



1111 Broadway, Suite 300 (WeWork)  
Oakland, CA 94607  
Tel: 925-286-1710  
Email: [gwikler@cedmc.org](mailto:gwikler@cedmc.org)

## **California Efficiency + Demand Management Council Informal Comments on Issues Outlined on Pages 43-45 and in Ordering Paragraphs 5 and 6 of D.20-06-002**

### **Introduction:**

The California Efficiency + Demand Management Council (Council) respectfully submits these informal written comments on issues outlined on pages 43-45 and in Ordering Paragraphs 5 and 6 of Decision (D.) 20-06-002 (Decision on Central Procurement of the Resource Adequacy Program), issued in Rulemaking (R.) 17-09-020 (Resource Adequacy (RA)) on June 11, 2020.<sup>1</sup> Interested parties were requested to provide informal written comments on various issues outlined in D.20-06-002.

### **Background:**

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.<sup>2</sup> Our member companies employ many thousands of Californians throughout the state. They include demand response (DR) and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency (EE) products and equipment. The Council's mission is to support appropriate EE and DR policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

### **Informal Written Comments:**

- 1. How should the mechanism address resource cost effectiveness concerns, including local effectiveness and use limitations of a shown resource to be evaluated alongside bid resources?**

Cost effectiveness of local resources should not be within the scope of the mechanism. It seems reasonable to expect that procurement of local resources by load serving entities (LSEs) would be done through competitive solicitations with the optimal products selected, so procured local resources should be cost-effective by definition. Also, adding a cost-effectiveness threshold to the mechanism could

---

<sup>1</sup> The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

<sup>2</sup> Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

create an artificial bid cap and impinge on the procurement rights of LSEs by introducing a round of “second-guessing” of LSE procurement decisions and risk creating an incentive to simply procure the cheapest capacity rather than types of capacity that best conform with each LSE’s needs and best contribute to the State’s environmental goals. For instance, it may be cheaper in some instances for a CCA to procure fossil-fueled generation but procuring demand response (DR), energy storage, or renewables might be more aligned with its mission and would be more consistent with the Loading Order.

The only consideration of use limitations in the context of the mechanism should be to ensure compliance with the Maximum Cumulative Capacity (MCC) Bucket limitations for DR and other use-limited resources. Though the Council continues to believe that the current MCC Bucket regime is too restrictive for DR, it is in place to ensure that there is a sufficient amount of energy behind the capacity procured to meet RA requirements which is why the procurement of DR and other use-limited resources is limited. Therefore, any additional handicapping based on use-limitations would only be redundant with the procurement limitations enforced by the MCC Buckets.

The Council assumes that the use of the term, “local effectiveness”, refers to the effectiveness factors used by the CAISO in its Local Capacity Technical Studies. If so, considering effectiveness factor for DR resources would be particularly difficult because their size and constituent customer mix (and therefore geographic distribution within a subLAP) can be very dynamic. If the Commission has a different definition in mind for “local effectiveness”, further clarification is needed. In the meantime, the Commission should avoid further complicating what is already likely to be a very complicated process of getting the Central Procurement Entity (CPE) procurement process off the ground.

**2. How granular the premium should be (e.g., should different premiums be developed for different types of preferred resources, for new versus existing resources, and/or for sub areas, individual local areas, or TAC-wide local areas)?**

It may be beneficial to apply premiums to some resources to incentivize their procurement, or more appropriately in the context of the CPE model, avoid disincentivizing their procurement. Though D.20-06-002 made clear that procurement of preferred resources should be a priority, whether that will result in additional preferred resources being procured remains to be seen.

Factors on which to base a premium can be resource location, resource type (especially preferred resources), or operational characteristics. A good example is preferred resources located in disadvantaged communities (DACs) that can reduce the need to dispatch fossil-fueled generators, or any type of resource located in a particularly constrained area or sub-area. In addition, premiums could be applied to ensure that preferred resources are considered on a level the playing field with fully-depreciated gas-fired generation.

**3. How to make the premiums as transparent as possible given the market sensitive nature of this information and its potential impacts on bid resource prices?**

Premiums should be as transparent as possible if they are to effectively incentivize the desired outcomes. From a conceptual standpoint, market actors cannot make an informed decision on whether to put forth a product if its value is not reasonably known. Similarly, each CPE’s least cost, best fit

methodology used in their respective procurement processes should be as transparent as possible to ensure that resource providers can develop the products of greatest value.

- 4. Whether the compensation mechanism would preclude the option for an LSE to both bid and show a resource in the solicitation (or require potential revisions to the iterative process), due to the complexity of overlaying both of these mechanisms into the bid evaluation process?**

The Council has no comment on this question but reserves the right to comment in the future.

- 5. How to best adjust the local compensation from year to year to account for changes in the effectiveness of the resource reducing the local requirements?**

The Council has no comment on this question but reserves the right to comment in the future.

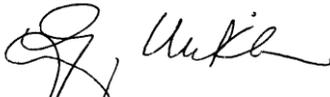
- 6. How should the CPE incorporate qualitative and/or quantitative criteria into the bid evaluation process to ensure that gas resource bids are not selected over preferred resources in instances in which price differentials are relatively small?**

Both qualitative and quantitative criteria should be considered. Consistent with D.20-06-002, preferred resources should be favored over fossil-fueled resources and certainly not disadvantaged. One aspect of this is ensuring that preferred resources are fairly compared to existing, fully-depreciated gas resources on a cost basis. In addition, there should be greater consideration given to low- or zero-emission resources to reflect their additional value in meeting the State's environmental goals.

- 7. In addition, please provide any informal comments on the treatment of existing contracts, including whether any proposed local capacity requirement reduction compensation mechanism should be applied to existing contracts and for what period of time.**

The Council has no specific recommendations on this issue at this time.

Sincerely,



Greg Wikler  
Executive Director  
California Efficiency + Demand Management Council