

**PUBLIC UTILITIES COMMISSION**

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Date: July 27, 2023

To: Southern California Edison Company (SCE)

From: Rashid Mir and Peter Biermayer, California Public Utilities Commission (CPUC)

Cc: R.13-11-005 Service Lists

Subject: MID-YEAR FEEDBACK - 2023 EX ANTE REVIEW (EAR) PERFORMANCE

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Pursuant to Decision (D).13-09-023, D.15-10-028, D.16-08-019, and D.20-11-013, California Public Utilities Commission (CPUC) staff and consultants are providing the 2023 Ex Ante Review (EAR) Performance Mid-year Feedback on the investor-owned utilities (IOUs) respective activities as of June 30, 2023. D.20-11-013 placed a moratorium on EAR awards<sup>1</sup> but directed that EAR scoring and evaluation processes shall continue. The mid-year feedback focuses on specific accomplishments and issues or concerns identified as part of ongoing measure package and custom project reviews. This feedback will help the IOUs address these issues for the remaining year.

## I. CPUC Staff Findings 2023 Mid-year Activities Feedback

The following sections of this memorandum provide a description of the findings, including areas of achievement and areas requiring improvement for both custom projects and measure packages review activities.

### A. Custom Projects Review Overview

#### 1. Summary of 2023 Mid-year Achievements

This feedback is based on seven CPUC staff project review dispositions issued between January and June 2023. CPUC staff found six project review dispositions were ready to proceed with exception as noted, and one was marked as Advisory<sup>2</sup>. CPUC Staff's observations include:

- **Timeliness.** All projects submitted in the first half of 2023 were submitted early by seven or more days indicating SCE's processes for reducing the time for custom projects to be submitted with appropriate documentation is continuing to improve.
- **Statewide Initiatives.** SCE was instrumental in helping lead the Statewide Coordination team, including managing the collaboration space for materials and dedicating staff resources to subgroup efforts.
- **Program Influence.** In the first half of 2023, there were no issues related to program influence which is an improvement over 2022 year-end results.
- **Bi-monthly Uploads.** In the first half of 2023, SCE did not have any errors in the bi-monthly uploads which is a significant improvement over the 2022 year-end results.

#### 2. Summary of Areas Requiring Improvement

Areas that were most problematic, frequent, and/or need improvement include:

- **Gross Savings.** In the first half of 2023, there were six issues related to Gross Savings which comprised 50 percent of all issues noted. Most of these issues were related to analysis assumptions.
- **Process, Policy, and Program Rules.** In the first half of 2023, there were four issues related to Process, Policy, and Program rules which comprised 33 percent of all issues noted.

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<sup>1</sup> The EAR awards were part of the Efficiency Savings and Performance Incentive (ESPI) awards.

<sup>2</sup> The objective of Advisory reviews is not to approve project savings claims, but to provide early feedback for implementation and to inform CPUC staff-led evaluation. NMEC project reviews are Advisory.

## B. Measure Packages Review Overview

### 1. Summary of 2023 Mid-Year Achievements

CPUC staff observed strengths in SCE's development and management of measure package submissions in the following area:

- **Collaboration.** SCE continues to collaborate effectively with CPUC staff on statewide guidance and tools including the updated Fuel Substitution and Refrigerated Avoided Cost calculators.

### 2. Summary of Areas of Improvement

CPUC Staff highlights the following direction for improvement:

- **Quality Assurance (QA)/Quality Control (QC) and Development.** SCE should continue to emphasize internal QA/QC practices to ensure measure package submissions are void of minor typos and language confusion that requires minor edits.

## II. Discussion

The following sections of this memorandum provide a detailed description of the findings, including areas of achievement and areas requiring improvement for both custom projects and measure packages.

### A. Custom Projects Performance Review

Each year, CPUC staff reviews a sample of custom project energy efficiency program applications. The review findings and directions to the IOUs are presented in documents referred to as "dispositions". This feedback is based on seven CPUC staff project review dispositions issued between January and June 2023.

The comments below are organized by the five metric areas prescribed in D.16-08-019. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

#### 1. Timeliness of Submittals

SCE complied with SB1131 guidelines for submitting documentation before the 15 business days required. For the first half of 2023, no projects were found to be late, and all projects submitted were uploaded 7 or more days earlier than required. This means SCE is complying with CPUC requirements under this metric and making attempts to upload submissions earlier than required.

#### 2. Content, Completeness, and Quality of Submissions

Out of the seven project dispositions issued in the first six months of 2023, CPUC staff noted six action items (50%) impacting gross savings. The biggest category in this area was related to "analysis assumptions used" area.

One-third of the action items from the first half of 2023 impacted process, policy, and program rules.

Table 1 below summarizes the twelve action items identified across seven dispositions issued between January 1, 2023, and June 30, 2023.

Table 1: Summary of Categorized Action Items for Custom Projects

Issue Area	Action Categories	Summary of CPUC Staff Required Action by the PA:	Summary of CPUC Staff Notes or Instructions:	Percent of Total Actions
<b>Issues Related to Gross Savings Impacts</b>	Analysis assumptions	4	0	33%
	M&V plan	2	0	17%
	<b>Subtotals</b>	<b>6</b>	<b>0</b>	<b>50%</b>
<b>Process, Policy, Program Rules</b>	Baseline	1	0	8%
	ER preponderance of evidence	0	1	0%
	Measure cost	1	0	8%
	Self generation	2	0	17%
	<b>Subtotals</b>	<b>4</b>	<b>1</b>	<b>33%</b>
<b>Documentation Issues</b>	Continue Document Upload	0	2	0%
	Missing Documents	0	1	0%
	<b>Subtotals</b>	<b>0</b>	<b>3</b>	<b>0%</b>
<b>Issues Related to Net Impacts</b>	Program influence	0	1	0%
	<b>Subtotals</b>	<b>0</b>	<b>1</b>	<b>0%</b>
<b>Other Issues</b>	Other 1 - PFS states customer typically reuses exterior lamps and ballasts that were removed from previously upgraded facilities which goes against SW Guidance document requirements	0	1	0%
	Other 2 - Documentation does not address if and how the measures meet or exceed the customer's standard practice beyond this individual location.	1	0	8%
	Other 3 - Include information on whether changes to space conditions would trigger changes to the service agreements between the baseline and reporting period.	1	0	8%

Issue Area	Action Categories	Summary of CPUC Staff Required Action by the PA:	Summary of CPUC Staff Notes or Instructions:	Percent of Total Actions
	Other 4 - Project timeline indicates incentive paid out 12 months after application. NMEC requires at least 12 month reporting period post implementation and commissioning.	0	1	0%
	<b>Subtotals</b>	<b>2</b>	<b>2</b>	<b>17%</b>
	<b>Grand Total</b>	<b>12</b>	<b>7</b>	<b>100%</b>

### 3. Proactive Initiative of Collaboration

Commission staff found that SCE made efforts to bring measures, projects, or studies forward for discussion prior to review, particularly when it comes to assigning rigor levels, EUL, and implementation of pump overhaul measures using the Early Opinion<sup>3</sup> process. SCE has also facilitated collaboration by leading monthly coordination calls with other IOUs and Commission staff and managing the external SharePoint site.

### 4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

Project and measure level disposition performance results reviewed under Metric 2 are used as a proxy for the level of QA/QC occurring by the PA. As noted above, staff found several deficiencies related to gross savings impacts in the first six months of 2023, demonstrating a need for SCE to improve the effectiveness of its QC processes. Additionally, the number of dispositions proceeding without exception was weighed against those approved with exceptions or resulting in rejections. Out of the seven dispositions issued between January and June 2023, one was advisory, and two dispositions issued were allowed to proceed without exceptions. Four dispositions were allowed to proceed with exceptions as noted. SCE must increase its QC processes to ensure that issues such as those identified under Metric 2 are corrected in future submissions to avoid a loss of EAR points under this metric at the end of 2023.

### 5. PA's Responsiveness

When reviewed at a portfolio level, CPUC staff assesses the time series of rejections and exceptions, the alignment of program policy and procedures with the number of actual rejections and exceptions based on eligibility and attribution, and the adaption to changes in rules over time. SCE had action items noted in the Gross (six issues), and Process, Policy, Program Rules (four issues). CPUC staff will observe the trend of these issues over the next six months for reporting and scoring on the year-end memo.

<sup>3</sup> Early Opinion reviews allow the PAs to request clarification from CPUC staff of custom project related CPUC policies or rules before submitting a project.

## **B. Measure Packages Performance Review**

SCE had three measure packages disposed in the first half of 2023 and have two measure packages under detailed review. The two measure packages that received disposition approval were mid-cycle updates that consisted of a new measure package and new measure offerings to an existing measure package, respectively.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations common to multiple measure packages and feedback related to the measure package development process as well as direction for future measure packages. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

Specific measure package feedback is provided in tables in Attachment A, at the end of this document. The first table, the Measure Package Reviews table provides feedback on the three measure packages reviewed and disposed in the first half of 2023. The second table, the Measure Package Submissions table lists all measure packages submitted by SCE during the review period that are under current review. The Staff acknowledges that measure package development may have been supported by multiple PAs; however, at the time of this mid-year review, feedback is directed to the submitting PA, with the assumption that they have led the development.

### **1. Timeliness of Submittals**

SCE has met the minimum requirements for measure package submissions and responses to measure package comments on the measure log. SCE has developed two new measure package plans which were adequately presented to reviews in a timely manner.

### **2. Content, Completeness, and Quality of Submissions**

SCE measure package submissions have met CPUC staff requirements for completeness and quality over the first half of 2023. The new measure offerings for the Heat Pump Water Heater, Residential, Fuel Substitution and Software-Controlled Switched Reluctance Motor measure packages were well presented for CPUC staff reviewers.

### **3. Proactive Initiative of Collaboration**

SCE has proactively engaged with CPUC staff during the development of new measure packages: Business Energy Reports and Lighting Indoor Horticulture. They have submitted measure package plans for new measures and work with CPUC staff to complete the early feedback period. In addition, SCE has continued their collaborative role to work with the CPUC review team to develop statewide tools like the Fuel Substitution and Refrigerant Avoided Cost calculators.

### **4. PA's Due Diligence, Quality Assurance, and Quality Control(QA/QC)**

SCE has shown increased attention to their due diligence, quality assurance, and quality control practices through their continued effort to support statewide policy and coordinating updated monthly meetings with the CPUC to align with organizational changes at SCE.

## **5. PA's Responsiveness**

SCE has been responsive to comments and feedback from CPUC staff on measure package reviews. They engage with CPUC staff to assure measure updates are in alignment with policy and standards as appropriate. In addition, SCE's responsiveness on statewide guidance documents and policy discussions is noteworthy.

## **III. Attachments**

Attachment A: Measure Package Feedback contains the Measure Package Summary tables showing the qualitative components for each.

Questions or comments about the feedback should be directed to Rashid Mir ([rashid.mir@cpuc.ca.gov](mailto:rashid.mir@cpuc.ca.gov)) or Peter Biermayer ([peter.biermayer@cpuc.ca.gov](mailto:peter.biermayer@cpuc.ca.gov)). Note that pursuant to D.13-09-023, CPUC Staff will schedule a meeting with SCE in August to discuss this memorandum.

## Attachment A: Measure Package Feedback

The table below lists the ID numbers associated with each measure package submission or disposition. The PA may refer to the individual dispositions for more detailed descriptions of the specific actions staff required for each measure package. The qualitative feedbacks are designated as follows:

Measure Package Review – All Disposed in 2023			
SW MP ID	Rev	Title	Comments
SWWB007	1	Business Energy Reports	New measure package approved after a few minor comments on statistical methodology and assumptions.
SWWH025	6	Heat Pump Water Heater, Residential, Fuel Substitution	New measure offerings added to existing measure package that were approved with two minor comments on clearly stating the first-rated-hour update and building vintage values in the permutations.
SWHC041	4	Software-Controlled Switch Reluctance Motor	Measure package update to add new Accelerated Replacement offerings. Measure package approved after clarifying comments on the labor cost, data collection requirements, and minor language clarifications in the gas savings section.

Measure Package Submittals – All Submitted in 2023		
SW MP ID	Title	Comments
SWWB007-01	Business Energy Reports	Interim approval.
SWWH025-06	Heat Pump Water Heater, Residential, Fuel Substitution	Interim approval.



<b>Measure Package Submittals – All Submitted in 2023</b>		
<b>SW MP ID</b>	<b>Title</b>	<b>Comments</b>
SWHC041-04	Software-Controlled Switch Reluctance Motor	Interim approval.
SWHC044-03	Ductless HVAC, Residential, Fuel Substitution	Detailed review in progress.
SWHC045-02	Heat Pump HVAC, Residential, Fuel Substitution	Detailed review in progress.