**T2WG Task 6 – Streamline the Custom Process**

**Issues and Recommendations for Meeting #6 (7/10)**

*This document is a working document with draft content provided by working group participants or collected through various working group discussions. The draft material in this document has not been vetted by participants and does not reflect the final input of the working group – until the final report is produced, the material should be used only as a basis for working group discussions.*

This document summarizes the context, relevant documents, identified issues, and proposals to date for Task 6 – Streamlining the Custom Process.

Please review the list of issues and proposals and be prepared to:

* Indicate whether you agree with issues and proposals (if not, why not?)
* Share other issues/proposals to would like to add
* Discuss!

Email [t2wg@cadmusgroup.com](mailto:t2wg@cadmusgroup.com) with any thoughts or material (including previously-compiled findings, comments, or recommendations). Send notes directly in this document or as separate documents.

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**Reference Documents**

All materials are available in the “Task 6” folder on <http://t2wg.cadmusweb.com/>

* [D11-07-030 Appendix B](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/D1107030_AttachmentBwithUpdates.pdf) – defines and describes original Custom EAR approach
* IOU Summaries of Custom Program Technical Review
  + [PG&E Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_PGE_%20CustomWorkflow.pdf)
  + [SCE Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_SCE_%20CustomWorkflow.pdf)
  + [SoCal Gas Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_SCG_%20CustomWorkflow.pdf)
  + [SDG&E Technical Review](file:///C:\Users\arlis.reynolds\Desktop\206%20-%20Custom%20Streamlining%20Materials\T2WG_SDGE_CustomWorkFlow.pdf)
* [PG&E Project Development Protocol](http://t2wg.cadmusweb.com/Documents/Task%205%20-%20ISP%20Guidance%20Document/T2WG_Task5_ISP_ProjectDevelopementProtocol_PG&E_20170518.pdf)
* “Ready for CPUC Review” Checklist – template checklist to use when uploading documentation for EAR-selected projects
* “CPUC Ex Ante Review” Document – template used by CPUC staff to track key information and results on projects in ex ante review

# Staff Summary of Custom Project Process

*[This summary provided by Staff for Meeting #5; with some edits in this document]*

The steps described below refer to the numbered steps in the process flow diagram in Figure 1 (page 8).

### Step 1A. Project Development

Utility customers, utility representatives, or third party contractors identify and develop energy efficiency projects meeting criterion developed by the Utilities and CPUC policies. Utilities receive applications for EE projects from Utility customers, utility representatives or third party contractors.

This process can take a few weeks to several years. Projects under development are documented on a list provided to the CPUC twice per month [CMPA upload every 1st and 3rd Monday].

CPUC Staff are not involved with this process.

### Step 1B. Project Application Submitted to Utility

The customer and implementer, if applicable, completes a project application and submits the application to the utility with complete project plans, savings estimates, and post-installation metering plan if needed.

### Step 2A. Pre-Install Utility Review [PA Technical Review]

Utilities receive documentation supporting project applications when the project has sufficient detail and is in the final development stage leading to implementation. The utility reviews the project documentation to ensure the project is eligible for energy efficiency funding and meets utility rules and CPUC policies. The utility determines if the documentation is complete and if the energy savings analysis is accurate.

This process can take from a few days to several months if documentation is inadequate. Some projects are disqualified by the utility at this stage.

Summaries of each IOUs Technical Review are in the “Task 6” folder on <http://t2wg.cadmusweb.com/>:

* [PG&E Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_PGE_%20CustomWorkflow.pdf)
* [SCE Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_SCE_%20CustomWorkflow.pdf)
* [SoCal Gas Technical Review](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_SCG_%20CustomWorkflow.pdf)
* [SDG&E Technical Review](206%20-%20Custom%20Streamlining%20Materials/T2WG_SDGE_CustomWorkFlow.pdf)

### 2B. Pre-Install CPUC Staff Review (if selected) [Custom Ex Ante Review]

The purpose of CPUC Staff review is to ensure that the Utilities are performing their due diligence reviews correctly to protect the ratepayers from improper expenditure of funds.

#### Scope of Ex Ante Review

CPUC Staff review consists of reviewing:

* measure eligibility,
* compliance with PA program rules and CPUC policies,
* savings calculations,
* proposed incentives,
* project costs,
* program influence,
* baseline, and
* measurement and verification plans.

The reviews focus on identifying issues with the Utility review processes. The reviews correct errors with savings estimates and associated financial incentives which are funded by ratepayers. The CPUC Staff review provides real time feedback to the utilities and implementers so that course corrections can be made to reduce recurring issues.

#### Duration of Ex Ante Review

Review for simple projects can be completed in 4-8 hours. Reviews for complex projects can take several days or longer and often requires requesting additional information from the implementers.

#### Project Selection

Utilities provide a list of custom projects to CPUC staff twice per month [CMPA upload on 1st and 3rd Mondays]. The list includes projects in early stages of development through projects which have been completed and claimed. The utility updates the status of each project on the list as the project status changes. When a project has developed to a stage where it is ready for utility review and approval to proceed to implementation, the utility indicates that the project status is “Ready for CPUC Staff Review”.

CPUC Staff have 14 days to notify the utility that the project has been selected for ex ante review (EAR). If the project is not selected for CPUC Staff review it proceeds through the utility normal review and approval process.

Projects with large incentives and/or large savings impacts, or those with unique or unusual measures are a high priority for the ex ante team to review. Projects with a high rate of recurrence or projects where guidance has been previously issued are also prioritized for selection to assess compliance with policy and rules are also prioritized for review.

Table 1 shows the utility projects completed and newly started projects selected by CPUC staff for review during 2015 and 2016. Although the percent of new projects selected each year can vary by sector each year, on average CPUC Staff selects less than 2% of newly identified projects for review. It would be reasonable to estimate that we select less than 2% of the custom Industrial, Agricultural and Commercial market sector projects for review in a given year.

Table 1. Annual Completed Projects and New Projects Selected for CPUC Review



The 98%, on the average, of projects that are not selected for review continue through the utility and customer or implementer process to completion and payment with no CPUC review at any point along the way. However, those projects are still subject to the utility internal review and approval process at each step as determined necessary the individual utility.

#### EAR Review

If the project is selected for review, the utility is expected to provide the project documentation to CPUC Staff within 14 days. In many cases the utilities do not provide documents within 14 days.

CPUC Staff review time is significantly affected by the completeness and clarity of the submitted documentation. Review turn-around time is also affected by the workload of the EAR team and competing priorities.

Project delays may occur in the following steps:

* Initial project proposal review by the program administrators (PAs).
* Initial submissions of documentation by PAs for projects selected by CPUC Staff for review.
* CPUC staff turn-around time for selected project reviews associated with Staff workload and competing priorities.
* Multiple requests by CPUC Staff for additional information associated with insufficient PA responses.
* Utility customer response time when additional information is requested by PAs.
* Secondary submissions by PAs of information requested by CPUC staff.
* Requests for reconsideration by PAs or implementers.

All the above lead to difficulty and delays in bringing some reviews to closure.

The total elapsed time from initial project selection notification to CPUC staff issuing a review result varies greatly. Minimum time is 2-4 weeks but some are delayed for very long times even a year. Most of the delay time is caused by incomplete or inaccurate information requiring CPUC staff to request and then the utility to obtain more information from the customer or the implementers, or for the utility to perform some independent investigation. Some delay is caused by CPUC reviewers re-asking for previously requested items that are not supplied in a response. But also some delay is caused by CPUC staff workload not allowing rapid response, especially for projects with multiple re-reviews and remaining unanswered questions. The review of each response to a previous review request for missing information goes to back of the end of the review queue further lengthening the response time.

Ideally CPUC staff would like all review to be completed within the planned initial 2-4 week period after the utility initial submission in response to the project selection. However this rate happens due to almost all submission having significant omissions. CPUC staff and utility staff are working to correct this problem; however, progress has been slow.

#### EAR Results – Corrective Actions

In 2016, CPUC Staff performed approximately 70 reviews of projects for the four Utilities. CPUC Staff required 342 corrective actions in those reviews for the utilities. The required actions related to energy savings estimates, review process, CPUC policy, utility program rules such as project eligibility, program influence (showing the project provided incremental savings over normal customer planned activity) and documentation issues (mostly missing or incomplete or inaccurate information).

*[summary of corrective actions]*

#### EAR Results – Dispositions

There is a CPUC Staff Ex Ante Review template that collects the following information for each project:

* Project Information (IOU, Project ID, Program, Savings, etc.)
* Dates of PA Uploads and CPUC Staff Review
* Key Project personnel including PA and CPUC Staff Reviewers
* EAR Savings, Dispositions, and actions requested by CPUC Reviewer
* ESPI Initial score for the project with reviewer notes

Table 2 shows the dispositions types the EAR team may choose on the project.

Table 2. CPUC Staff Recommendation Required PA Response

|  |  |
| --- | --- |
| **Disposition Type** | **Description** |
| Application waived from further Staff review | The PA will continue to upload application documents to the CMPA directory through the implementation and claims phases of the project. The PA may proceed to approve the project without waiting for CPUC Staff response. |
| Approved without exception | The PA will continue to upload application documents to the CMPA directory through the implementation and claims phases of the project. The PA may proceed to approve the project without waiting for CPUC Staff response. |
| Approved as noted | The PA must make revisions or changes as noted in CPUC Staff's review comments. The PA will continue to upload application documents to the CMPA directory through the implementation and claims phases of the project. The PA may proceed to approve the project without waiting for CPUC Staff response. |
| Application not approved, revise and resubmit as noted | The application is not approved as submitted. The PA must respond to Staff's comments, make revisions or changes as noted in CPUC Staff's review comments. The PA will resubmit application documents to the CMPA directory within 2 weeks after receipt of this review. The PA may NOT approve the project before receiving CPUC Staff's response to resubmitted documentation. |
| Application rejected | CPUC Staff reject the application. The PA may NOT offer ratepayer funded incentives for this project. |

*[discuss types, format, and communication of dispositions]*

### Step 2C. Review Approval

The utility customer and/or implementer are given approval to proceed to implement the project. Implementer is paid a progress payment of up to 35% of their estimated total payment based on savings estimate.

### Step 3. Customer Installs Project

The utility customer completes the installation of the project. In some cases utility technical reviewers visit the customer facility to verify that the project installation is complete. Implementer is paid a progress payment upon proof of customer equipment order – up to 40%

If post-installation metering is not required, the customer is paid the financial incentive for installing the project. If post-installation metering is required, the customer usually receives a partial payment of the incentive of approximately 60%.

### Step 4. Post Install Performance Metering

When required, post installation metering is performed to verify the amount of energy saved by implementing the project.

### Step 5A. Utility Post-Install Project Performance Review

When required, post-installation metering is analyzed and the project savings are trued-up based on this analysis. [by whom?]

### Step 5B. CPUC Staff Post-install Project Performance Review

For some selected projects, CPUC Staff also review the results of the post-installation metering and final savings analysis. [Would this be indicated with the disposition?]

### Step 5C. Pay Customer and Implementer

The final incentive payment to the customer is made.

Any implementer involved is paid their final payment on the project (or if past payment were too high the overpayment will become a credit for later project payments).

### Step 6. Utility files savings with CPUC.

The utility aggregates all project savings and reports monthly to the CPUC and also produces an annual energy efficiency report included the their final savings and costs for the year.

### Step 7. CPUC may select for Ex Post Evaluation

CPUC selects random sample, obtains projects documents, and perform independent metering (if needed) and analysis of savings and attribution to utility program.

### Step 8. CPUC Produces Annual Energy Efficiency Savings Report.

CPUC staff aggregates all final utility savings results from their ex post evaluations passing through” any utility reported savings that are not evaluated. The resulting statement of annual energy efficiency savings becomes an input to resource planning activities by CPUC and CEC.

Figure 1. Custom Project and Measure Review Process [[weblink to PDF](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/T2WG_Custom_Project_Process_20170605.pdf)]



# Goals for the Custom EAR Process

*During T2WG Meeting #5 (July 6 in Los Angeles), T2WG participants shared their understanding of the GOALS of the Custom Review process. [previously documented in the Custom Brainstorm]*

The purpose of the Custom EAR Process is to …

1. Bring the GRR closer to 1
2. Bring the NTG closer to 1
3. Improve the net results for custom projects
4. Improve effectiveness of ratepayer money spent on custom projects
5. Improving the project development process to address everything prior to custom review stage
6. Goal is for EAR review to not find anything; all concerns should be addressed in project development stage.
7. Verify that energy savings are real and incremental
8. Ensure projects are reasonable and consistent with policy
9. Evaluate PA conformance with CPUC policies, decisions, and best practices
10. Develop confidence in the reported savings numbers
11. Improve the PAs due diligence review
12. Ensure the PAs’ internal due diligence activities result in quality and consist *ex ante* values
13. Establish communication among all parties involved and to increase trust among stakeholders
14. Give clear signals to the market (customers and implementers) to clarify how projects should be qualified and what projects are eligible
15. Not inhibit the market from working
16. Improve cost effectiveness of the custom review process by balancing the competing goals of improving net realized savings with the increased administrative cost of the review process

# The Ideal Streamlined Custom Process (from Meeting #5 Brainstorm)

*Stakeholders shared their VISION for the Ideal Custom Process: What does the ideal Custom Review Process look like? What are the characteristics or elements of an ideal Custom Review process? [previously documented in the Custom Brainstorm]*

The ideal Custom process …

1. Is fast and transparent with minimal iterations (i.e., minimal back and forth on a project).
2. Is transparency about each stakeholders processes.
3. Improves the IOUs internal processes in a timely way that does not hold up individual projects.
4. Does not stop the project that launched the ISP or hold up other projects when a new ISP study is launched (i.e., follows the “60-day rule”).
5. Has quantifiable elements to assess program influence.
6. Applies appropriate rigor based on risk to ratepayer investment.
7. Considers the customer perspective.
8. Provides both positive and negative feedback.
9. Provides information about what is “right”.
10. Clearly documents what information was reviewed to determine the disposition.
11. Separates review processes from policy development (e.g., policy doesn’t change in real time or get applied retrospectively).
12. Is collaborative and provides opportunities for communication among all involved stakeholders (includes implementers).
13. Includes a formal dispute resolution process, operated by independent party.
14. Provides appropriate amount of time for communication on project issues.
15. Promotes a working relationship among stakeholders.
16. Allows implementers (who know the project well) to communicate directly with project reviewers.
17. Has a schedule with specific deadlines and Service Level Agreements (SLAs).
18. Has a clear and reasonable policy on level of rigor during review.
19. Is predictable and consistent.
20. Demonstrates improvement in project submissions in reasonable amount of time. (e.g., the same dispositions shouldn’t be repeated).
21. Includes a clearly-defined, reasonable transition period to implement new dispositions on other projects.
22. Disseminates information on new rulings or policy to all stakeholders.
23. Promotes good communication of lessons learned and established rules among stakeholders.

Kay Hardy noted potential implications from the upcoming changes from gross to net savings.

Go to Kay’s CPUC Workshop on Non-Residential NTG:

Wednesday, July 19

10 a.m. – 4 p.m.

California Public Utilities Commission, Auditorium

505 Van Ness Ave., San Francisco, CA

Email [katherine.hardy@cpuc.ca.gov](mailto:katherine.hardy@cpuc.ca.gov) for more information.

# Guiding Principles for Recommendations

*[TBD – on the agenda for July 10]*

# Issue 1 – Scope/Purpose of EAR

Review processes for the custom programs (including both PA Technical Review and Custom EAR) have evolved since the Custom EAR process was adopted in 2011. The original process is described in [D11-07-030 Appendix B](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/D1107030_AttachmentBwithUpdates.pdf) (available in Task 6 folder on <http://t2wg.cadmusweb.com/>).

Stakeholders differ in their opinions on the purpose, scope, and implementation of the Custom EAR process, and some stakeholders have wondered whether some Custom EAR activities are beyond the original intent of the process.

Custom program stakeholders would benefit from a clear, concise, and up-to-date purpose and scope of the Custom EAR process.

## Proposals

1. Revert Custom Review back to original purpose for which ED reviewers operate as a reviewer of the IOU process and IOUs complete all technical and influence screening.
2. Clearly document the purpose and scope of EAR
3. Update the original Appendix B document to outline updated purpose, scope, and processes

# Issue 2 – Unfair EAR Selection

The selection of projects for EAR is not random and targets certain customers or classes of customers.

## Proposals

1. EAR selection should be random.
2. EAR selection should be based only on key parameters (e.g., project size) and be “blind” to the customer name.

# Issue 3 – Extra Effort Makes EAR Not Representative

IOUs may conduct more rigorous review of projects selected for EAR, resulting in the project selections not being representative of larger custom project population.

* Commission Staff review only a small percentage of custom projects. *[Table 1 indicates < 2% of custom projects claimed each year.]*
* PAs *appear* to put more effort into projects Commission Staff pick for review than non-selected projects. *[IOUs confirmed this happens for various reasons.]*
* Because PAs *appear* to put additional emphasis on “picked projects”, Commission Staff reviewed projects may not be representative of the full project population.

Is this a concern that needs to be addressed?

## Proposal

[TBD – more clear direction on policy and project documentation requirements and better project development process should reduce need for more thorough review]

# Issue 4 – Incomplete Project Packages

Project packages are often incomplete:

* Poor project description
* Insufficient documentation
* Applications do not provide equipment vintage, EUL or RUL values
* The ex ante savings calculations are insufficient, inaccurate, or hard to follow.
* Incremental measures costs not provided
* Lack of internal quality control (QC): Inconsistencies

## Proposal – Template/Guidance on Submission Requirements

1. ED reviewers should provide a clear, concrete definition on minimum or gold standard on expectations for project documentation
2. Set clear requirements for project submission (i.e., define key elements in PD process to include and to be presented by implementers for proposed projects)
3. Develop template for all projects that clearly states required information
4. Provide example(s) of complete, quality packages to set expectations and use as reference for training materials.
5. Create approach to improve organization and navigation of project submittals (e.g., standard templates, filename structure, navigation guide)

Any reason not to have a statewide template?

What material(s) already exist?

## Proposal – Establish Project Development Process

Develop an effective project development process and set up an effective screening with transparent criteria. Use [PG&E’s Project Development protocol](http://t2wg.cadmusweb.com/Documents/Task%205%20-%20ISP%20Guidance%20Document/T2WG_Task5_ISP_ProjectDevelopementProtocol_PG&E_20170518.pdf) as a model.

## Proposal – Improve PA Technical Review

Develop steps/training/communication to increase the aptitude of the PA reviewers to catch issues.

How do IOUs determine whether PA Technical Review is doing its job?

# Issue 5 – Ineligible/Inaccurate Assumptions in Projects

* Baseline Selection – The selected baselines are not properly defined and do not address applicable codes, Federal/State regulations, and industry standard practice.
* Measure Eligibility – Failed site inspection because equipment not operating or already has been replaced
* M&V Plan Selection – The selected M&V plan is not appropriate for retrofit type.
* Program Influence – The project packages do not provide adequate evidence of program influence.

## Proposal

Need to understand reasons for inaccuracies:

* If stakeholders agree on errors, how are those errors getting through?
  + clarify policy, establish clear guidelines, improve training.
* If stakeholders don’t agree on errors, need to get answers/guidance on how to apply policy

# Issue 6 – Unclear Expectations (Not that rock!)

Project developers (IOU Staff and Implementers) don’t know what “bar” to meet for a successful project.

## Proposal

Can Staff provide an example of a successful project?

What guidance can we provide/develop to define a successful project?

# Issue 7 – Issues detected too late

Customers are sometimes expecting financial incentives before a project is approved, resulting in pressure on the IOU and/or EAR Team to approve a project that may not meet the program guidelines. A disposition that rejects or significantly impacts the customer incentives is awkward for all parties.

Influence is an issue that could/should be detected early in the process and before resources are spent developing other project material.

## Proposal – EAR Pre-Screen

IOUs review every project when an application (from customer) OR project feasibility study (from 3P implementer) is submitted. IOUs should review projects BEFORE an application or PFS is submitted; IOUs would indicate these projects are in “pre screen” status; EAR team can see projects that have completed “pre screen” status and can select projects to review.

# Issue 8 – EAR Process Too Long

1. The IOUs take longer than two weeks to upload project packages.
2. Projects may sit on CMPA for weeks or longer before EAR Team begins review.
3. Custom EAR process takes longer than two weeks. (various reasons for delays)
4. Projects/communications go through multiple iterations
5. Projects may end up in limbo
6. There is no accountability for failure to meet established timelines for review/disposition – Impacts Customer/Implementer/Project
7. All ED selected projects require transparency around timeline.

## Proposal – Parallel Process

Create a parallel process (as originally intended) rather than a serial process.

## Proposal – Prioritize Projects

IOUs communicate with Staff during weekly calls on which projects are urgent to move to installation. Staff would provide information on timeline and prioritize for review (as appropriate). Peter would work with EAR to determine whether projects could be accelerated.

## Proposal – SLA for EAR

Establish a Service Level Agreement (SLA) for all projects selected for EAR.

### SLA Proposal A

1. After CMPA ED Selection:
   1. 2 weeks – PA Uploads Documents
   2. 2 weeks – Preliminary ED Review/NRD (needs requirement document) – sent to PA/Implementer simultaneously
   3. 2 weeks – PA/Implementer Response
   4. 2 weeks – ED Final Disposition
   5. Dispute Resolution Process to follow (no longer than 4 weeks)
2. Exception to above timeline only with joint approval of ED/PA/Implementer
   1. If ED exceeds SLA, project proceeds as if approved
   2. If Implementer exceeds SLA, project rejected

### SLA Proposal B

See [SCE proposal](http://t2wg.cadmusweb.com/Documents/Task%206%20-%20Custom%20Streamlining%20Materials/Proposal%20for%20EAR%20SLA_SCE.pdf) on next page .

Table 3. Comparison of SLA Proposals

|  |  |  |
| --- | --- | --- |
| **Wk #** | **SLA Proposal A** | **SLA Proposal B** |
| Start | PAs provide a list of projects bi-monthly | |
| 1 | Staff selects projects (2 weeks) | |
| 2 |
| 3 | PA uploads documents on CMPA (2 weeks) | |
| 4 |
| 5 | **Preliminary review** – Staff inform PA of any eligibility issues (1 week) | **Preliminary review** and **data request** (sent to PA/Implementer simultaneously) (2 weeks) |
| 6 | **Data Request** - Staff request any additional needed information (2 weeks) |
| 7 | PA/Implementer Response to data request (2 weeks) |
| 8 | Staff to confirm if the project is ready for review and provide an estimate for Final Disposition date (3 weeks) |
| 9 | **Project Disposition** (2 weeks) |
| 10 |
| 11 | …**Project Disposition** (duration established per SLA in previous step) | Dispute Resolution (max 4 weeks) |
| 12 |
| 13 |
| 14 |
| TBD |  |



# Issue 9 – Tracking Project Status

* There is no centralized tracking of the status of projects in the EAR process.
* Stakeholders must rely on ad hoc communication to determine the status of a project.
* Projects may get “lost” in the EAR process when stakeholders don’t know when a project and responsible party changes hands.
* Projects may sit on CMPA for weeks or longer before EAR Team begins review.
* Stakeholders (including implementers and customers) don’t know when Custom EAR begins.
* There are no tracking data to examine process flow or length of time in each stage.

## Proposal – Centralized, Accessible Tracking

Establish a single tracking system that indicates project status during EAR. Tracker can have some built in controls to indicate when a project is “overdue” given specified timelines. Simple Spreadsheet should work well enough if number of projects is relatively small. Stakeholders can review and update during regular status meetings.

## Proposal – Minimize Project Stalls

During weekly phone calls between Staff and IOU, IOUs communicate to Staff for projects that have not been downloaded by EAR team within XX (2-3?) weeks of uploading project data.

# Issue 10 – Communications on Projects through EAR

1. Discussions or clarifications on project details don’t include all relevant stakeholders, resulting in inefficient communication and potential loss of critical project information.
2. Implementer/Customer know most about project but are often excluded from PA/ED discussions
3. PA/3P Reviewers “react” to ED/Consultant “Guidance” by asking for more/too much justification – “More is better” mentality
4. ED Review unpredictable/opaque; sometimes appear to be “arbitrary” and without justification
5. ED Reviews sometimes have questionable engineering and/or ED reviewers do not appear to have understood project documentation
6. ED Reviews include new policy or new interpretations of existing policy without process
7. No “open” communication between Implementer/Reviewers (both 3P & ED and PA EPM)
8. Little transparency of “guidance”/dispositions
9. Inefficiency in resolving questions among Implementer/PA and 3P or ED Reviewers
10. Need to improve communication methods to eliminate or minimize the “telephone game”

## Proposal

Use clearly defined process for Custom Measure Review (CMR) Process with direct Implementer input

1. Use Project Scoping Document (PSD) or early project summary document for posting on CMPA and ED Selection and initial review
2. PSD or early project summary document used for initial meeting/conference call with Implementer/PA/3P Reviewer/ED
   1. Identify threshold issues
   2. Establish Project parameters (timeline, ISP issues, eligibility, etc.)
3. Project Feasibility Study (PFS) Kick-off Presentation (for larger projects)
   1. 1-2 hours immediately upon submittal of PFS to PA (prior to 3P review)
   2. Implementer presentation of project/How issues from b. above are addressed in PFS
4. Project allowed to proceed immediately upon PA approval (not affected by ED Review disposition) – i.e. EAR selection is to review a project only; it does not affect a project’s eligibility or ex ante savings as approved by the IOU (and vetted through IOU Technical Review)
5. ED disposition affects future similar projects (60 day “grandfathering” or “bus-stop” concept where dispositions are implemented annually or semi-annually)

Ideas from previous meeting:

* For projects with “high impact measures,” host inclusive meetings on project development (similar to early opinion). (1) After ED selection and *before* the project is uploaded, conduct a meeting to provide clarity on the project; (2) Once project is submitted, meet to address preliminary questions; (3) host further calls as necessary to complete the review.
* From previous meeting: For projects selected for ED review: Within 10 days of the project upload to CPMA, conduct a 1-2 hour project-specific kickoff call to clarify questions, identify documentation, review documentation, a set up a working relationship.

# Issue 11 – Broken Feedback Loop

* Project developers do not always understand the reasons for an EAR disposition.
* Projects often repeat the same errors
* There is no framework for communicating or sharing lessons learned from dispositions, resulting in repeated errors.
* There is no standard approach for determining or communicating how/when new policies change and a clear way of documenting and disseminating those changes.

## Proposal – Improve/Ensure Understanding on Dispositions

1. Provide all dispositions in writing
2. Include appropriate evidence to support comments, direction on corrective actions, and dispositions.
3. Clarify what was looked at to come to conclusion on project disposition
4. Host a disposition debrief when issuing dispositions; consider including other IOUs to hear feedback on the specific measure type.

Is there an existing template for dispositions? Does it work?

What key information should be included in a disposition?

## Proposal – Feedback Website

Single Website used to post all dispositions (redacted)

* Establishes grandfathering trigger date (or bus-stop trigger)
* Applicability/recommendations
* Posted CMR Statistics
  + How many CMR project in review
  + Review times
  + Completed dispositions (#)

What is the status of disposition database? What challenges to overcome?

What disposition statistics should be tracked?

## Proposal – Feedback Workshops

Quarterly workshop/webinar

* Review dispositions from previous quarter
* Allow discussion/training
* Include Implementers/PA’s/3P Reviewers/(ED and consultants)
* Post summaries of lessons learned and clarifications
* Provide feedback on what is done well, what to emulate

Who hosts these meetings?

# Issue 12 – Inordinate EAR for Small Projects

Inordinate resources are used for small projects, resulting in dropping projects that are not worth the review requirements. Level of rigor and resources should scale with the size (and potential benefit) from the project.

## Proposal – Reduce Small Custom Projects

1. Minimize the number of custom projects
2. Move custom projects to deemed projects
3. Set/increase minimum threshold for custom projects

## Proposal – Tiered EAR

Several options discussed:

1. Set a threshold (e.g., POE tier level) below which customers can proceed with a project without EAR disposition.
2. Set a threshold (e.g., POE tier level) below which the timing of incentive payments are not affected by review and any adjustments are in the form of GRR.
3. Tiered EAR Process:
   1. High tier receives full process (e.g., early feedback, collaborative discussion, ISP)
   2. Lower tiers follow different methods with prospective-only application of findings (e.g., annual workshop on deliverables and dispositions)
4. Tiered EAR Process:
   1. Projects with projected incentive above the threshold (e.g., $25k) are subject to the current EAR process.
   2. Projects with projected incentive below the threshold (and possibly meeting some other defined criteria) would either receive GRR adjustments, or be reviewed prospectively at CPUC’s discretion. (Incentives for the latter projects would be capped at the threshold.)

# Issue 13 – EAR Re-calculations

Existing policy requires EAR team to redo savings calculations, requiring time and resources that EAR team does not have.

11-07-030 Appendix B:

If IOUs disagree with a Staff disposition, then:

* If the PA ex ante estimate is within 20% of EAR estimate, then take the average.
* If the PA ex ante estimate is more than 20% of EAR estimate (or Staff indicates zero savings), then use EAR estimate.

## Proposal

Rather than recalculate savings, EAR team may take one of two actions:

1. If EAR team identifies a “show stopper” – return to IOU team for review; EAR team does not recalculate savings
2. State in disposition that savings will be based on post-installation measurement and analysis, which must be reviewed by staff; Staff will review M&V plan (this is already done for some projects now)

# Issue 14 – Implications of EAR Selection on other projects

Projects not selected for EAR may also be delayed by the EAR process or retrospectively impacted by an EAR disposition. The policy on whether or how projects not selected for EAR can be affected by future EAR dispositions is unclear.

D. 15-10-028 states: *“Program administrators shall allow any projects similarly situated to projects where Staff has issued a disposition to be grandfathered and use prior energy savings estimates if a project application or agreement is completed and signed within 60 days of the Staff disposition.”*

Typically, projects not selected for EAR within the two-week selection window are effectively waived from the EAR process, but in practice, there are exceptions to this rule for “like” projects may either:

* Be put on hold pending EAR disposition on another project, or
* Have ex ante savings retroactively impacted by EAR disposition on another project

T2WG needs to clarify policy around “grandfathering” and “retrospective” application of dispositions.

Is the issue then that the stated policy is not followed/enforced, or are we just missing a reliable way to indicate which projects should be grandfathered?

## Proposal

Is there a proposal to just enforce this existing policy or does the process/process need a new policy?

* Disposition impacting policy should only be enforced after 60 days from posting the disposition.
* Similar measures that are already in play (not under review) should not be stalled by ongoing review; any new projects could be impacted by disposition.
* IOUs have 60 days to produce a list of “protected” projects.

# Issue 15 – ISP Delays

Triggers for an ISP study can delay a project significantly while the study is conducted.

## Proposal

Move ISP determination to the ex post part of the process so individual projects and customers are not penalized by the absence of an ISP study.

# Issue 16 – Moving Goalposts

EAR dispositions appear to reflect changing policies in some cases. E.g., a new policy is established and applied to a project even though that policy wasn’t defined when the project was in development stages.

## Proposal

Separate policy development from the custom process. Projects should be measured against the policy in place during project development.

# Issue 17 – Disputes on EAR Dispositions

* The EAR Team determines the final disposition on a project (which affects the ex ante gross and net savings, customer incentive, and implementer payment), and IOU has the authority of determine whether or not to proceed with a project based on the EAR disposition.
* Project developers do not always agree on the reasons for an EAR disposition.
* There is no framework to resolve a disagreement on a disposition.
* There is no well-defined dispute resolution process or ability for Implementer to justify project
* IOU may choose to cancel a project that implementer believes is still viable resulting in loss of significant time investment.

## Proposal – Dispute Resolution for EAR

Create a dispute resolution mechanism, available to all project parties (including implementers and/or customer), for disagreement on technical aspects of a project, operated by an independent party

Options for independent parties include:

* CalTF
* Ex post evaluation team

# Issue 18 – Differing Policy Perspectives

Stakeholders interpret certain policy or legislative direction differently, resulting in different perspectives on project or customer eligibility.

Examples:

1. Should a customer who has previously participated in an EE program be considered ineligible for custom incentives?
2. Should a customer who has previously installed the same or similar measure in a different facility (either in California or in another state) be allowed considered ineligible for custom incentives?
3. Should a “wealthy” customer be considered ineligible for custom incentives?

What are some other examples of disagreements?

## Proposal

1. Identify common or other encountered philosophical disagreements (i.e., disagreements on the interpretation of facts even when all facts are on the table) and clarify policy.
2. Ex ante and Ex post policy interpretations should be consistent.

# Other Issues (out of scope for T2WG)

1. Assumptions used to develop program goals to not reflect lessons learned in ex ante and ex post

# Appendix A. Custom EAR Process in Context [another diagram from previous work]



# Appendix B. Three Years of ESPI Scores for Custom Program

CPUC Staff score IOUs on ex ante performance for custom programs using a scale of 1 (worst) to 5 (best) for the metrics described in Table 4.

Table 4. Ex Ante Performance Metrics for Custom Projects

|  |  |
| --- | --- |
| **#** | **Metric Description** |
| 1a | (1) Percentage of projects in quarterly or annual claims that were reported in the Custom Measure and Project Archive (CMPA) twice monthly list submissions  (2) Percentage of projects for which there is a two weeks or less difference between the application date and the date reported on the CMPA list  (3) Percentage of tools used for calculations disclosed prior to use |
| 1b | Percentage of projects which experience significant delay due to slow response to requests for readily available (or commonly requested) additional information (higher percentage = lower score) |
| 2 | Percentage of custom project submissions that show standardization of custom calculation methods and tools Development and/or update of comprehensive internal (to IOUs, their parties, and local government partners, as appropriate) process manuals/checklists and quality control processes |
| 3 | Number of data requests for additional documentation for project information and/or reporting claims that support ex ante review activities (fewer requests = higher score) |
| 4 | Percentage of large high impact projects or measures referred to CPUC early or flagged for review. |
| 5 | Frequency of inappropriate or inferior quality documentation on project eligibility, baseline determination, program influence, use of custom elements in projects, assumptions and data supporting savings, and project costs (higher frequency = lower score) |
| 6a | Quality of custom project estimates prepared by customers, third parties, and local government partners submitted by IOUs. |
| 6b | Percentage of reviews that required over three reviews or data requests.  Percentage change from IOU-proposed savings and ED-approved savings (higher percentage = lower score) |
| 7 | Percentage of custom projects that use data sources and methods per standard research and evaluation practices |
| 8 | (1) Frequency of improved engineering/M&V methods and processes resulting from (and/or appropriate and well-defended rejection of) CPUC reviewer's recommendations; (2) Percent of projects in custom reviews that reflect guidance provided in prior reviews |
| 9 | Percentage of custom projects including, and not limited to, new or modified existing technologies or project types that appropriately incorporate DEER assumptions and methods. |
| 10 | Percentage of projects identified in claims review that were implemented per CPUC directions in previous reviews. |

Figure 2. Three Years of ESPI Scores for Ex Ante Performance on Custom Programs



