

Application No.: 26-07-XXX (CalMTA)

Exhibit No.: MTA-05

Witness: Smita Gupta

Commissioner:

ALJ:

**CALIFORNIA MARKET TRANSFORMATION ADMINISTRATOR
PREPARED TESTIMONY OF
SMITA GUPTA**

Policy Alignment

Application 26-07-XXX
California Market Transformation Administrator (CalMTA)

July 6, 2026

I.

INTRODUCTION

The purpose of this testimony of Smita Gupta, Principal of Policy for the California Market Transformation Administrator (CalMTA),¹ is to address how the Second Tranche MTIs are aligned with the policy goals and priorities of California and the California Public Utilities Commission (CPUC; Commission).

II.

**ALIGNMENT OF PROPOSED SECOND TRANCHE MTIS
WITH COMMISSION AND STATE POLICY PRIORITIES**

A. Alignment of proposed Second Tranche MTIs with statewide energy, climate, and building policy direction.

The proposed Second Tranche of MTIs is directly aligned with California's established policy direction for energy efficiency, greenhouse gas (GHG) reduction, clean electricity, and building decarbonization. Senate Bill (SB) 350 requires the state to double statewide energy efficiency savings in electricity and natural gas end uses by 2030. SB 32 requires statewide GHG emissions to be reduced to at least 40 percent below 1990 levels by 2030. SB 100 establishes as state policy that eligible renewable and zero-carbon resources supply 100 percent of retail sales of electricity by December 31, 2045. These statutes collectively establish a clear direction: California must reduce building energy use, lower GHG emissions, and shift end uses toward cleaner energy pathways.

California's building policy framework is increasingly moving new construction in that direction. The California Energy Commission's (CEC) **2025 Building Energy Efficiency**

¹ The Statement of Qualifications for Smita Gupta is included in Exhibit MTA-07.

1 **Standards**² apply to buildings with permit applications on or after January 1, 2026, and
2 expand the use of heat pumps in newly constructed residential buildings, encourage
3 electric readiness, and strengthen other building efficiency requirements. The CEC's
4 2025 Single-Family Residential Compliance Manual further explains that the most
5 significant change affecting newly constructed single-family homes is the move to a
6 single-fuel baseline with heat pumps prescriptively required for both space heating and
7 water heating.

8 New construction is increasingly being addressed through codes and standards. The
9 harder remaining challenge is the existing-building market, where adoption depends
10 less on whether the policy direction is clear and more on whether products are available,
11 contractors are prepared, delivery channels are functioning, and customers can adopt
12 efficient devices at manageable levels of cost and complexity. The **California Building**
13 **Energy Action Plan**,³ published by the CEC in December 2025, expressly presents
14 recommendations for a statewide, multiagency perspective on decarbonizing existing
15 buildings through energy efficiency, electrification, and supporting strategies. The
16 Second Tranche MTIs are directly responsive to that plan.

17 The same alignment is reflected in the California Air Resources Board's (CARB) climate
18 planning and building decarbonization work. CARB's 2022 Scoping Plan⁴ lays out a path
19 to carbon neutrality no later than 2045, and the plan materials identify a target of **six**

² The 2025 Energy Code expands the use of heat pumps in newly constructed residential buildings, encourages electric readiness, strengthens ventilation standards, and more. Buildings whose permit applications are applied for on or after January 1, 2026, must comply with the 2025 Energy Code. <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/2025-building-energy-efficiency>

³ California Building Energy Action Plan, CEC, at pp.12-15, <https://www.energy.ca.gov/sites/default/files/2025-12/CEC-400-2025-001-CMD.pdf>

⁴ 2022 Scoping Plan Documents, CARB, <https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf>

1 **million heat pumps statewide by 2030.**⁵ CARB’s building decarbonization program
2 further includes development of **Zero-Emission Space and Water Heater Standards**⁶
3 to reduce GHG and smog-forming emissions from new space and water heaters sold in
4 California. These statewide efforts reinforce the proposition that the proposed Second
5 Tranche MTIs are aligned with a broader and already-established state policy trajectory.

6 CalMTA’s forecasting is aligned with California’s broader energy-planning framework,
7 including the CEC’s **Integrated Energy Policy Report** (IEPR) and California Energy
8 Demand forecast, while maintaining a separate MTI-specific market transformation
9 forecast. The IEPR framework includes baseline electricity and gas forecasts, as well as
10 “additional achievable” energy efficiency and fuel-substitution scenarios that reflect
11 historical trends, policy trends, and planning assumptions. CalMTA uses this state
12 planning context in a bounded and technology-specific manner, as presented in
13 Appendix B of each MTI Plan: The CRTUs MTI explicitly models adoption under CEC
14 Additional Achievable Fuel Substitution scenarios for policy-driven phase-out of natural
15 gas commercial space heating; The Residential Heat Pump Water Heating (HPWH) MTI
16 uses CEC gas forecast inputs and tests sensitivity to policy, rate, gas-price, cost-decline,
17 and installer-adoption assumptions; The CRAWs MTI uses a separate Baseline Market
18 Adoption (BMA)/ Total Market Adoption (TMA) diffusion model constrained by economic
19 potential, payback, awareness, and market-readiness assumptions.

20 In each case, CalMTA does not assume that state policy goals alone will deliver the
21 forecasted market transformation. Rather, CalMTA estimates incremental impacts by

⁵ 2022 Scoping Plan Documents, CARB, at p. 75,
<https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf>

⁶ Proposed update to Zero-Emission Space and Water Heater Standards, CARB,
December 2025, https://ww2.arb.ca.gov/sites/default/files/2025-12/December_2025_Workshop_Slides_ADA.pdf

1 comparing BMA and TMA, net of Program Administrator-verified adoption, using the
2 methods and assumptions documented in Appendix B of each MTI Plan.

3 **B. Alignment of proposed Second Tranche MTIs with existing-building and**
4 **commercial-building policies.**

5 The proposed Second Tranche of MTIs is also consistent with California's growing focus
6 on existing-building performance. The CEC's **Building Energy Benchmarking**
7 **Program**⁷ requires owners of large commercial and multifamily buildings to report
8 annual energy use to the CEC. The CEC's California **Building Energy Performance**
9 **Strategy Report**⁸ explains that building performance strategies are intended to connect
10 benchmarking to energy and water efficiency, sustainability, occupant comfort, and load
11 flexibility, and to complement new-construction codes over the life of the building. That
12 context is especially relevant to the CRTUs and CRAWs MTIs, which address real
13 delivery and retrofit barriers in existing commercial buildings and other difficult-to-
14 upgrade structures.

15 The CRTUs MTI is particularly well aligned with this emerging performance-oriented
16 framework because it targets a large replacement-driven commercial Heating Ventilation
17 & Air Conditioning (HVAC) market in which controls integration, distributor stocking,
18 contractor practice, and replacement defaults are central to market outcomes. The
19 CRAWs MTI likewise supports California's existing-building objectives by addressing
20 envelope-related barriers that can improve building performance, comfort, and load
21 reduction in segments that are not readily transformed through code alone. The
22 Residential HPWH MTI, while residential in focus, aligns with the same policy logic:
23 California's challenge is no longer only establishing the case for efficient electric

⁷ Building Energy Benchmarking Program, CEC, <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-benchmarking-program>.

⁸ California Building Energy Performance Strategy Report, CEC, <https://www.energy.ca.gov/data-reports/reports/california-building-energy-performance-strategy-report>.

1 equipment, but making those technologies practical and scalable in real replacement
2 markets.

3 **C. Alignment of proposed Second Tranche MTIs with California’s demand**
4 **flexibility, load management, and reliability goals.**

5 The Second Tranche of MTIs is also aligned with California’s load-management and grid-
6 reliability objectives. Pursuant to SB 846, the CEC developed a statewide load-shift goal
7 and in 2023 adopted a goal of **7,000 megawatts by 2030**.⁹ The CEC has explained that
8 this target is intended to make more electricity available through smarter use of existing
9 clean energy resources rather than relying exclusively on new generation. In parallel, the
10 CPUC has advanced demand flexibility through Rulemaking 22-07-005, including
11 guidance issued in 2025 for utility dynamic hourly rates, and has designated Rulemaking
12 25-09-004¹⁰ as the Commission’s primary venue for deliberations on enhancing the
13 demand response policy.

14 This demand-flexibility context materially supports the Second Tranche MTIs. The
15 CRTUs MTI is directly relevant because connected controls can support more
16 responsive commercial HVAC operation. The Residential HPWH MTI also sits in an end-
17 use category with significant potential for flexible operation and load management. The
18 CRAWs MTI complements those equipment-focused pathways by reducing thermal
19 loads and improving building performance while maintaining occupant comfort with
20 ability for load flexibility during system peaks. When viewed together with the First
21 Tranche of MTIs (Room Heat Pumps and Induction Cooking), the addition of the Second
22 Tranche MTIs expands the overall CalMTA portfolio to better support California’s

⁹ SB 846 Load-Shift Goal Report, California Energy Commission
<https://www.energy.ca.gov/publications/2023/senate-bill-846-load-shift-goal-report>.

¹⁰ Order Instituting Rulemaking to Enhance Demand Response in California R.25-09-04, CPUC.

objective of electrification that is not only cleaner, but also more controllable, flexible, and aligned with system conditions.

D. Alignment of proposed Second Tranche MTIs with long-term gas transition and building decarbonization implementation.

The Second Tranche of MTIs is likewise aligned with California's long-term gas transition and building decarbonization efforts. Rulemaking 24-09-012¹¹ is the venue in which the Commission is examining how to facilitate gas decarbonization while supporting equity, safety, affordability, and reliability. In addition, **SB 1221 neighborhood decarbonization pilots** are being implemented as part of that rulemaking. These efforts underscore the Commission's current focus on practical pathways for reducing gas-system dependence in a manner that is orderly and equitable.

The proposed Second Tranche MTIs complement that work by addressing the market-level barriers that often impede electrification and retrofit adoption in existing buildings. That alignment is reinforced by other Commission actions. CPUC's **Building Decarbonization R.19-01-011**¹² was opened to investigate alternatives to reduce GHG emissions associated with energy use in buildings. The proceeding established BUILD and TECH in response to SB 1477.¹³ Separately, D.23-12-037¹⁴ eliminated electric line

¹¹ Long-Term Gas Planning Rulemaking R.24-09-012, CPUC
<https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking>.

¹² Order Instituting Rulemaking Regarding Building Decarbonization R.19-01-011, CPUC.

¹³ The CPUC develops policies and oversees implementation of various program intended to encourage building decarbonization, notably including both the TECH initiative and BUILD programs that were both created as a result of SB 1477 (Stern, 2018).

¹⁴ D.23-12-037, Decision Eliminating Electric Line Extension Subsidies for Mixed-Fuel New Construction and Setting Reporting Requirements, CPUC

1 extension subsidies for mixed-fuel new construction, and D.23-04-035¹⁵ addressed
2 reducing ratepayer-funded incentives for gas energy efficiency measures through the
3 **Viable Electric Alternative framework**. Together, these actions reflect an increasingly
4 coherent policy direction to avoid long-lived gas lock-in and to support lower-emission
5 building pathways.

6 The Second Tranche MTIs also align with agency efforts to prepare the market for the
7 next phase of appliance transition. CARB is actively developing **Zero-Emission Space**
8 **and Water Heater Standards**, and the **Bay Area Air District's building-appliance**
9 **rules**¹⁶ establish a January 1, 2027, compliance date for installation of zero-emission
10 smaller water heaters and later compliance dates for installation of zero-emission
11 furnaces and larger water heaters. These agency efforts increase the importance of
12 market readiness, product availability, contractor capability, and practical retrofit
13 pathways — precisely the kinds of market conditions that CalMTA is designed to
14 improve.

¹⁵ D.23-04-035, Decision Addressing Codes and Standards Subprograms and Budgets and Staff Proposal on Reducing Ratepayer-Funded Incentives for Gas Energy Efficiency Measures, CPUC.

¹⁶ Rules 9-4 and 9-6 Building Appliances, Bay Area Air District,
<https://www.baaqmd.gov/rules-and-compliance/rule-development/building-appliances>.