



June 16, 2011

Amanda Stevens
US Environmental Protection Agency
Ariel Rios Building 6202J
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Ms. Stevens:

This letter comprises the comments of Southern California Gas Company (SCGC), San Diego Gas and Electric (SDG&E), and Southern California Edison (SCE) in response to the Environmental Protection Agency (EPA) Draft 2 Version 3.0 ENERGY STAR Room Air Conditioner (RAC) Product Specification, published May 17, 2011.

The signatories of this letter represent some of the largest utility companies in the Western United States, serving over twenty million customers. As energy companies, we understand the potential of energy efficiency to cut costs and reduce consumption while maintaining or increasing consumer utility of the products. We have a responsibility to our customers to advocate for standards and voluntary programs that accurately reflect the climate and conditions of our respective service areas, so as to maximize these positive effects.

We support the EPA in its development of a new version of ENERGY STAR specifications for room air conditioners according to its planned schedule. EPA's proposed EER (energy efficiency ratio) criteria levels are appropriate and timely in light of upcoming federal energy efficiency standards. We further support the EPA's proposal to include specifications for demand response and smart controls capabilities.

1. We support the EPA's proposal for an optional Smart Grid Capable designation for room air conditioners.

We support the opportunity for recognition of appropriately qualified products as smart grid capable on EPA's Qualified Products List. EPA's proposed specifications for delay load capability, and spinning reserve capability, are appropriate to distinguish smart grid capable room air conditioners.

Demand response (DR) and smart controls capability should not be traded against energy efficiency using an energy efficiency "credit" without thorough evaluation of the costs and benefits. Any such evaluation should be considered on an individual product basis, according to unique product operational characteristics, and should not be assumed to be one flat value for different appliances.

The value of demand response and smart controls to consumers will not be fully realized until there is sufficient market penetration and consumer participation, and an optional Smart Grid Capable designation will help to achieve that by incentivizing implementation without compromising consumer value.

2. EPA's evaluation of the benefit of demand response for consumers should be from the perspective of a holistic cost of electricity that includes utility and social costs.

EPA has requested information on smart RAC functionalities, their consumer benefit, price differentials, and how such benefits should be measured and verified.

On the latter topic, as the EPA evaluates the benefits of demand response and smart controls capability for room air conditioners, we urge the EPA to measure and verify the value of energy efficiency and demand response from a holistic utility and social cost basis, as opposed to simply a consumer price basis.

We agree with the EPA that any credit against energy efficiency for DR should be tied to consumer value and understand that the EPA considers all specifications from a consumer perspective. However, the actual value and cost of energy provided to consumers is not completely reflected in residential energy prices and rates, even with dynamic pricing mechanisms. This cost is not reflected in residential rates, nor in regional locational marginal prices (LMP).

The true cost of energy accounts for the utilization of grid investments by different consumers, and for a variety of environmental and social externalities. For example, for residential consumers, the cost of utilization of transmission and distribution infrastructure is high as compared to commercial and industrial consumers. The cost also varies due to regional climate differences. In California, the California Energy Commission developed a Time-Dependent Valuation (TDV) method for evaluation of energy savings, which incorporates costs due to generation, transmission, distribution, environmental externalities, and weather events. This enables a more accurate evaluation in California of the benefits and costs of technologies that enable energy efficiency and demand response.

A holistic method of evaluation will ensure not only that consumers who purchase smart grid capable products receive a certain base level of value, but also that such value will be realized through product operation, and as dynamic pricing schemes are implemented. As utilities and third-party providers develop and evaluate residential consumer incentive programs for demand response, they will analyze the benefits of demand response from such a perspective.

Thank you for the opportunity to provide these comments.

Sincerely,



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