

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Forward  
Resource Adequacy Procurement Obligations.

Rulemaking 19-11-009  
(Filed November 7, 2019)

**JOINT REPLY COMMENTS OF  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, CPOWER,  
ENEL X NORTH AMERICA, INC., LEAPFROG POWER, INC., AND OHMCONNECT,  
INC. ON TRACK 2 PROPOSALS, WORKING GROUP REPORTS AND MARCH 5,  
2020 WORKSHOP**

Greg Wikler  
Executive Director  
California Efficiency + Demand  
Management Council  
1111 Broadway, Suite 300  
Oakland, CA 94607  
Telephone: 925-286-1710  
E-mail: [policy@cedmc.org](mailto:policy@cedmc.org)

Jennifer A. Chamberlin  
Executive Director, Market Development  
CPower  
2475 Harvard Circle  
Walnut Creek, CA 94597  
Telephone: 925-433-2165  
E-mail: [JAC@CPowerEnergyManagement.com](mailto:JAC@CPowerEnergyManagement.com)

Luke Tougas  
Consultant  
California Efficiency + Demand  
Management Council  
1111 Broadway, Suite 300  
Oakland, CA 94607  
Telephone: 510-326-1931  
E-mail: [l.tougas@cleanenergyresearch.com](mailto:l.tougas@cleanenergyresearch.com)

Mona Tierney-Lloyd  
Senior Director, Regulatory Affairs  
Enel X North America, Inc.  
2071 Altair Lane  
Reno, NV 89521  
Telephone: 415-238-3788  
E-mail: [mona.tierney-lloyd@enel.com](mailto:mona.tierney-lloyd@enel.com)

Andrew Hoffman  
Chief Development Officer  
Leapfrog Power, Inc.  
1700 Montgomery Street, Suite 200  
San Francisco, CA 94111  
Telephone: 415-409-9783  
E-mail: [andrew@leap.ac](mailto:andrew@leap.ac)

John Anderson  
Director of Energy Markets  
OhmConnect, Inc.  
350 Townsend Street, Suite 424  
San Francisco, CA 94107  
Telephone 415-697-1271  
E-mail: [john@ohmconnect.com](mailto:john@ohmconnect.com)

Megan M. Myers  
Attorney  
Law Offices of Megan M. Myers  
110 Oxford Street  
San Francisco, CA 94134  
Telephone: 415-994-1616  
E-mail: [meganmmyers@yahoo.com](mailto:meganmmyers@yahoo.com)

April 2, 2020

TABLE OF CONTENTS

Page

Table of Contents ..... i

Table of Authorities ..... iii

**I. THE COMMISSION SHOULD CONSIDER THE STATE’S POLICIES RELATED TO CLEAN ENERGY, AIR QUALITY AND DISADVANTAGED COMMUNITIES IN THE RA PROCEEDING.....1**

**II. REPLY COMMENTS ON THE ENERGY DIVISION PROPOSAL A: REVISING MAXIMUM CUMULATIVE CAPACITY BUCKETS .....2**

**A. There is Strong Support for Delaying Major Changes to the Maximum Cumulative Capacity (MCC) Buckets Until Track 3. ....2**

**B. The Energy Division MCC Proposal is Problematic and Unclear in its Definition of “Availability”. ....6**

**C. PG&E’s Backing of a 3.2% MCC Cap for DR Resources is Unsupported and is Contradicted by its Own Statements.....6**

**III. THE JOINT PARTIES’ REVISED DR COUNTING PROPOSAL ADDRESSES SEVERAL PARTIES’ CONCERNS REGARDING THEIR INITIAL PROPOSAL .....7**

**IV. REPLY COMMENTS ON THE CAISO DR EFFECTIVE LOAD CARRYING CAPABILITY PROPOSAL.....9**

**A. An Effective Load Carrying Capability (ELCC) Methodology in Conjunction with an MCC Bucket Regime Tries to Address the Same Issue Twice. ....9**

**B. Several Issues Must Be Answered Before a DR ELCC Methodology Should Be Considered. ....10**

**V. REVISIONS TO LOAD IMPACT PROTOCOLS .....11**

**A. Parties Have Not Provided a Rationale for Why the Load Impact Protocol (LIP) Requirements Cannot Be Simplified if They Continue to Be Required to Set the QC Value of Third-Party DR. ....11**

**B. Implementing the LIPs Requires Considerable Administrative Effort and Cost. ....12**

<b>C. The Joint Parties Support SDG&amp;E’s Proposal to Remove Review of DRPs’ Load Impact Evaluation from the Demand Response Measurement and Evaluation Committee. ....</b>	<b>13</b>
<b>VI. ENERGY DIVISION TESTING AND DISPATCH REQUIREMENT .....</b>	<b>14</b>
<b>A. Several Parties Highlight the Difficulties in Implementing the Energy Division’s Expanded Testing Requirement. ....</b>	<b>14</b>
<b>B. Several Parties Point Out That a DR Dispatch Requirement Should Be Part of a Broader Conversation on Changes to the RA Program. ....</b>	<b>14</b>
<b>VII. CONCLUSION .....</b>	<b>15</b>

**TABLE OF AUTHORITIES**

*Page*

**CPUC Rules of Practice and Procedure**

CPUC Rules of Practice and Procedure .....1

**CPUC Decisions**

Decision (“D.”) 19-07-009 .....3

D.19-12-040 .....3, 8

**California Legislation**

Assembly Bill (AB) 32 .....2

Senate Bill (SB) 100 .....2

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Forward  
Resource Adequacy Procurement Obligations.

Rulemaking 19-11-009  
(Filed November 7, 2019)

**JOINT REPLY COMMENTS OF  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, CPOWER,  
ENEL X NORTH AMERICA, INC., LEAPFROG POWER, INC., AND OHMCONNECT,  
INC. ON TRACK 2 PROPOSALS, WORKING GROUP REPORTS AND MARCH 5,  
2020 WORKSHOP**

The California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., Leapfrog Power, Inc., and OhmConnect, Inc. (hereinafter the Joint Parties)<sup>1</sup> respectfully submit these Reply Comments on the Track 2 Proposals, submitted in Rulemaking (R.) 19-11-009 (Resource Adequacy (RA)) on February 21, 2020; the Working Group Reports, submitted in the same proceeding on March 11, 2020; and the Workshop held in the same proceeding on March 5, 2020. These Reply Comments are timely filed and served pursuant to the Commission's Rules of Practice and Procedure, the Assigned Commissioner's Scoping Memo and Ruling, issued on January 22, 2020 (Scoping Memo) and the Administrative Law Judge's Ruling Modifying Track 2 Schedule, issued on February 28, 2020 (February 28 ALJ Ruling).

**I.**

**THE COMMISSION SHOULD CONSIDER THE STATE'S POLICIES RELATED TO  
CLEAN ENERGY, AIR QUALITY AND DISADVANTAGED COMMUNITIES IN THE  
RA PROCEEDING**

The Joint Parties applaud the Sierra Club, California Environmental Justice Alliance, and the Union of Concerned Scientists reminder that the Commission should better reflect the State's policies and laws meant to promote cleaner energy and better air quality, while improving the

---

<sup>1</sup> These Joint Parties are the same parties who submitted the Joint Opening Comments of California Efficiency + Demand Management Council, CPower, Enel North America, Inc., Leapfrog Power, Inc., and OhmConnect, Inc. on Track 2 Proposals, Working Group Reports and March 5, 2020 Workshop on March 23, 2020 (Joint Parties Track 2 Comments). Any mention to the Joint Parties in these Reply Comments means these five parties.

quality of life in disadvantaged communities.<sup>2</sup> These parties are correct in that the RA program largely operates in a bubble separate from State environmental policies. The Commission seems to have long ago forgotten the State's Loading Order that was adopted in the 2003 Energy Action Plan, so the guiding principles proposed by the Sierra Club, California Environmental Justice Alliance, and the Union of Concerned Scientists are a good start in re-prioritizing environmentally-friendly energy resources that are consistent with the State's greenhouse gas emissions reduction goals (AB 32) and zero carbon goals (SB 100). The Energy Division's proposals to unnecessarily limit the procurement of demand response (DR), and impose unfair and overly rigorous requirements on third-party DR are not consistent with these policies. The Energy Division's proposals lack evidence or analysis to support them, which makes them arbitrary. The Energy Division does not explain how the State will meet its environmental, disadvantaged community or capacity procurement goals if capacity, which could otherwise be provided by DR, is instead provided by fossil-fueled generation resources. The Joint Parties recommend that the Commission seek parties' feedback on the proposed principles in Track 3 and modify them as necessary to ensure that RA rules properly reflect the policies and values of California.

## **II.**

### **REPLY COMMENTS ON THE ENERGY DIVISION PROPOSAL A: REVISING MAXIMUM CUMULATIVE CAPACITY BUCKETS**

#### **A. There is Strong Support for Delaying Major Changes to the Maximum Cumulative Capacity (MCC) Buckets Until Track 3.**

A wide range of parties expressed concerns about the Energy Division Proposal A: Revising Maximum Cumulative Capacity Buckets Proposal (Energy Division MCC Proposal), with some recommending that it be clarified, that the Commission forego a decision on it in Track 2 so that more time and focus can be devoted to it in Track 3, or that the Commission reject it altogether. Taken together, it is clear that Option 4b of the Energy Division's MCC Bucket proposal should be rejected in Track 2 and a more comprehensive examination of the MCC Bucket regime undertaken in Track 3. In the interim, the Commission should adopt Option 1 to ensure that the most current load duration curves are being applied.

---

<sup>2</sup> Sierra Club, California Environmental Justice Alliance, and Union of Concerned Scientists Track 2 Comments, March 23, 2020, at pp. 2-4.

The Alliance for Retail Energy Markets (AReM) rightly expressed concern that the application of a dispatch requirement for DR resources in the MCC Bucket regime was unreasonably singling out DR for disparate treatment compared to other resources.<sup>3</sup> Specifically, the Commission should not base a procurement cap on DR (and only DR) on expected dispatch in the context of an RA requirement that is based upon availability. How the availability of a resource is defined should be consistent across all resources. It should be noted that the Commission, through its 2019 DRAM Orders (D.19-07-009 and D.19-12-040), is addressing the dispatch of DR without imposing limits on the ability of DR resources to provide RA.

The Sierra Club, California Environmental Justice Alliance, and the Union of Concerned Scientists recommend that a long-term view of the MCC Buckets be undertaken in Track 3 so as to facilitate meeting the State's climate, air quality, and clean energy goals and requirements.<sup>4</sup> The Joint Parties agree. Addressing only one issue in the MCC Buckets in Track 2 when other MCC issues will likely be addressed in later tracks would ignore the benefits of making a single comprehensive set of revisions to the MCC Bucket regime. The Joint Parties also support the notion of redefining the MCC Buckets or creating a policy overlay to the MCC Buckets in Track 3 that ensures reliability while also acting to help fulfill the State's environmental policies.<sup>5</sup>

Southern California Edison (SCE) highlighted areas of the Energy Division MCC Proposal needing clarification and revision.<sup>6</sup> First, they recommended that DR provided by behind-the-meter (BTM) energy storage be allowed to qualify for other MCC categories if they meet the availability requirements. The Joint Parties are supportive of SCE's proposal, which should be expanded to include all resources, being discussed in Track 3 as part of a comprehensive MCC Bucket review as recommended by Sierra Club, California Environmental Justice Alliance, and the Union of Concerned Scientists to reflect the State's environmental goals. SCE is correct to say that the DR procurement cap should reflect the actual availability of

---

<sup>3</sup> Comments of the Alliance for Retail Energy Markets on Track 2 Proposals, Proposed Revisions to Maximum Cumulative Capacity Buckets, and Working Group Reports (AReM Track 2 Comments), March 23, 2020, at p. 16.

<sup>4</sup> Sierra Club, California Environmental Justice Alliance, and Union of Concerned Scientists Track 2 Comments, March 23, 2020, at pp. 5-6.

<sup>5</sup> *Id.*

<sup>6</sup> Southern California Edison Company's Comments on Workshop on Track 2 Proposals and Track 2 Working Group Reports (SCE Track 2 Comments), March 23, 2020, at pp. 7-8.

DR and its proposal to create a second DR bucket for DR that is available for more than 12 hours per month should be considered in Track 3.<sup>7</sup>

The Commission should not rush into making a premature decision on MCC Bucket revisions, despite the urging of parties such as the Public Advocates Office's (PAO) to do otherwise.<sup>8</sup> The Joint Parties agree with PAO that the MCC buckets should be updated to reflect the most recent load duration curves.<sup>9</sup> However, contrary to PAO's assertions, there is no urgency that a DR procurement cap be adopted in Track 2. The PAO claims that "increased reliance on use-limited resources" constitutes just cause for rushing through MCC Bucket revisions that only address one type of use-limited resources.<sup>10</sup> This is an overly general statement that does nothing to indicate the near-term reliability risks, if any do exist, that the State would face if the Commission took the time to more carefully consider changes to the MCC Buckets in Track 3.

Moreover, PAO's claim that the proposed DR procurement cap would not bind overall DR procurement in the Commission's proposed Reference System Plan is incorrect. The DR procurement cap under Energy Division MCC Proposal is 2,232 MW, whereas the proposed Reference System Plan (RSP) includes 2,418 MW of DR procurement in 2021 and beyond.<sup>11</sup> Furthermore, the RSP is not meant to cap procurement of any specific resource, including DR. However, a DR procurement cap would ensure that more than the proposed RSP DR amount could never be procured. The Joint Parties reiterate that the DR procurement cap would be applied at the load serving entity (LSE) level, so assuming that not all LSEs use their allotment of the statewide procurement cap, actual DR procurement will very likely be significantly less than 2,232 MW.

Adoption of a DR procurement cap would be very short-sighted and would call into question the whole purpose of the Energy Division's commission of a comprehensive DR potential study. In the March 1, 2017 *2025 California Demand Response Potential Study*, Lawrence Berkeley National Laboratory (LBNL) found a need for three new types of DR that

---

<sup>7</sup> *Id.*, at p. 7.

<sup>8</sup> Comments of the Public Advocates Office on Track 2 Resource adequacy Proposals (PAO Track 2 Comments), March 23, 2020, at pp. 30-31.

<sup>9</sup> *Id.*, at p. 30

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*, at p. 31.

would be needed to support the growth of renewables.<sup>12</sup> The three new types of DR were termed “Shape”, “Shift”, and “Shimmy”, in addition to the traditional “Shed” DR. The three new types would not be purely peak-shedding, but would instead provide load shifting and quick “bursts” of DR to shape the load curve to accommodate the challenges to the grid associated with the rapid ramp down of renewables at the end of the day. In this report, LBNL estimated that under their Medium DR Scenario, there is cost-effective potential for 2 GWh of Shift, 2-10 GW of Shed, 10-20 GWh of Shift, and 300 MW of Shimmy (both Load-following and Regulation) DR in California.<sup>13</sup> As the Joint Distributed Energy Resources Parties (Joint DER Parties) showed in their opening comments, the current DR portfolio is close to the proposed cap, so the Energy Division’s proposed DR procurement cap would severely limit any possibility of developing and growing new types of DR that aid in the integration of more intermittent renewables.<sup>14</sup>

No evidence has been shown that a DR procurement cap is needed nor have any examples been provided of an LSE using DR to meet a disproportionately high portion of its RA requirements. DR capacity in California has been relatively flat to slightly declining over the last five years, so there is little, if any, possibility for DR capacity to be overwhelmingly selected by LSEs to meet their RA requirements. Furthermore, LSEs have an obligation to deliver energy to their customers, in addition to capacity, which would also mitigate against an over-reliance of DR capacity. The Joint Parties encourage the Commission to take a more holistic approach to reforming the MCC Bucket regime in Track 3, as opposed to a targeted focus on DR; however, should the Commission decide to adopt a DR procurement cap in Track 2, it should at least ensure that the DR procurement cap reflects the actual 24-hour-per-month minimum availability requirement of DR - a requirement that will remain unchanged - rather than applying an arbitrary and improper 12-hour dispatch assumption that is inconsistent with the actual RA requirements of a DR resource. Under this approach, using the Energy Division’s model, the DR procurement

---

<sup>12</sup> The report and associated materials can be found at <https://www.cpuc.ca.gov/General.aspx?id=10622>.

<sup>13</sup> “Quick Summary of 2025 California DR Potential Study”, Lawrence Berkeley National Laboratory, April 4, 2017, slide 15, <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442453085>.

<sup>14</sup> Joint Opening Comments on California Efficiency + Demand Management Council, California Energy Storage Alliance, Center for Energy Efficiency and Renewable Technologies, CPower, Enel X North America, Inc., Leapfrog Power, Inc., OhmConnect, Inc., Sunrun, Inc. and Tesla, Inc. on Energy Division Proposal A: Revising Maximum Cumulative Capacity Buckets (Joint DER Comments on Energy Division MCC Proposal), March 23, 2020, at p. 7.

cap would be 3,511 MW (corresponding to an 8.3% cap), plus a 15% adder to reflect the Planning Reserve Margin (PRM).

**B. The Energy Division MCC Proposal is Problematic and Unclear in its Definition of “Availability.”**

All three investor-owned utilities (IOUs) highlighted the inconsistency in the Energy Division’s definition and use of the term, “availability.” San Diego Gas & Electric (SDG&E) notes that “ED first defines availability as the ability to operate and then switches to a description of physical limitations of the resource. These two terms are not equal or interchangeable.”<sup>15</sup> Moreover, SDG&E rightly points out that availability being tied to dispatch is inappropriate, stating “it is not clear what is meant by ‘only dispatched rarely or is not dispatched at all,’ and what relationship this metric has to the RA program, which does not have a dispatch requirement but an availability requirement.”<sup>16</sup> Pacific Gas and Electric (PG&E) also sums up the issue nicely in suggesting that “suppliers and/or LSEs may need further guidance on the metric for determining how a resource will ‘fall into the category that reflects the physical limitations of the resource.’”<sup>17</sup> Finally, SCE observes that the Energy Division’s “proposal may be overly restrictive as it assumes that all DR will be available only for the minimum to qualify as RA.”<sup>18</sup> The definition of “availability” is a fundamental component of the MCC Bucket regime and should be discussed in the broader context of use-limited resources in Track 3.

**C. PG&E’s Backing of a 3.2% MCC Cap for DR Resources Is Unsupported and Is Contradicted by Its Own Statements.**

PG&E’s recommendation to adopt a 3.2% DR procurement cap - option 3A/4A in Energy Division’s proposal - is completely contradicted by its own comments and should be rejected. First, PG&E states that, “availability [of a resource] would be a better metric for calculating these caps than observed dispatch.”<sup>19</sup> Incredibly, PG&E then endorses a 3.2% DR procurement cap as an interim solution on the basis that “six hours of market dispatch and/or testing per

---

<sup>15</sup> San Diego Gas & Electric Company Comments on Track 2 Proposals, Workshop and Working Group Reports, March 23, 2020, at p. 4.

<sup>16</sup> San Diego Gas & Electric Company Comments on Track 2 Proposals, Workshop and Working Group Reports (SDG&E Track 2 Comments), March 23, 2020, at p. 6.

<sup>17</sup> Comments of Pacific Gas and Electric Company on Track 2 Proposals, March 5 Track 2 Workshop, and March 11 Working Group Reports (PG&E Track 2 Comments), March 23, 2020, at p. 3.

<sup>18</sup> SCE Track 2 Comments, March 23, 2020, at p. 7.

<sup>19</sup> PG&E Track 2 Comments, March 23, 2020, at p. 5.

program month is more realistic than other proposed alternatives.”<sup>20</sup> PG&E then contradicts itself again and states that “the methodology for calculating the caps for DR should be based on availability rather than observed dispatch.”<sup>21</sup> The current availability requirement for DR resources providing RA is at least 24 hours per month, not six. The Commission should disregard PG&E’s recommendation if for no other reason than that its severely contradictory language make it difficult to fully understand PG&E’s position.

### **III. THE JOINT PARTIES’ REVISED DR COUNTING PROPOSAL ADDRESSES SEVERAL PARTIES’ CONCERNS REGARDING THEIR INITIAL PROPOSAL**

There was support among several parties for the Joint Parties’ February 21 DR Counting proposal.<sup>22</sup> While SCE did not directly support the Joint Parties’ proposal, it supports the general premise that qualifying capacity could equal contract capacity with adequate back-end protection.<sup>23</sup>

The Joint Parties’ Revised DR Counting Proposal (Revised Proposal) was set forth in the Joint Opening Comments submitted on March 23, 2020.<sup>24</sup> The Revised Proposal was intended to address the concerns expressed by several parties in response to the Joint Parties’ February 21 proposal while maintaining the key principles of transparency, administrative efficiency, and objectivity. Since these concerns were reiterated in many parties’ opening comments, the Joint Parties address them here.

First, SDG&E and PAO argued in their opening comments, and SCE argued in the DR Working Group Report, in favor of a defined penalty structure.<sup>25</sup> The Revised Proposal incorporates two tiers of penalties, one to ensure that a DR Provider’s (DRP’s) year-ahead and month-ahead supply plans are consistent with its contract quantity, and the second to ensure that

---

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> Opening Comments of the California Community Choice Association, March 23, 2020, at p. 14 (CalCCA Track 2 Comments); Comments of the California Energy Storage Alliance on the Resource adequacy Track 2 Proposals and Working Group Reports (CESA Track 2 Comments), March 23, 2020, at p. 9; AReM Track 2 Comments, March 23, 2020, at p. 11; Comments of the Center for Energy Efficiency and Renewable Technologies on Track 2 Proposals, March 5, 2020 Workshop, and Working Group Reports (CEERT Track 2 Comments), March 23, 2020, at p. 4; and The Protect Our Communities Foundation Comments on the Working Group Reports (POC Track 2 Comments), March 23, 2020, at p. 18.

<sup>23</sup> SCE Track 2 Comments, at p. 2.

<sup>24</sup> Joint Parties Track 2 Comments, March 23, 2020, at pp. 2-8.

<sup>25</sup> SDG&E Track 2 Comments, March 23, 2020, at p. 22.

the DRP's resources actually deliver the contracted capacity in the California Independent System Operator (CAISO) energy market.

Second, some parties favored more stringent testing requirements to ensure that DR resources were performing as expected. As a middle-ground, PG&E put forward a proposal for enhanced testing requirements for new or changing DR resources, with less rigorous testing for well-performing resources.<sup>26</sup> The Revised Proposal adopts a similar structure to PG&E's proposal with the difference being that, if well-performing resources begin performing poorly, they would be subject to additional testing requirements. The Joint Parties' proposal also limits the duration of the tests relative to PG&E's proposal due to the many difficulties around getting four-hour dispatches in the market.<sup>27</sup>

Finally, the Joint Parties recognize that the Commission may not have visibility into the performance of DRPs' contracts with non-IOU LSEs, so it may be appropriate to institute a reporting regime similar to that approved for the DRAM in D.19-12-040. Under this regime, DRPs could be required to submit quarterly reports to the Energy Division using a template developed by the Energy Division with stakeholder feedback. Such a reporting requirement would allow the Commission to easily monitor general DRP performance including incidence of penalties, with DRPs performing above a specified threshold being subject to less or no reporting. If this was approved by the Commission in concept, the Energy Division could work with parties to develop a reporting template in time for the October 31 year-ahead RA filings.

The Joint Parties would like to be clear that the Revised Proposal is not meant to constitute a standardized contract in its entirety. All of the retained provisions from the February 21 proposal (i.e. customer movement limitation, prohibitions on double-counting of customers, baseline requirements, and data-related communication protocols), plus the provisions in the Revised Proposal would be the only requirements, whereas an LSE would have the freedom to structure the balance of any contract as they prefer. So, PG&E's concerns about the DRAM contract or any other standardized contract for DR are unfounded in this instance.<sup>28</sup>

The Joint Parties' approach in their February 21 proposal was to allow as much flexibility as possible to LSEs to determine their own penalty structures. However, the overwhelming

---

<sup>26</sup> PG&E Track 2 Comments, March 23, 2020, at p. 17.

<sup>27</sup> Joint Parties Track 2 Comments, at March 23, 2020, at pp. 4-5.

<sup>28</sup> PG&E Track 2 Comments, March 23, 2020, at p. 18.

response during workshops from IOUs and the Energy Division was suspicion that, given such flexibility, a non-IOU LSE may institute weak penalties or no penalties at all. Therefore, it is clear that some degree of standardization is required until there is more confidence that DRPs will deliver on their contracts. To that end, the Commission may want to periodically evaluate third-party DR performance for the purpose of determining whether less standardization is required in the future.

#### **IV. REPLY COMMENTS ON THE CAISO DR EFFECTIVE LOAD CARRYING CAPABILITY PROPOSAL**

##### **A. An Effective Load Carrying Capability (ELCC) Methodology in Conjunction with an MCC Bucket Regime Tries to Address the Same Issue Twice.**

The Joint Parties continue to have strong concerns about the CAISO's recommendation that DR should be valued using an ELCC methodology. In its opening comments, the CAISO explains that this is necessary to assess the value of DR relative to its contribution to reliability.<sup>29</sup> However, the CAISO does not explain why it singles out DR when there are surely many other types of use-limited resources in California, including fossil generators and hydro resources, and likely in much greater quantities than DR. Applying an ELCC methodology only to DR is discriminatory and the CAISO has not adequately justified it.

ELCC suffers from the same potential shortcoming that the DR Load Impact Protocols (LIPs) must contend with in their use to determine the Qualifying Capacity (QC) value of third-party DR, that it is based upon backward looking data that may have no relationship to the current resources that are being offered. Further, ELCC has been historically applied to resources that are essentially must-take resources, wind and solar, that are not subject to CAISO dispatch instructions. ELCC also recognizes that wind and solar resources may generate at times when the system may not require the energy, whereas DR resources are required to bid during the availability assessment hours (AAH), a time at which the net peak demand is at its highest. However, ELCC also compares resources against a perfect generator. DR is not a generator; it is a reduction in demand in response to system or economic conditions. It will not generate as much energy as a baseload generator, which is why the application of ELCC is particularly

---

<sup>29</sup> California Independent System Operator Corporation Consolidated Comments on All Workshops and Proposals (CAISO Track 2 Comments), March 23, 2020, at p. 6.

unfair to DR. It is meant to address peak conditions, which are supposed to correspond with high energy prices.<sup>30</sup> Lastly, the use of ELCC would seem to indicate that the only good resource is a baseload resource, because that would be the perfect generator. Yet, having resources available 24 hours a day, 7 days a week, and 365 days per year would mean that the system is carrying, and ratepayers are paying for, the amount of perfect capacity needed to meet the peak hour plus the 15% reserve margin. Baseload generation typically does not possess the ability to respond quickly and flexibly like some DR can, so instituting an RA valuation paradigm favoring baseload generation could conversely discourage the types of quick and flexible resources that are also needed to maintain grid reliability. In combination, the CAISO's ELCC proposal and the Energy Division's MCC Bucket proposal is tantamount to discriminatory behavior.

Finally, the expected outcome of applying an ELCC methodology to DR would be to reduce the amount of capacity, relative to the claimed capacity, that would count for RA. If all of the proposals that are contemplated in Track 2 relative to DR resources are adopted, it could result in more documentation to support the underlying capacity, more testing, higher penalties, fewer DR resources that could be procured by LSEs that count for RA, and less of the capacity provided will count for RA. In aggregate, these proposals would both devalue DR and make it more burdensome to operate, significantly reducing the attractiveness of developing the resource in California.

**B. Several Issues Must Be Answered Before a DR ELCC Methodology Should Be Considered.**

The California Large Energy Consumers Association (CLECA) and the Center for Community Energy (CCE) have highlighted some important problems with the CAISO's ELCC proposal. As an initial and extremely fundamental point, CLECA points out that Commission approval of the use of an ELCC methodology prior to even vetting or reviewing a specific methodology is procedurally incorrect.<sup>31</sup> As CLECA states, "CLECA does not oppose the request to 'vet' this methodology, but we do oppose the request that the Commission pre-judge

---

<sup>30</sup> However, that correlation is not particularly strong due to the penetration of renewable, particularly solar, resources.

<sup>31</sup> Opening Comments of the California Large Energy Consumers Association on Party Proposals on Track 2 (CLECA Track 2 comments), March 23, 2020, at p. 8.

the outcome of the vetting process by committing to transitioning fully to ELCC by Track 4 of this proceeding.”<sup>32</sup>

CCE makes an excellent point regarding the potential problems associated with using a single DR ELCC factor.<sup>33</sup> As CCE states, if technological granularity can be recognized in the ELCC factors of wind and solar resources, then it would surely be practical to do the same for DR. The nature of the underlying load and enabling technologies varies significantly among DR customers, so adopting a single ELCC factor will never be accurate. Load types can range from customer appliances like televisions and HVAC to commercial lighting and industrial processes, to name just a few. Similarly, there is a wide range of enabling technologies that can also create a unique flavor of load reduction for each DR customer, including energy storage, automated DR control technologies, manual reductions, etc. As CLECA notes, applying an ELCC factor to DR would reduce its granularity and, in so doing, result in less accuracy at the program and provider level.<sup>34</sup> A DR ELCC needs to reflect the often-significant differences among the loads to ensure that it is not undervalued. Unfortunately, a single DR ELCC factor is not capable of doing this.

## V. REVISIONS TO LOAD IMPACT PROTOCOLS

### **A. Parties Have Not Provided a Rationale for Why the Load Impact Protocol (LIP) Requirements Cannot Be Simplified if They Continue to Be Required to Set the QC Value of Third-Party DR.**

Parties opposed to the Joint Parties’ proposed revisions to the LIPs for the determination of QC values for third-party DR have failed to provide good arguments for why the LIPs cannot be simplified in this particular use-case. At the very least, as the Joint Parties have explained, the number of scenarios that DRPs are required to produce should be reduced, as many are not useful for RA.<sup>35</sup> These unnecessary scenarios require additional time and resources from the DRPs to produce and for the Energy Division to review.

---

<sup>32</sup> *Id.*, at p. 9.

<sup>33</sup> Comments of the Center for Community Energy on Track Two Proposals and Workshop Reports (CCE Track 2 Proposals), March 23, 2020, at p. 5.

<sup>34</sup> *Ibid.*, at p. 12.

<sup>35</sup> Track 2 Proposal of California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., and Leapfrog Power, Inc., February 21, 2020, at pp. 15-16.

SDG&E, in particular, argues that no modifications are needed to the LIPs for the QC valuation of third-party DR.<sup>36</sup> However, this contradicts its earlier position on this topic. In its Track 3 opening comments on parties' proposals in R.17-09-020, SDG&E appears to be very supportive of streamlined LIPs, having proposed in the past to use fewer protocols than even the Joint Parties proposed for the purpose of estimating the QC valuation of DR. SDG&E states:

SDG&E has previously proposed that third-party DRPs utilize a simplified LIP analysis by limiting the amount of inputs as well as outputs of the current LIP analysis performed by the IOUs. [footnote removed] Third-party DRPs would only utilize two of the 27 protocols to determine the QC for the RA proceeding for event based [sic] resources. The two primary protocols that could be used for forecasts are #18 and #22. The forecast required by these ex-ante output protocols is calculated based on the ex-post historical results required by protocols #4 and #8. Therefore, a third-party DR provider only needs to use data that satisfies protocols #4 and #8 to calculate the monthly QC values that are required by #18 and #22. This only lowers the threshold for third-party providers as the IOUs must continue to submit the data required for the entire LIP analysis. SDG&E believes the Commission could use a similar process to develop the "generic Load Impact" [footnote removed] for specific customer classes in each of the Local areas. The Commission may utilize all of the information submitted by IOUs and third-party providers annually to establish the generic values. However, once the DR resource has matured, the third-party DRP must use the simplified LIP analysis rather than the generic value.<sup>37</sup>

Given that SDG&E's past position on this issue is very much aligned with the Joint Parties' proposal, it is unclear why SDG&E would have any objections to streamlining the LIPs for QC valuation now. As such, the Commission should disregard SDG&E's argument that no changes to the LIPs are necessary if they continue to be used for QC valuation of third-party DR resources.

#### **B. Implementing the LIPs Requires Considerable Administrative Effort and Cost.**

The Joint Parties must also question SDG&E's statement that "implementing the LIP is straightforward and does not require undue administrative effort."<sup>38</sup> This is a highly inaccurate and disingenuous statement if it is meant to refer to the effort required to perform a load impact evaluation. In fact, the process for developing the IOUs' annual load impact evaluations begins shortly after the summer season and continues until the final reports are submitted on April 1, at

---

<sup>36</sup> SDG&E Track 2 Comments, March 23, 2020, at p. 14.

<sup>37</sup> San Diego Gas & Electric Company Opening Comments on Track 3 Proposals, R.17-09-020, March 22, 2019, at pp. 15-16.

<sup>38</sup> SDG&E Track 2 Comments, March 23, 2020, at p. 11.

least four months. Furthermore, the IOUs hire an outside consultant to perform this work, so perhaps SDG&E is unaware of the effort required of their consultants to perform their load impact analyses. It should also be noted that ratepayer funds are used to pay these consultants, whereas DRPs must pay for their load impact evaluations with their own resources. The cost of paying a consultant to perform these load impact evaluations are quite substantial and can eliminate any potential revenue from providing a resource. SDG&E's perspective on the burden of implementing the LIPs is completely contrary to the reality experienced by DRPs.

The Joint Parties would also like to take this opportunity to clarify the Joint Parties' February 21 proposal that IOUs provide the common data required for DRPs to perform their load impact analyses in a centralized location. The Joint Parties proposed that certain foundational information used by the IOUs in their own load impact evaluations be shared with DRPs to ensure some degree of uniformity among the IOUs' and DRPs' evaluations.<sup>39</sup> This includes the 1-in-2 and 1-in-10 weather year forecasts (if the latter continues to be required), by day type. These were developed for the IOUs' own LIP evaluations and are not, as SDG&E asserts, "available from the National Weather Service, free of charge."<sup>40</sup>

Given that this information is already available and being used by the IOUs, SDG&E's claims that sharing this information would constitute "cost-shifting" or have any effect on the cost-effectiveness of IOU DR programs are highly exaggerated. The reality is that it would have no such impact. The Joint Parties reiterate that the intent behind this proposal is to ensure some degree of foundational uniformity across all load impact evaluations so as to hopefully avoid potential objections by the IOUs over inconsistent temperature and peak load assumptions.

**C. The Joint Parties Support SDG&E's Proposal to Remove Review of DRPs' Load Impact Evaluation from the Demand Response Measurement and Evaluation Committee (DRMEC).**

In its response to the Joint Parties' proposal to expand representation on the DRMEC, SDG&E proposed that the Energy Division retain a consultant to review the DRPs' evaluation plans and draft load impact evaluations.<sup>41</sup> To the extent the Commission continues to require third-party DRPs to determine their QC values through the LIPs, this proposal has merit in that it

---

<sup>39</sup> Track 2 Proposal of California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., and Leapfrog Power, Inc., February 21, 2020, at p. 14.

<sup>40</sup> SDG&E Track 2 Comments, March 23, 2020, at p. 13.

<sup>41</sup> *Id.*, at p. 14.

would eliminate DRPs' concerns of bias against them by the DRMEC and avoid any IOU concerns of conflict due to the presence of DRP interests

## VI. ENERGY DIVISION TESTING AND DISPATCH REQUIREMENT

### **A. Several Parties Highlight the Difficulties in Implementing the Energy Division's Expanded Testing Requirement.**

Several parties highlight several issues with the Energy Division's testing proposal, including the frequency and length of the requirements. In its opening comments, SCE states that "[i]f SCE followed the [Energy Division's] testing requirements in the summer months, it would negate SCE's ability to maximize use of the resources in the market where and when they are most needed."<sup>42</sup> Moreover, SCE correctly notes that "[t]hese resources are generally not dispatched up to four hours (i.e., market awards rarely result in four-hour continuous dispatches)."<sup>43</sup> Energy Division has clarified during the February 24 DR Counting workshop that its proposal is intended to apply to *all* DR resource, IOU and third-party. While SCE was discussing the potential problems the proposed new requirements could create for their own programs, all of these arguments are equally true for third-party DR resources. Finally, while CAISO generally supports the Energy Division's proposal, it also states that it "strongly prefers DR resources be dispatched through the market through economic bidding, rather than a test."<sup>44</sup> The Joint Parties reiterate its opening comments that Energy Division's proposal, if adopted, would very likely result in out-of-market testing.

### **B. Several Parties Point Out That a DR Dispatch Requirement Should Be Part of a Broader Conversation on Changes to the RA Program.**

Several parties argue that adopting a DR-only dispatch requirement is premature and should be discussed in the context of potential energy requirements for all use-limited resources. PG&E highlights several shortcomings with the Energy Division proposal<sup>45</sup>, and CESA recommends that minimum energy requirements be assessed in Track 3 where energy and hourly capacity needs will be addressed.<sup>46</sup> SDG&E makes an excellent point that even some

---

<sup>42</sup> SCE Track 2 Comments, March 23, 2020, at p. 10.

<sup>43</sup> *Id.*

<sup>44</sup> CAISO Track 2 Comments, March 23, 2020, at p. 8.

<sup>45</sup> PG&E Track 2 Comments, March 23, 2020, at p. 5.

<sup>46</sup> CESA Track 2 Comments, March 23, 2020, at p. 10.

conventional generation is being dispatched less frequently than in the past, and that requiring a resource to provide energy below its marginal cost of production, simply for the sake of doing so, is illogical.<sup>47</sup> SDG&E also warns that “[s]etting a minimum dispatch threshold in all months may result in such resources and programs dispatching unnecessarily and uneconomically and may increase costs to ratepayers in the long run.”<sup>48</sup> AReM highlights the inconsistency between applying the minimum dispatch requirement to third-party DR but not IOU DR programs, notes the pending application for rehearing in A.17-01-012 et al, and the lack of rationale or support for its proposal.<sup>49</sup> The Joint Parties are in full agreement with all of these arguments and once again urge the Commission to reject the Energy Division’s minimum dispatch requirement proposal.

## VII. CONCLUSION

The Joint Parties appreciate this opportunity to submit these Reply Comments on the Track 2 Proposals.

Dated: April 2, 2020

Respectfully submitted,

/s/ MEGAN M. MYERS

Megan M. Myers  
Attorney  
Law Offices of Megan M. Myers  
110 Oxford Street  
San Francisco, CA 94134  
Telephone: 415-994-1616  
E-mail: [meganmmyers@yahoo.com](mailto:meganmmyers@yahoo.com)

On Behalf of  
California Efficiency + Demand Management Council,  
CPower, Enel X North America, Inc., Leapfrog Power,  
Inc., and OhmConnect, Inc.

---

<sup>47</sup> SDG&E Track 2 Comments, March 23, 2020, at p. 6.

<sup>48</sup> *Id.*, at p. 7.

<sup>49</sup> AReM Track 2 Comments, March 23, 2020, at p. 10.