical requirements for seeking approval of new computer models.
    - iv. List of acceptable energy simulation models.
  - e. Requirements for California Building Prototypes, including:
    - i. List and description of acceptable building prototypes such that a modeler could import the prototype into alternative energy simulation models.
    - ii. Sources for all building prototype characteristics and assumptions.
    - iii. Allowable process for altering building prototypes when modeling specific measures, and for documenting changes made to building prototypes.
  - f. Requirements for new modeled measures (including base and measure case)
    - i. Requirements for measure description, validation and documentation.
  - g. List of acceptable “Tools” that can or should be used for deemed measures (such as custom tools that can or should be used for deemed).
  - h. Definitions and derivations/appropriate uses of common elements used in multiple measures and measure categories, such as:
    - i. Load Shapes
    - ii. Coincident Demand Factors
7. Templates: Use of the following templates will ensure consistency, completeness and transparency of deemed measure development and review process:
- a. Measure Proposal Template
  - b. Measure Screening Committee Review
  - c. eTRM Data Specification
  - d. Internal Manager Review Checklist
  - e. Peer Review Checklist
  - f. Table: Cal TF Comments and WP Developer Responses
  - g. Cal TF “Affirmation” that identifies specifically what Cal TF affirmed
  - h. Commission Staff Review: Cal TF Recommends that staff develop a template, in lieu of the current “disposition” memo, that succinctly and clearly sets forth: 1. Required changes to measure so it can be used by CPUC-regulated entities (IOUs and implementers), and 2. Rationale for changes. This template could be a table with:
    - i. Required Change
    - ii. Citation to CPUC source that requires change
    - iii. Rationale for change
    - iv. Impact of change
- If the Commission Staff feedback contains additional guidance that was not previously provided, the staff feedback will be used to update the Technical Compendium so that it is a complete and current source of all information relating to deemed measure development and review.

**Attachment D:**  
Outstanding Issues

There are a number of areas that need discussion and resolution prior to finalizing the new measure and measure update processes. These are summarized in Table 3 below.

**Table 3. Outstanding Issues**

Process Area	Outstanding Issue
Measure Committee	<p>Who would be on measure screening committee?</p> <p>What individuals or departments within the utilities have the depth of knowledge and organizational insights to serve on the measure committee.</p>
Measure Screening/Prioritization	<p>What will drive the need for a new measure? Will we require that a utility or other implementer agrees to offer the measure if it is approved?</p> <p>What criteria would be used to determine if a measure is “in or out?”</p> <p>How will we ensure that a proposed measure doesn't conflict with another entity's plan or definition for a similar measure?</p> <p>How will we ensure that the addition of a new measure doesn't cannibalize an existing measure, program, or otherwise interfere with a utilities' ability to meet their goals?</p> <p>How cumbersome will the request form/process be? How will we ensure that it's rigorous enough to prevent an entity from submitting measures that aren't valid or needed but simple enough that an entity doesn't need to have extensive technical or policy expertise to navigate the request.</p>
Leveraging Emerging Technology (ET)	<p>How would process leverage and coordinate with ET process?</p> <p>How does the Cal TF measure screening process relate to the Emerging Technologies/TRIO process that are similar?</p>

	<p>Will ET measures have an expedited path through Measure Screening or Review?</p> <p>Can Cal TF leverage any of the ET tools or stage gate process?</p>
PA Measure Sponsor	Does there have to be a sponsoring program implementer to offer the measure before its developed?
Measure Development	<p>Can another entity develop their own measure and submit to the CPUC for approval without going through Cal TF? What about if they conform to the established guidelines and formats?</p> <p>How would we ensure the separate path includes the same rigor as going through the CalTF process? Would these separate workpapers be required to be statewide?</p>
Role of Requester	<p>To what degree is the measure requestor involved in the development process?</p> <p>What's the best strategy keeping a measure requestor informed and leveraging their expertise in the measure development process without creating a burden?</p>
Additional Research	Who will fund additional research when needed to support a measure?
Interim WPs	<p>Will there be a process to pilot a measure in order to gather additional data to support the measure savings claims?</p> <p>Similar to the current interim work paper provision.</p>
Dispute Resolution	Who could invoke dispute resolution and at what points in the process?



**Attachment E:**  
Non-Consensus Items

Several parties have expressed concerns over various aspects of the proposed processes and have proposed alternatives. These concerns and the alternatives are captured in Table 4 below.

**Table 4. Non-Consensus Items**

<b>Non-Consensus Item</b>	<b>Rationale</b>	<b>Alternative</b>
<b>Who can develop/submit WP?</b> IOUs/PAs should be sole entities that can submit WP to CPUC for review.	The Commission Staff only has regulatory authority over IOUs, so workpapers must come from IOUs/PAs so CPUC has control over WP quality and content.	No change to current practice.
<b>Who selects measures for development?</b> IOUs have final say over what measures developed, not measure screening committee	The IOUs bear the risk of not meeting their savings targets so they should have control over the measure development. Furthermore, the IOUs will select the third party programs, so IOUs will continue to control what measures will be offered.	No change to current practice.
<b>Centralizing WP Development:</b> Workpaper development should not be centralized but should instead remain with individual IOUs	IOUs still responsible for savings targets and portfolio and thus must control measure development. Measure development and updating and measure standardization can be effectively accomplished through statewide coordination.	No change to current practice

<p>Other possible areas for non-consensus to discuss</p> <ul style="list-style-type: none"> <li>-Conflicts rules for WP developers or no?</li> <li>-Modify ESPI to eliminate WP development elements?</li> <li>-Modify current dispute resolution process?</li> <li>-Measure screening committee?</li> <li>-Measure update suggestions by any party or just updates from DEER update process?</li> <li>-Cal TF role in measure development and review?</li> <li>-Measure development per standardized QA/QC process?</li> <li>-Internal and external peer review after measures developed?</li> </ul>		
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