



State of California

M e m o r a n d u m

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Subject: DIRECT INSTALL DELIVERY TYPE DESCRIPTION

Summary

This memo clarifies the definition of the Direct Install (DI) delivery type. The definition has implications on how incentive costs are reported for making energy saving claims, which also affect the cost effectiveness metrics such as the Total Resource Cost (TRC). DI is defined as a staff action or third-party action that arranges for a measure or measures to be installed or delivered for installation to a participating customer. It is differentiated from a downstream rebate, midstream, or upstream program in that it is not initiated by the customer. While some programs using the DI delivery type are no or low cost, it is not a DI delivery type requirement.

Clarified Definition

In Resolution E-5221 DEER2024, Section 1.8.2 in Attachment A shows the updates to the delivery type categories in DEER/eTRM for program year 2026. According to Table 1-6, the abbreviated code for the Direct Install delivery type changes from DnDeemDI/DnCustDI to DI, as shown in the Table 1-6 excerpt that follows.

The term “downstream” was erroneously omitted from the definition of DI in E 5221; therefore, we modify the description in Table 1-6 to indicate that direct install incentivizes “the downstream delivery and/or installation of an energy efficient technology...” as indicated in **Table 2-6-revised**.

Table 1-6. DEER2026 Delivery Types

Delivery Type	Change	Description of Delivery Type
DI	Was DnDeemDI and DnCustDI	Incentivizes the delivery and/or installation of an energy efficient technology and/or service at a customer property by a program implementer-managed third-party contractor or trade professional

Table 2-6-revised. DEER2026 Delivery Types

Delivery Type	Change	Description of Delivery Type
DI	Was DnDeemDI and DnCustDI	Incentivizes the downstream delivery and/or installation of an energy efficient technology and/or service at a customer property by a program implementer-managed third-party contractor or trade professional. Direct Install is a program delivery model that provides the installation of energy efficiency measures and pays program incentives directly to the installation contractor.

CPUC further clarifies that Direct Install is a program delivery model that provides the installation of energy efficiency measures and pays program incentives directly to the installation contractor. See the attached Appendix for examples. Some Direct Install programs may also qualify for Hard-to-Reach (HTR)¹ and may qualify for a higher Net-to-Gross (NTG) value.

Background

In D.07-09-043², DI is defined as a staff action or 3rd party action that arranges a measure or measures to a participating customer of installation or installed at a customer premises, therefore not a rebate, midstream, or upstream program.

A direct installation (“direct install”) program is any program delivery model by which the program directly (through staff action) or indirectly (through a contractual arrangement with a third party) arranges for measures to be either delivered to a participating customer for their installation or installed at a participating customer premises.

Further, the decision notes that the difference between the DI cost and the Measure cost is the participant co-payment cost. This implies that DI measures are not required to be no-or-low cost to the participant. However, due to their historical nature they appear to have often been no-or-low cost.

¹ If they meet the requirements for HTR in the most current Decisions and Resolutions outlining what qualifies for HTR

² D.07-09-043, attachment 9, pg 2.

Although the “Dn” prefix was eliminated from the abbreviated code for the Direct Install delivery type, this was not done to broaden the definition of DI to include midstream or upstream delivery types. According to D.09-09-047,³ a direct install delivery type is described as shown.

Direct Install delivers free energy efficiency hardware retrofits, through third-party contractors, to reduce peak demand and energy savings for commercial customers with monthly demand under 100 kW. Third party contractors provide audits, install measures, and follow up with verification protocols. This contact between the third-party contractor and customer presents an opportunity to offer and install more comprehensive measures than are currently offered.

In later language in D.12-05-015,⁴ the definition broadened to include low-cost measures for customers as shown.

Direct Install programs, often leveraged by Local Government Partnerships (LGPs), provide free to low-cost measures for customers, and work well for small businesses.

Discussion and Examples

There are two main components to this definition: 1) provides installation, and 2) pays program incentives to the installer. Additional explanation is provided below to clarify what qualifies for these definition components.

1) Providing Installation

The clearest qualifier of this component of the DI definition is that the Implementer’s employees or subcontractors deliver and/or install the energy efficiency measures as part of the program offering. A secondary but sufficient qualifier is if the implementer is responsible for securing a qualified installation contractor and oversees the installation of the energy efficiency measures on behalf of the customer. The key distinction between a *direct install* vs. *downstream* program model is that in a direct install model the program is the one primarily responsible for providing and overseeing installation and in a downstream model the customer is primarily responsible for the sourcing and installation.

Below are examples that do *not* meet this component of the DI definition, and therefore are more descriptive of a downstream model rather than DI model. This list is not exhaustive but is meant to help provide clarity.

- Customer holds primary responsibility for finding and/or overseeing the installation contractor
- Implementer provides the customer a list of potential installation contractors to choose from, but the customer is responsible for overseeing the installation.
- Implementer provides a project proposal and/or performs a post-installation audit, but is otherwise not involved with or responsible for the installer or project installation.

2) Incentives Paid to Installation Contractor A fundamental characteristic of DI programs is for Program Implementers to pay incentives directly to the installation contractors. Though other program models may provide the *choice* of paying program incentives directly to the customer or to a third party, in a DI model it is a *requirement* that the incentive shall be paid to the installer.⁵ Any co-payment required of the

³ Section 5.3.1.2, p. 151 at <https://docs.cpuc.ca.gov/PublishedDocs/PUBLISHED/GRAPHICS/107829.PDF>

⁴ Section 9.1.2, p. 217 at https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/166830.PDF

⁵ If the Implementer is also the installation contractor, then the Implementer may retain the incentive payment and bill the customer for any remaining installation cost not covered by the incentive. If the installation contractor is a separate party, then the Implementer shall pay the incentive to the installation contractor and the contractor shall bill the customer for any remaining installation cost not covered by the incentive.

customer shall only reflect the project cost after rebates, incentives and program financing have been applied.

Below are examples that do *not* meet this component of the DI definition, and therefore are more descriptive of a downstream model rather than a DI model. This list is not exhaustive but is meant to help provide clarity.

- The customer must pay for the installation in full, then receives the incentive payment afterward.
- The customer must pay the installer for the portion of installation cost covered by financing, then receives the loan disbursement afterward.