

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 THE CALIFORNIA EFFICIENCY + DEMAND
MANAGEMENT COUNCIL, CPOWER, ENEL X NORTH AMERICA, INC., LEAPFROG
POWER, INC. AND OHMCONNECT, INC. ON PROPOSED DECISION ADOPTING
LOCAL CAPACITY OBLIGATIONS FOR 2021-2023, ADOPTING FLEXIBLE
CAPACITY OBLIGATIONS FOR 2021, AND REFINING RESOURCE ADEQUACY
PROGRAM**

Dated: June 16, 2020

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The California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., Leapfrog Power, Inc., and OhmConnect, Inc. (hereinafter “the Joint Parties”) respectfully submit these Joint Reply Comments on the Proposed Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining Resource Adequacy Program, mailed in this proceeding on May 22, 2020 (“Proposed Decision” or “PD”).

I. Testing Requirements.

Pacific Gas and Electric (“PG&E”) recommends that the testing requirements for third-party demand response (“DR”) that are ultimately adopted in this proceeding apply to all third-party DR procurement including procurement through the Integrated Resource Plan (“IRP”) and the DR Auction Mechanism (“DRAM”) pilot.¹ The Joint Parties believe that there should be consistent testing requirements across third-party and investor-owned utility (“IOU”) DR programs if they utilize the same QC valuation process. If IOU and non-IOU DR is subject to the DR Load Impact Protocols (“LIPs”), the Commission should also align testing requirements for IOU and non-IOU DR.

The notion that all IOU DR programs are, by definition, “stable” is not borne out by the IOUs’ recent mid-cycle review advice letters. Using PG&E’s DR programs as an example, enrollments in its residential SmartAC program have fallen since January 2017 from approximately 151,000 to 95,500 in February 2020.² Similarly, PG&E’s Capacity Bidding Program enrollments have varied from 925 in July 2017 to 551 in July 2018, and to 726 in July 2019, with commensurate fluctuations in their associated capacity. In contrast, if a DRP has a contract with an LSE, the DRP is required to provide the

¹ PG&E Opening Comments, at p. 4.

² IOU monthly Interruptible Load and Demand Response Program Reports can be found at <https://www.cpuc.ca.gov/general.aspx?id=3914>

contracted amount of capacity or risk triggering a penalty, such that the DRP has a strong incentive to ensure its resources are stable and consistent. Conversely, the IOUs incur no negative repercussions if their DR programs perform below their QC values, so it is far more likely that a DR provider's ("DRP's") resources will be more stable than IOU DR resources. The Commission should require that, just as third-party DR must utilize the same LIPs as the IOU DR programs, the IOU DR programs should be subject to the same testing requirements.

The principle that DR resources should be subject to consistent testing requirements if they are subject to the same QC valuation requirements dictates that the Commission should reject PG&E's proposal to include the DRAM pilot in the new third-party DR testing requirements. DR contracted through the DRAM pilot is subject to a very different set of QC valuation requirements and therefore, a different structure to ensure that DRPs meet their obligations under their DRAM contracts, including a minimum dispatch/testing requirement and a penalty structure. Expanding the testing requirements to DRAM resources without making commensurate changes to the QC valuation process or penalty structure will upset the balance that the Commission attempted to achieve for the DRAM pilot.

Even if the Commission declines to expand the proposed testing requirements to IOU DR programs, as a practical matter there should be consistency across third-party DR procured by non-IOU LSEs and IOUs, including IOU LCR and IRP contracts. Otherwise, as PG&E noted, there would be a gap in testing rules for third-party DR resources procured under similar solicitations by IOUs.³ As California Energy Storage Alliance ("CESA") asserts, the Commission should not discriminate against third-party DR solely based on the type of LSE that procures it.⁴ No party has submitted evidence in this proceeding to indicate that a DRP will somehow perform better if the contracting LSE is an IOU and worse if the contracting LSE is a non-IOU LSE.

II. There should be a formal process to address substantive issues associated with the LIPs.

The Joint Parties fully agree with Sunrun that a more formal process is needed to address issues regarding the LIPs.⁵ The Joint Parties appreciate the Energy Division's efforts in convening an informal process in late 2019/early 2020 for developing a timeline and minor guidelines for the load impact evaluations. However, in the course of this process the Energy Division was forced to reject a vast majority of recommended revisions to the LIPs made by parties on the grounds that the

³ PG&E Opening Comments, at p. 4.

⁴ CESA Opening Comments, at p. 9.

⁵ Sunrun Opening Comments, at p. 7.

recommendations required a Commission decision. The PD then apparently declined to consider the well-reasoned LIP revisions put forth by the Joint Parties, so it is clear that a venue is needed for the consideration of proposals impacting the LIPs that require Commission approval.

In addition to the issues highlighted by Sunrun and the Joint Parties in their respective opening comments, it is also clear that additional guidance is needed regarding the level of detail provided by DRPs in their respective load impact evaluations.⁶ At the June 5, 2020 workshop where DRPs and SCE presented their load impact evaluations, there was a significant discrepancy in the level of detail that was provided by each DRP. DRPs should receive clear guidance from the Commission as to what constitutes a sufficiently robust load impact evaluation to warrant Energy Division approval of DRPs' forecasted QC values. Otherwise, DRPs will be constantly aiming at a moving target to meet the Energy Division's expectations.

III. Maximum Cumulative Capacity (“MCC”) Buckets.

Changes to the MCC Buckets should be deferred until Track 3. There is broad support among parties for any changes to the MCC buckets to be deferred to Track 3 of this proceeding. As CESA states, revisions to the MCC buckets should be contingent on broader RA reform.⁷ If it is the intent of the Commission to make significant changes to the RA construct in Track 3, it would be much more practical to adopt a complementary set of revisions simultaneously in Track 3 rather than risk constraining itself by adopting limited changes to the MCC buckets in Track 2. SEIA and LSA are correct in questioning why updating the MCC buckets and capping the DR bucket are such urgent issues.⁸ This question has not been answered. The Joint Parties concur with SCE that revisions should be considered in Track 3, but do not agree that changes on an interim basis are essential because the record has not shown that there is a need for urgency. The Joint Environmental Parties correctly note that any changes to the RA regime must align with the State's environmental objectives and not propagate continued overreliance on fossil-fueled generation.⁹ This bigger picture was not considered in Track 2.

A DR procurement cap is unnecessary and counter to State goals. The Joint Parties continue to disagree with any limitations on DR procurement when no evidence has been provided to indicate that LSEs disproportionately procure DR to meet their RA requirements, and no analysis has been provided

⁶ Joint Parties Opening Comments, at pp. 6-9.

⁷ CESA Opening Comments, at p. 10.

⁸ SEIA and LSA Opening Comments, at p. 5.

⁹ Joint Environmental Parties, at p. 1.

that concludes what quantity of DR capacity threatens system reliability. The Joint DER Parties' recommendation that the original 5.3% cap be increased to 8.3% does not constitute support for a DR procurement cap, but was an attempt to inject some degree of logic to such a cap (if there is to be one) by linking the cap amount to the required availability for DR resources to qualify for RA. The California Independent System Operator ("CAISO") argues against increasing the proposed cap to 8.3%, claiming that "there is no basis for a finding that existing demand response resources can provide sustained output for 24 hours per month."¹⁰ However, the CAISO ignores the fact that DR resources are required, by Commission decision, to be capable of providing at least 24 hours of dispatch per month. The tariffs of all of the IOU DR programs reflect this requirement and the DRAM pro forma contract requires DRAM resources to comply with CAISO availability requirements which includes the ability to dispatch 24 hours per month at minimum. During the 2000-2001 energy crisis, PG&E's Base Interruptible Program was dispatched to its entire annual limit in just one month. So, there is in fact evidence to support the capability of DR to dispatch for 24 hours in a month when it is actually needed.

Energy storage and energy storage-backed DR should be capable of qualifying for Category 1 and 2 resources. The Joint Parties agree with CESA that the PD should be modified to explicitly allow energy storage and energy storage-backed DR to provide Category 1 capacity if it can meet the associated availability requirements.¹¹ MCC Category 1 requires availability of four consecutive hours on Monday-Friday from 4 PM-9 PM which may be feasible depending on how the energy storage is being used by the participating customer. The Commission should also consider in Track 3 whether energy storage-backed resources should also be allowed to provide Category 2 capacity if they can either dispatch for eight consecutive hours as SCE suggests¹², or if they can dispatch for four consecutive hours twice per day to meet the morning and evening peaks as CESA suggests.¹³

IV. The Proposed Decision should approve some portions of the CAISO's Slow DR Proposal.

In its opening comments, the CAISO reiterated its proposal for how "slow" DR (i.e. DR that cannot dispatch within 20 minutes) can provide local reliability in the context of its own reliability planning processes.¹⁴ This entails the Commission (1) requiring IOUs to include their DR programs in their respective supply plans, and (2) declaring that Reliability Demand Response Resources ("RDRR")

¹⁰ CAISO Opening Comments, at p. 5.

¹¹ CESA Opening Comments, at p. 12.

¹² SCE Opening Comments, at pp. 4-5.

¹³ CESA Opening Comments, at p. 12.

¹⁴ CAISO Opening Comments, at pp. 5-6.

that cannot dispatch within 20 minutes are ineligible to provide Local RA.¹⁵ The Joint Parties appreciate the CAISO's efforts to follow through on its Board's 2016 appeals decision regarding 20-minute response requirements. The first component of the CAISO's proposal is reasonable and should be adopted to provide the CAISO with more potential resources to address local reliability needs. However, the Commission should not approve the second component because it has not yet explicitly found that a resource must be dispatchable within 20 minutes in order to provide Local RA. The CAISO's interpretation of NERC rules governing the dispatch time of resources in response to major contingencies is inconsistent with that of other system operators in the country and this issue has not been sufficiently vetted in this proceeding.

V. Elimination of the Planning Reserve Margin ("PRM") Adder for DR is premature.

Contrary to the assertion by PG&E, it is inappropriate to remove the PRM adder at this time because there has not been sufficient information in the record.¹⁶ The Joint Parties acknowledge the opening comments by the CAISO, but believe that these comments indicate the importance of determining the correct PRM value and the appropriate way to integrate supply-side DR into the CAISO's planning processes.¹⁷ For example, CAISO raises two broad issues: (1) that the timing of the market run does not incorporate the scheduling of DR as it relates to the PRM, and (2) that the PRM adder in effect creates two QC values for DR resources. The Joint Parties agree with Calpine that "[t]hese issues can and should be addressed in workshops or in a later track of this proceeding."¹⁸ Accordingly, the Joint Parties object to eliminating the PRM adder without additional discussion.

VI. CONCLUSION

The Joint Parties appreciate this opportunity to submit these Reply Comments.

Dated: June 16, 2020

Respectfully submitted,

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¹⁵ CAISO Opening Comments, at pp. 5-6.

¹⁶ PG&E Opening Comments, at p. 2.

¹⁷ CAISO Opening Comments, at pp. 8-9.

¹⁸ Calpine Opening Comments, at p. 6.