

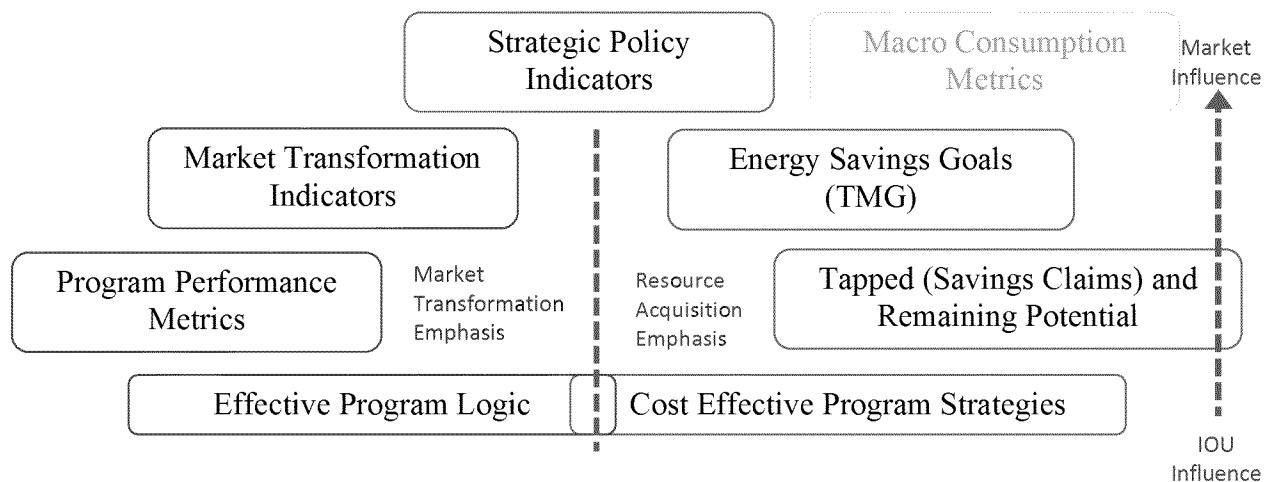
**[DRAFT] Framework of Indicators for Assessing Achievement of Long Term Energy Efficiency Objectives**

**Overarching Objective of the Proposed Framework**

Energy Division was called upon by the Commission to oversee and support the IOUs in vetting, and further refining an initial list of market transformation indicators presented to parties in Appendix B of Resolution E4385.

In reviewing the initial list of indicators it became clear that there was a need to further refine the types of programmatic and market indicators with the ultimate goal of understanding what strategies are working in the short and longer term to achieve strategic objectives for energy efficiency in California and continue to transform markets in which the programs are operating. The proposed indicators would provide information that is complimentary to the other forms of information (i.e. energy savings in aggregate and by program or measure) that is being collected and used to assess progress toward broader strategic policy indicators.

**Figure 1. Framework for Multiple Sources of Information Used to Assess Accomplishments of Energy Efficiency Efforts**



The bottom tier of this illustration are elements that are clearly within the control of the IOU programmatic activity, and the further up the scale the influence and the control of the IOU's is less direct (but there is still an opportunity for significant influence.).

**Value of the Information and How it Will be Used**

Historically the emphasis of assessing performance of the IOUs has been on achieving the energy savings goals by utility and achieving cost effectiveness at the portfolio level. The Commission has directed the IOUs and Energy Division to broaden the scope of assessing performance by adopting program performance metrics, and preliminary market transformation indicators. Each piece of information is complimentary to the others in that it informs what has been accomplished, what has been working or not, and where to go next; but none of them can effectively inform policy direction on their own. These metrics and the savings targets will also include a process for updating baselines

and objectives over time.

### **Regulatory Authority**

**Resolution E-4385** affords an opportunity to initiate tracking of a “subset” of market transformation indicators. In attempting to define that subset, Energy Division and the IOUs revealed that there are more nuanced definitions included in what were characterized as preliminary “Market Transformation Indicators” in the resolution. We have therefore taken the original list of Market Transformation Indicators and further categorized them as either market transformation indicators or one of two new categories: strategic policy indicators, and long term program performance metrics. ED and the IOUs have jointly reviewed these indicators and identified MTIs that make up the “subset” and sorted the remaining viable indicators into the new categories. This exercise also revealed that there are still significant gaps in the emphasis of the portfolio towards market transformation initiatives. These gaps should be addressed in the next portfolio cycle planning. Definitions of new metrics and metrics to track these and new initiatives’ progress is in scope of D.10-10-033 obligation to define a research plan and viable market transformation indicators beyond the “subset” of MTIs ordered in Resolution E-4385.

The proposed workshop (currently scheduled for November 7, 2011) will focus on the Market Transformation Indicators that were included in the original resolution, but also discuss the rationale behind the categorization or re-categorization of those indicators.

The Assigned Commissioners Ruling issuing the “final set of MTIs” pursuant to Resolution E-4385 will also adopt proposed strategic policy indicators and long term program performance metrics. [Pending discussion with the AC]

**Decision 10-10-033** provides the regulatory framework to further refine the market transformation logic of the portfolio, develop, vet and add new indicators where gaps have been identified, and adapt to portfolio guidance or the orientation of the next program cycle programmatic objectives. A process for reviewing and updating metrics for the long term should also be developed and adopted by the Commission through this evaluation plan which will be submitted concurrently with the next portfolio applications

## **Proposed Additional Classifications for Market Transformation Framework**

**Short-term program performance metrics [STPPM]** Purpose is to help assess short-term program performance, they are program-specific, and short-term in nature. Potentially multiple STPPMs for each program, but represented conceptually in the following figure 2 as one box for all the STPPMs for each program. STPPMs lead into LTPPMs, on a one-to-one basis at a program level. Program performance metrics are presumed to be largely in the control of the IOUs; and indicate short term objectives of those program activities. They indicate whether or not a program has been successful in fulfilling the logic set out in the original (or modified) implementation plan.

**Long-term program performance metrics [LTPPM].** Purpose is to help assess long-term program performance. These metrics are program-specific and longer-term in nature. Potentially multiple STPPMs for each program, but represented conceptually here as one box for all the LTPPMs for each program. LTPPMs can lead into either MTIs or SPIs or both, depending in large part on whether they are for a program that has a clear market transformation focus and strategy. These metrics illustrate both the long term value of the program strategy and what program activities will support longer term objectives for energy efficiency in the state. In theory assessing accomplishment of long term objectives could be informed by status on LTPPMs, MTIs, and SPIs.

If the program has a clear market transformation focus and strategy, it will likely lead into one or more MTIs. The relationships between LTPPMs and MTIs are not necessarily one-to-one, but can be many-to-one or one-to-many. Often there will be multiple programs bearing on the same market, in which case multiple LTPPMs will be associated with a single MTI. Sometimes the same program will bear on multiple markets (for example, a broad-based C&I rebate program) in which case the LTPPMs for a single program may bear on multiple MTIs.

If the program does not have an explicit market transformation focus and strategy, it may not lead directly into any MTIs, but will probably still lead into one or more SPIs, as all programs should be designed to contribute to at least one strategic policy objective. In this case, there will be arrows directly from the LTPPM to the SPI row.

**Market Transformation Indicators [MTI].** Purpose is to help assess progress toward CPUC market transformation objectives where these exist and are explicit. These correspond to markets, which are distinct from programs and do not necessarily have a simple one-to-one relationship with programs, but should be associated with their objectives. These will provide information as to how the markets are moving and inform shifts in programmatic activity to capture opportunities and also support long term objectives.

**Strategic Policy Indicators [SPI]** Purpose is to help assess progress toward the CPUC's strategic policy objectives as laid out in the CEESP. These strategic policy objectives may be achieved either through market transformation strategies, resource acquisition strategies, or a mixture of the two. Pursuit of strategic policy objectives through market

transformation strategies will be reflected in arrows running from MTI to SPI boxes. Pursuit of strategic policy objectives through resource acquisition will be reflected in arrows running from LTPPM to SPI boxes and also support long term objectives.

The relationship between SPIs and either MTIs or LTPPMs is not necessarily one-to-one in nature, but can be many-to-one or one-to-many. Multiple programs and market effects can contribute to the same SPI, and the same program of market effect can contribute to multiple SPIs.

This framework will likely necessitate portfolio or market sector logic models to describe the inter-relationships between the proposed activities and the expected long term outcomes.

**Figure 2. Relationship between Short Term Program Performance Metrics, Long Term Performance Metrics, Market Transformation Indicators and Strategic Policy Indicators**

