

Comments of EnerNOC, Inc. on Preliminary Energy Efficiency Strategic Plan

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EnerNOC, Inc. appreciates the opportunity to provide comments to San Diego Gas and Electric, Pacific Gas and Electric, Southern California Edison and Southern California Gas (the utilities) on their California Energy Efficiency Strategic Plan Supplemented Draft (Draft Plan). EnerNOC is a leading developer and provider of clean and intelligent energy solutions to commercial, institutional, and industrial customers, as well as electric power grid operators and utilities. Our technology-enabled demand response and energy management solutions help optimize the balance of electric supply and demand.

EnerNOC recognizes the utilities' efforts in the development of this extensive Strategic Plan to guide California's energy efficiency vision and fully supports the Draft Plan's stated goals. EnerNOC is providing comments to both identify areas for improving the Draft Plan and offer recommendations based on our experience in providing energy management services to customers throughout North America. Specifically, EnerNOC's comments focus on the following issues:

1. Statewide market transformation efforts should include the evolving market stakeholders
2. Integration pilots may be needed in some cases, but there are cost-effective, reliable and feasible programs and services available today that should be used to their full potential.
3. Innovative energy efficiency strategies may require changes to the existing evaluation tools and processes to allow for greater flexibility.
4. Innovation will be stymied unless visibility to customer usage data is increased

1. Statewide market transformation efforts should include the evolving market stakeholders

The Draft Plan focuses on market transformation as a “cross-cutting” strategy and emphasizes the goal of creating long-lasting sustainable changes in the structure of the market.¹ There is also recognition that “more key stakeholders” need to be enrolled to “increase . . . the breadth of stakeholders”, and that achieving the goals in the Draft Plan will require “unprecedented collaboration between stakeholders and agencies”^{2,3}. EnerNOC agrees with the

¹ Draft Plan, p. 4

² Draft Plan p. 121

³ Draft Plan p. 125

utilities that collaboration is essential for this effort to be successful, but the Draft Plan focuses too heavily on the current stakeholders (IOUs, POUs, local governments, agencies, builders, and customers) without a recognition that other stakeholders exist and are continuing to emerge within the market today that can and will help shape the future of energy efficiency through innovation.

The Draft Plan discusses mechanisms “to encourage 1) suppliers and manufacturers to *sell* efficiency products or services to “push” the market or 2) consumers to *buy* these products or services to “pull” the market” with a goal toward moving new products or services into standard practice.⁴ However, when listing out the stakeholders to be involved in this “push-pull” process, for example in Figure 1-1, the companies active in the market to develop efficient products and services are omitted from the picture.

To achieve true transformation, California’s energy efficiency strategy must include an expansion of the stakeholder process to include the growing number of companies that can both provide services for customers and partner with utilities to assist in reaching their substantial energy efficiency, demand-side, and greenhouse gas reduction goals. These companies represent a different, yet entirely market-based, model than the traditional supplier of energy efficient equipment. The Draft Plan recognizes that “transformation of the energy efficiency market requires changes in both energy user behaviors and the supply chain of services and products that end-users rely on to efficiently use energy”⁵. In order to have true collaboration, the execution of this strategy process needs to include the companies who are actively developing efficient these efficient services and products.

While companies that develop and manufacture the traditional energy efficiency products have long been a part of the process for California’s codes and standards development, a new breed of companies have emerged in recent years that offer non-traditional, yet valuable, energy efficiency services. Companies, like EnerNOC, that can use technologies and products to help educate customers, provide targeted, customer-specific efficiency improvements and dynamically change the market for available energy efficiency solutions are largely lost from consideration in strategies that focus on codes and standards. These companies should be identified as stakeholders explicitly in the California’s Strategic Plan and should be encouraged

⁴ Draft Plan p.4

⁵ Draft Plan , p.4

to partner with the utilities to “push” a new paradigm of energy efficiency awareness and customer behaviors.

Commissioner Grueneich and Commissioner Chong’s April 11, 2008 Ruling included Energy Division Recommendations to this end “Energy Division recommends that the utilities engage third party implementers....in their development of IDSM pilot projects.”⁶ The Draft Plan should respond to this recommendation and be updated to expand upon the stakeholders already indentified by including the wider stakeholder universe of third party implementers and other relevant companies not presently represented.

2. Integration pilots may be needed in some cases, but there are cost-effective, reliable and feasible programs and services available today that should be used to their full potential

A primary tenet of the Draft Plan is that “All cost-effective, reliable, and feasible energy efficiency measures and actions are implemented in an integrated manner.”⁷ However, under Section 8.3 “Strategies for DSM Coordination & Integration” of the Draft Plan, the first operational strategy listed is “Establish Integration Procedures and Determine the Limits of Integration through Pilot Projects.”⁸ While in some cases, pilots may be the best way to test the potential for success of some programs, implementing this strategy alone will miss out on the cost-effective, reliable and feasible programs and services available today that could be used to their full potential now.

The April 11, 2008 Ruling containing Energy Division recommendations states “As much as feasible, Energy Division recommends that utilities plan and launch integrated DSM *programs*, confining the use of IDSM pilot projects to those that test or advance poorly understood and/or truly innovative approaches. Companies exist today that can design DSM programs or direct services structured to protect ratepayers from potential failures. These market-based companies, working in conjunction with the utilities, can provide services that are needed in the 2009-2011 timeframe without the lengthy pilot process proposed in the Draft Plan. As such, the Draft Plan should incorporate an additional strategy for DSM integration that specifically recognizes that market opportunities for DSM integration at the customer level exist today and that the utilities should capitalize on these opportunities whenever feasible.

⁶ R.06-04-010 and R.07-01-41, April 11, 2008 Ruling, Attachment p. 5

⁷ Draft Plan p.4

⁸ Draft Plan, p. 80

3. Innovative energy efficiency strategies may require changes to the existing evaluation tools and processes to allow for greater flexibility.

The Draft Plan states very clearly that “This Plan does not specifically address three important elements of energy efficiency. These are evaluation, measurement and verification of energy savings; transportation; and the water-energy “nexus. The reasons for these exclusions are twofold: first, there was no specific input provided by the working groups on these topics; and, second, various state agencies are covering these issues in separate processes. Future cycles of strategic planning are likely to address these issues”⁹ This is a critical area of omission in the current Draft Plan that, while it may not be feasible to fully address here, it should be elaborated upon in the Final Strategic Plan.

California is a leader in the development and implementation of energy efficiency programs and much of the success of these programs can be attributed to the rigorous evaluation, measurement, and verification tools developed over the years. These tools, while powerful, may not be the right or appropriate tools to evaluate, measure, and verify innovative (and integrated) energy efficiency savings. For example, at the front end of the energy efficiency program development process, the E3 calculator tool used by all three utilities for energy efficiency program cost-effectiveness evaluation can very effectively evaluate traditional efficiency programs involving equipment replacement. However, this tool is not designed to, or capable of, evaluating the benefits of operational efficiency programs such as continuous commissioning or load-shifting type programs.

The Draft Plan should be updated to at a minimum reflect the need for greater flexibility with the existing tools for evaluating innovative DSM projects or programs. Additionally, the Draft Plan should incorporate a strategy for how, when, and where California will develop more dynamic evaluation tools for more dynamic and innovative energy efficiency activities.

4. Innovation will be stymied unless visibility to customer usage data is increased

The Draft Plan’s focus on utility-administered pilot programs raises an important issue regarding data visibility and access. As long as customer energy usage (meter) data is tightly

⁹ Draft Plan, p. 8.

controlled by the utility, the ability for the market to push for innovation through non-pilot programs or turn-key services will be hampered. Presently, a customer cannot easily access their own usage data directly in forms that allow for in-depth analysis. An example of this situation can be observed in the current demand response programs. For commercial and industrial customers interested in participating in demand response programs through a third-party, there is a lengthy administrative process for them to get access from their utility to their own real-time meter data through a pulse output mechanism. Once this data is available however, there are significant opportunities to not only improve the customer's demand response performance but also to achieve energy efficiency savings through active monitoring and analysis and even putting the data directly into a building's energy management system.

Allowing customers to have easy access to their own usage data will expand the opportunity for products and services to be designed for them from both the utility and the market perspectives. Fundamentally, planning for innovation through structured pilot programs where all the data is retained by utilities is a limited strategy to achieve the substantial goals set forth by the Commission. The Draft Plan should support increasing customer's awareness of their energy usage through education and allowing them easy access to the underlying usage meter data as a strategy that can lead to even greater market innovation for energy efficiency opportunities.

Conclusion

The utilities' Draft Strategic Plan establishes important vision and goals to achieve California's energy efficiency market transformation. As discussed above, it is important for this effort to include the evolving market of stakeholders, take advantage of existing programs and services available to today, and increase the access to data that will allow increased innovation.

Sincerely,

/s/

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