

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Reliable Electric Service in California in the
Event of an Extreme Weather Event in 2021.

Rulemaking 20-11-003
(Filed November 19, 2020)

**REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND
MANAGEMENT COUNCIL ON ORDER INSTITUTING RULEMAKING**

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The California Efficiency + Demand Management Council (the Council)¹ respectfully submits these Reply Comments on Order Instituting Rulemaking (“R.”) 20-11-003 filed on November 19, 2020, with a “date of issuance” of November 20, 2020. These Reply Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and Ordering Paragraph 6 of R.20-11-003 (OIR).

**I.
THE COMMISSION SHOULD ISSUE AN INTERIM DECISION TO PROVIDE
GUIDANCE ON SOLICITATIONS**

The Council agrees with the suggestion made by the CPower and Enel X North America, Inc. (collectively, “the Joint DR Parties”) and the California Energy Storage Association (“CESA”) that the Commission issue an early decision in addition to the one in May 2021.² An initial decision during the Commission’s February 11, 2021 regular business meeting would be early enough for the Commission to provide guidance on procurement activities such as the parameters of any solicitations that the Commission authorizes (unless a Ruling is issued in December as the OIR has tentatively indicated), including a budget for a supplemental Demand Response Auction Mechanism (“DRAM”) solicitation, and any other long lead-time issues. To the extent the Commission would like to adopt changes to the investor-owned utility (“IOU”) demand response (“DR”) programs, a February 11 decision would also allow the IOUs more time, compared to a spring decision, to implement any necessary changes to their customer

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

² Opening Comments of the Joint DR Parties, at pp.2-3 and Opening Comments of CESA, at p.4.

management or billing systems. A second decision in April or May 2021 can address less time-sensitive issues and provide additional guidance on Phase 2 issues, as necessary.

II.
THE COMMISSION SHOULD ADOPT A SECOND PHASE TO ADDRESS HIGHER PRIORITY DEMAND RESPONSE-, DISTRIBUTED ENERGY RESOURCE-, AND ENERGY EFFICIENCY-RELATED ISSUES IN THE MEDIUM TERM

The Commission necessarily must focus its initial efforts on ensuring a sufficient amount of capacity is available for Summer 2021. This will understandably limit the complexity of the steps the Commission will be able to make in the short term. The Commission should also be looking to harness the urgency of this situation to address high priority DR-, distributed energy resource (“DER”)-, and energy efficiency (“EE”)- related issues in the medium term beyond Summer 2021 that could enable significant progress in the deployment of these resources in the future. To that end, the Commission should adopt the Joint DR Parties’ proposal to create a second phase of the proceeding to address more complex issues that can result in intermediate-term (e.g., 2022-2023) reliability improvements.³ Potential issues to address can include new DR models and products recommended in the Load Shift Working Group, changes to IOU DR programs proposed by the Council and other parties for which the Commission deems there is insufficient time to consider and/or implement for Summer 2021, and reforms to energy efficiency cost effectiveness.

III.
PROCUREMENT OF ADDITIONAL DR IS A GOOD OPTION FOR DEPLOYING NEW CAPACITY BY SUMMER 2021

Several parties were highly supportive of procuring additional DR capacity by Summer 2021. Given the short time frame, DR is a much better option for procuring additional capacity for Summer 2021 because it can be contracted and deployed much faster than new generation. Also, its optionality value allows DR to be procured for a shorter timeframe than would likely be required if contracting for new generation capacity. As The Utility Reform Network (“TURN”) correctly notes, most DR programs do not require long-term investments in sunk costs.⁴ For instance, if it is determined that DR capacity contracted for Summer 2021 will not be needed in the following summer, IOUs/load-serving entities (“LSEs”) will not be stuck with that capacity,

³ Opening Comments of the Joint DR Parties, at p. 3.

⁴ Opening Comments of TURN, at p. 8.

whereas they might be locked into a multi-year contract if they contract with a new generation resource. On the other hand, if the DR capacity is found to be needed in subsequent years, it can easily be procured through another solicitation and/or through the DRAM.

As the Council and OhmConnect pointed out in their respective opening comments, if the Commission does direct the procurement of additional DR capacity, the LSE-specific 8.3% DR procurement cap will need to be suspended to avoid barring maxed out LSEs from procuring additional DR.⁵ Otherwise, Commission directives to procure additional DR could be thwarted.

IV. DRAM’S PILOT STATUS IS IRRELEVANT TO ITS UTILITY FOR QUICKLY PROCURING MORE CAPACITY

Despite the comments of Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), San Diego Gas & Electric Company (“SDG&E”), and the Public Advocates Office (“PAO”) to the contrary, the DRAM is an effective mechanism for procuring additional DR capacity within a compressed timeframe. IOUs and DR Providers (“DRPs”) have gone through the request for offer (“RFO”) process several times, so they have a great deal of familiarity with it. In addition, there is already a pro forma contract and fairly streamlined Qualifying Capacity (“QC”) counting rules. For more DR capacity to be procured through the DRAM, the Commission only needs to direct the IOUs to issue RFOs, provide a timeline, and specify a budget.

In their opening comments, PG&E, SCE, and SDG&E argued that using the DRAM to procure additional DR would not be appropriate because it is still a pilot whose effectiveness remains to be determined.⁶ Similarly, PAO recommends that supplemental procurement through the DRAM be excluded from the proceeding scope until its performance and reliability have improved.⁷ However, the IOUs contradict this principle that DR pilot programs should not be relied upon to procure additional capacity next summer. They all support the adoption of a yet-to-be-designed Emergency Load Reduction Program (“ELRP”) as a pilot and, in the case of SCE, the extension of its Virtual Power Plant (“VPP”) pilot.⁸

⁵ Opening Comments of the Council, at pp. 7-8; and Opening Comments of OhmConnect, Inc., at p. 9.

⁶ Opening Comments of PG&E, at pp. 17-18; Opening Comments of SCE, at p. 24; and Opening Comments of SDG&E, at pp. 22-24.

⁷ Opening Comments of PAO, at p. 9.

⁸ Opening Comments of PG&E, at p. 7; Opening Comments of SCE, at pp. 8 and 11; and Opening Comments of SDG&E, at p. 20.

The Council is generally supportive of an ELRP pilot, but the reality is that it would be developed on the fly, and its effectiveness has not been proven. Similarly, the Council supports the extension of SCE's VPP Pilot, but it too is still a pilot and unproven, and SCE plans that it remains so until at least 2022, according to its Advice Letter 4663-E. So, the IOUs' recommendation against a supplemental DRAM solicitation on the basis that the DRAM's effectiveness remains to be determined is undermined by their support for an ELRP pilot and SCE's proposal to extend its own VPP Pilot.

The benefits of a supplemental DRAM solicitation are far more predictable than an ELRP pilot or extension of SCE's VPP pilot. A supplemental DRAM solicitation will very likely procure more DR capacity than an ELRP pilot and an extended VPP pilot combined. In addition, the quality and reliability of DRAM resources are superior because they provide Resource Adequacy (RA) capacity and are subject to a clear set of availability requirements and other rules.

If the total DRAM capacity procured in 2019 is any indication of the latent DR capacity that is available, there is approximately 140 MW of DR that could be procured with an incremental \$13 million budget. For the 2019 delivery year, a total of 340 MW was procured through two solicitations. Approximately 200 MW were procured for the 2020 delivery year, so assuming the DRAM potential has remained constant, approximately 140 MW are available. If the Commission chose to allocate more than \$13 million to a supplemental DRAM, it is possible that even more capacity could be procured.

V.

THERE IS SUFFICIENT TIME FOR A SUPPLEMENTAL DRAM SOLICITATION

CESA succinctly states that a supplemental DRAM solicitation “represents an immediate means to procure additional DR capacity online that would only require additional budget authorization and the launch of already-existing and established processes and contracts.”⁹ If the Commission moves promptly, there is enough time for a supplemental DRAM solicitation for July 2021 delivery. Neither PG&E nor PAO believe there is enough time for a supplemental solicitation in time for July 2021 delivery.¹⁰ However, the timeline of previous DRAM solicitations shows otherwise. For instance, the process for the 2021 delivery year took two months from issuing the RFO to the IOUs submitting the winning contracts for Commission

⁹ Opening Comments of CESA, at p. 11.

¹⁰ Opening Comments of PG&E, at p. 17 and Opening Comments of PAO, at p. 10.

approval. Based on this timeline and working in reverse from the May 17, 2021 due date for July Supply Plans, the Council proposes the following schedule that would adopt CESA’s proposal for an interim Decision in February:

Event	Date
Ruling authorizing supplemental DRAM	December 30, 2021
Decision on supplemental DRAM budget	February 11, 2021
IOUs issue supplemental 2021 DRAM RFO	February 12, 2021
IOUs submit final DRAM contracts for shortened comment period and expedited review	April 12, 2021
Commission approves supplemental DRAM contracts	May 12, 2021
July LSE Supply Plans due	May 17, 2021

This proposed timeline is feasible and is in line with SCE’s recommendation that the Commission focus on options that can be realistically and safely operationalized within the next six months.¹¹

**VI.
BILATERAL DR CONTRACTS ARE ANOTHER VIABLE AVENUE TO ADD NEW DR CAPACITY**

As an alternative or supplement to a supplemental DRAM solicitation, the Commission could also direct IOUs and other LSEs to negotiate bilateral contracts with third-party DRPs. As SCE highlighted, bilateral contracting is a good option because it requires less time to negotiate contracts with suppliers.¹² In fact, this approach was used following the last heat storm California experienced in 2006 to quickly add several hundred MW of DR. In response to the Commission’s direction to quickly acquire more DR resources following Summer 2006, the IOUs negotiated several Aggregator Managed Portfolio (“AMP”) contracts with DRPs. The AMP program continued until it was eliminated after 2017 for SCE and after 2016 for PG&E and SDG&E.

¹¹ Opening Comments of SCE, at p. 9.

¹² Opening Comments of SCE, at p. 13.

If the Commission directs LSEs to pursue bilateral DR contracts, it will need to also provide guidance on how to assess the resource adequacy (“RA”) value of these contracts. The Energy Division has already conducted the DR Load Impact Protocol (“LIP”) process for the 2021 delivery year so the Commission will need to adopt a temporary approach for any DR resources procured bilaterally in 2021 for 2021 delivery, especially if solicitations occur prior to the LIP QC Update process whose timeline remains to be determined. Time is short, so the Commission should seek to adopt a simple approach that uses an existing process to the greatest extent possible. The Joint DR Parties’ proposal for a streamlined, non-LIP-based process such as the DRAM QC methodology has merit.¹³ For those DRPs that have gone through the LIP process, the Commission could allow a rolling QC Update process for 2021 only to update the NQC values of DR portfolios as needed. Another potential approach is for the Energy Division to simply count the contract value as the RA value. This practice was utilized by the Energy Division in most years for the AMP contracts. Presumably, when an IOU or LSE negotiates a bilateral contract, it will be for an amount of RA capacity that the IOU/LSE feels confident that it will receive, especially because the IOU/LSE will be able to negotiate protections to ensure the RA capacity is delivered.

From a procedural standpoint, pursuing bilateral DR contracts could be faster because Commission approval of a specific budget would be unnecessary, as it would otherwise be for a supplemental DRAM solicitation. The Commission could simply issue a ruling providing the necessary guidelines for the amount of new capacity needed by each IOU/LSE. IOU/LSEs could then submit advice letters for Commission review and approval in time for the contracts’ inclusion in July Supply Plans. Alternatively, the Commission could, as SCE suggests, authorize pre-approval of contracts conforming with certain conditions.¹⁴

VII. THE BASE INTERRUPTIBLE PROGRAM (“BIP”) SHOULD REMAIN A RELIABILITY PROGRAM

There was support among several types of parties that BIP should remain an emergency program. The Joint DR Parties and California Large Energy Consumers Association (“CLECA”) cite customer preference that the triggers remain as they are and highlighted good BIP performance over five consecutive days of BIP dispatches in August 2020, even with only 30-

¹³ Opening Comments of the Joint DR Parties, at p. 11.

¹⁴ Opening Comments of SCE, at p. 13.

minutes' warning.¹⁵ This is supported by SCE who recommends that BIP not be dispatched before a CAISO warning.¹⁶ Shell Energy North America (US), L.P. ("Shell Energy") appears to recommend even stricter dispatch conditions, with BIP only being dispatched when there is a declared system contingency.¹⁷ In contrast, the CAISO recommends that Reliability Demand Response Resources ("RDRR"), which includes the BIP, should be bid into the CAISO's day-ahead market because other resources are typically dispatched before the market price reaches \$950/MWh.¹⁸

Utilizing BIP as a typical day-ahead resource as the CAISO proposes would undervalue its dispatch time and reliability. As CLECA points out, if BIP is dispatched in the day-ahead market, that fast-responding capacity would not be available when needed for more acute grid conditions.¹⁹ Instead, the CAISO might be left with slower and less reliable resources at a time when it needs a fast response. Also, as noted above, the BIP was called for five consecutive days in August, so it does not appear that lower energy prices than would have been expected under the circumstances prevented the dispatch of the BIP when it was needed.²⁰ The CAISO may want to look into why, when firm load was being shed on August 14-15, that market prices were far below the market cap. It would be reasonable to expect that energy market prices would be at the market cap when there is an insufficient amount of energy on the system.

VIII.

CHANGING THE BIP ENROLLMENT/UNENROLLMENT PROCESS WOULD NOT COMPROMISE THE IOUS' ABILITY TO RESPOND TO GRID EMERGENCIES

PG&E, the Joint DR Parties, NRG Energy, Voltus, Polaris, and the Justice Parties (California Environmental Justice Alliance, Sierra Club, Union of Concerned Scientists, and Grid Alternatives) advocate for more frequent BIP enrollment which, as PG&E suggests, may help maximize BIP participation.²¹ The Council agrees, especially as DRPs recruit new customers, forcing them to wait until the November enrollment/unenrollment period to begin

¹⁵ Opening Comments of the Joint DR Parties, at p. 12 and Opening Comments of CLECA, at pp. 9-10.

¹⁶ Opening Comments of SCE, at pp. 20-21.

¹⁷ Opening Comments of Shell Energy at p. 10.

¹⁸ Opening Comments of CAISO, at pp. 19-20.

¹⁹ Opening Comments of CLECA, at p. 10.

²⁰ Opening Comments of the Joint DR Parties, at p. 12.

²¹ Opening Comments of PG&E, at p. 15; Opening Comments of the Joint DR Parties, at p. 13; Opening Comments of NRG Energy, at p. 7; Opening Comments of Voltus, at p. 13; Opening Comments of Polaris Energy Services, at p. 6; and Opening Comments of the Justice Parties, at pp. 14-15.

participating in January of the following year makes enrolling in BIP less attractive from the perspective of customers. Instead, rolling enrollments will allow new BIP capacity to be available sooner. As the Joint DR Parties and Voltus recommend, rolling enrollments should also include the option for existing customers to opt out of BIP or change their Firm Service Level (“FSL”).²² Monthly FSLs will allow participants to provide more capacity in some months rather than utilizing a single year-round FSL based on the month(s) with the highest FSL. The Council disagrees with PG&E’s contention that allowing this flexibility could compromise its ability to respond to grid emergencies; instead, rolling enrollments will likely make more BIP capacity available because some prospective participants will no longer be turned off by a one-year commitment.²³ The IOUs’ Capacity Bidding Programs (“CBP”) utilize a similar amount of flexibility with no apparent compromise of reliability.

IX.
THE COMMISSION SHOULD REVISIT THE 2% RELIABILITY DR CAP

In conjunction with adopting rolling enrollments and a monthly FSL, the Commission should revisit the 2% reliability cap, as recommended by SCE, the Joint DR Parties, NRG Energy, Voltus, and the Justice Parties.²⁴ If the Commission adopts rolling enrollments and monthly FSLs, this may attract more participation which could potentially cause one or more of the IOUs to reach their 2% cap. When the Commission is so committed to procuring additional RA capacity for Summer 2021, growing the BIP would be an excellent step to add fast-responding DR that can provide fast and highly reliable load curtailment when needed. The Council disagrees with PG&E’s assertion that revisiting the cap could not be implemented by Summer 2021.²⁵ The Commission should suspend or eliminate the cap altogether in a February interim decision if it chose to. The Council also disagrees with CAISO’s recommendation that the 2% cap not be increased if BIP maintains its status as an emergency DR program.²⁶ BIP performed well during the August and September heat events. It is unclear why the Commission would want to limit such an effective program when it is designed for the extreme conditions that

²² Opening Comments of the Joint DR Parties, at p. 13 and Opening Comments of Voltus, at p. 13.

²³ Opening Comments of PG&E, at p. 16.

²⁴ Opening Comments of SCE, at p. 23; Opening Comments of the Joint DR Parties, at p. 13; Opening Comments of NRG Energy, Inc., at pp. 6-7; Opening Comments of Voltus, Inc., at p. 13; Opening Comments of the Justice Parties, at pp. 14-15.

²⁵ Opening Comments of PG&E, at p. 16.

²⁶ Opening Comments of CAISO, at p. 20.

