

Demand Response + Energy Efficiency Stand Ready to Immediately Address California's Grid Issues!

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DR, EE Deliver Immediate Cost-Effective Grid Relief

In contrast to building new power plants or increasing battery storage which can't be ready for Summer 2021, **Demand Response (DR) and Energy Efficiency (EE) are cost-effective demand-side resources ready and available to be deployed to aid California's grid.** These resources play a critical role in managing the state's grid, and are available in greater quantities than currently being deployed.

Regulatory Hurdles Preclude Full Deployment

Procurement limits, slashed program budgets, and outdated cost-effectiveness requirements have artificially limited the availability of EE and DR resources. These regulatory hurdles can and must be immediately overcome through a number of regulatory reform efforts:

- Allow behind-the-meter resources to fairly compete for resource adequacy opportunities
- Modify cost-effectiveness rules to recognize greater benefits
- Approve EE and DR program expansions that tap 100% of authorized budgets

EE + DR Increase Grid Reliability, Drive Significant Economic Benefits for Californians

In addition to obvious grid benefits, DR and EE provide invaluable bill savings for Californians already under incredible strain from the COVID-19 health and economic crisis. As just one example, during the mid-August heatwave, one demand response company alone paid its customers more than \$1.3 million to save more than 1 Gigawatt Hour of energy. Resolving regulatory hurdles can increase the volume of energy programs that provide critical economic benefits across California's impacted communities, including the disadvantaged and low-income communities most vulnerable during these difficult times.

Regulatory reform is critical

Ratepayers Deserve the Full Value of DR + EE

DR + EE are standing by, but require regulatory changes to achieve full deployment:

- Remove barriers to DR/DER market participation, including a complete overhaul of out-of-date regulatory rules.
- Harness the flexibility of customers loads and DERs by providing products that value these grid services.
- Allow greater market participation for load modifying resources such as EE + DR.

Recommendations

Enable DR + EE to immediately achieve their potential by:

- Encourage the CPUC leadership to embrace and champion these resources as a pathway to both reliability and meeting climate goals.
- Set near term enforceable, peak demand procurement targets to ensure that greater levels of EE and DR resources are available to meet grid and resilience needs by summer 2021.
- Eliminate procurement caps – CPUC recently adopted an 8.3% per-Load Serving Entity DR cap despite no record of over-procurement
- Increase DRAM budget – cut in half in 2020 (\$27M to \$14M); restore budget then link to DR procurement target.
- Streamline resource counting, qualification, and measurement to maximize resources available to meet Resource Adequacy and grid needs.
- Open the long overdue proceeding into the new models of demand response to examine needed market constructs, valuation and measurement for flexibility services to be provided by behind-the-meter resources.
- Notably, the cost of removing these barriers is low compared to investment in power plants, battery storage, and other supply-side remedies.

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