



November 14, 2024

MEMORANDUM

TO: Market Transformation Advisory Board Members

FROM: Lynette Curthoys, VP Market Transformation
Jeff Mitchell, Principal of MTI Development

SUBJECT: Delivery of MTI Plans for Room Heat Pumps and Induction Cooking

On behalf of the entire CalMTA team, we are excited to share plans for the first two market transformation initiatives (MTIs) developed by the California Market Transformation Administrator (Resource Innovations) and our partner firms: Cadmus, 2050 Partners, Brio, The Ortiz Group, and Unrooz Solutions.

These two initiatives for [Room Heat Pumps \(RHP\)](#) and [Induction Cooking](#), when fully implemented are estimated to deliver more than \$900 million in total system benefit (TSB) over their 20-year lifecycle. Together, these initiatives represent the beginning of a cost-effective MT portfolio that will deliver lasting energy efficiency and decarbonization for Californians. These two plans represent 18 months of development including research, investigation, and analysis that is described in the eight appendices. These appendices underpin the MT theory, barrier identification, strategic interventions, intended outcomes, market forecasts, cost-effectiveness estimates, and evaluation approaches.

MTI Plan wayfinding and support

We recognize that the plans and appendices represent a significant amount of content. We recommend starting with the MTI Plan, which is a high-level summary. As you read through, consider that this material summarizes further details in related appendices, as shown in the table at right.

MTI Plan Section	Related Appendices
Section 2	Appendices A, B, C, D
Section 3	Appendix C
Section 4	Appendix D
Section 5	Appendix E
Section 6	Appendices F, D
Section 7	Appendix F
Section 8	Appendix G
Section 9	Appendix H

During the development of these plans, we have carefully considered impacts to environmental and social justice (ESJ) communities and sought to bring benefits to those who have historically been left out of efficiency investment. Those aspects can be found throughout the plan and are summarized in Section 2.3.

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To help MTAB members and the public understand how these initiatives were formed, CalMTA launched an Idea to Initiative campaign in late summer to share background and aspects of the plans. Recordings of those presentations and adjunct materials can be found for each of the MTIs at www.calmta.org/idea-to-initiative.

A few notes on the draft plans:

Lifecycle time periods and cost effectiveness

In the interest of including Phase II program development costs in the cost-effectiveness calculations for each MTI, the team unintentionally reduced the lifecycle period from 20 years (ending in 2045) to 18 years (ending in 2043) – thereby cutting off substantial market adoption that will result from the MTIs in 2044 and 2045. The planning and analysis team is in the process of updating the TSB and cost-effectiveness estimates for both MTI Plans to include the full 20 years and will provide updated estimates at the Nov. 20-21 MTAB meeting.

TSB Updates for Room Heat Pumps MTI

After detailed Phase II modeling based on extensive product and market research, the Room Heat Pump MTI is estimated to provide approximately \$444 million in TSB. This is substantially lower than the preliminary Phase I estimate of \$4.028 billion, which was developed for the purpose of scoring and prioritizing MTI ideas. Details on the methodology used to develop the Phase II TSB are further explained in Section 2.5 of the MTI Plan and Appendix B: Market Forecasting & Cost Effectiveness Modeling Approach.

Most of the variance between the Phase I and Phase II estimates were driven by the following changes to the market adoption forecast, which will be further discussed during the November MTAB meeting:

- The Phase II market adoption only includes adoption within the service territory the four California investor-owned utilities (IOUs). The Phase I forecast was a statewide estimate and included market adoption for other (non-IOU) territories.
- The Phase II market adoption subtracted estimated net verified program adoption, which the Phase I market adoption did not.
- The Phase II assumption for units purchased per household decreased from 1.8 to 1.5 for single family and from 1.55 to 1.25 for multifamily.
- The Phase II timing of expected accelerated market adoption was delayed by a year, to reflect information from manufacturers on how long it will take to bring California-appropriate products to market.