

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)

**REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND  
MANAGEMENT COUNCIL, CPOWER, ENEL X NORTH AMERICA, INC., AND  
LEAPFROG POWER, INC., ON RESOURCE ADEQUACY REVISED TRACK 3.B.1  
PROPOSALS AND TRACK 4 PROPOSALS**

Dated: March 26, 2021

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MANAGEMENT COUNCIL, CPOWER, ENEL X NORTH AMERICA, INC., LEAPFROG  
POWER, INC., AND OHMCONNECT ON RESOURCE ADEQUACY REVISED TRACK  
3.B.1 PROPOSALS AND TRACK 4 PROPOSALS**

**I. INTRODUCTION**

The California Efficiency + Demand Management Council<sup>1</sup> (“the Council”), CPower, Enel X North America, Inc., and Leapfrog Power, Inc. (collectively, the “Joint Parties”) respectfully submit these Reply Comments on the Revised Track 3.B.1 Proposals and Track 4 Proposals submitted in this resource adequacy (“RA”) proceeding. The Revised Track 3.B.1 Proposals and the Track 4 Proposals were submitted on January 28, 2021. These Proposals were submitted pursuant to the Assigned Commissioner’s Amended Track 3B and Track 4 Scoping Memo and Ruling, issued in this proceeding on December 11, 2020 (“Amended Scoping Memo”). These Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions contained in the Amended Scoping Memo.

**II. JOINT PARTIES REPLY**

**A. The Demand Response Procurement Cap Should Not Be Reduced.**

The Joint Parties strongly urge the Commission to refrain from further lowering the Maximum Cumulative Capacity (“MCC”) demand response (“DR”) Bucket cap. In particular, the Commission should approach the suggestion that a lower cap is warranted based on DR performance during the 2020 heat events with some skepticism.<sup>2</sup>

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

<sup>2</sup> California Independent System Operator (“CAISO”) Track 4 Opening Comments, at p. 7.

In its Opening Comments, the Joint Parties provided several reasons why the findings on DR performance in the Final Root Cause Analysis and recent California Independent System Operator (“CAISO”) Department of Market Monitoring (“DMM”) reports on DR performance are inaccurate and/or inconclusive.<sup>3</sup> As the Joint Parties explained, these analyses do not serve as a viable basis for reducing the already market-constraining DR procurement cap.<sup>4</sup> In fact, the most recent DMM report highlighted that DR performance may have been under-counted due to extreme heat conditions rendering the existing baselines inaccurate.<sup>5</sup> Reducing the DR cap based on data that is inconclusive at best can only be described as overtly and unduly punitive. Rather than further stagnating an industry that can play an important role in California’s clean energy transition, the Commission should adopt the Joint Parties proposal to give DR providers (“DRPs”) real breathing room under the cap by either eliminating the per-LSE component of the cap or by applying it to independently-procured DR only. Maintaining a system that preferences administratively determined investor-owned utility (“IOU”) DR programs to the detriment of third-party resources in filling an already small bucket cannot be reasonably defended.

**B. The Joint Parties Proposal on Modifications to the Load Impact Protocols Has Been Vetted and Should Be Approved.**

San Diego Gas & Electric (“SDG&E”) suggests that the Joint Parties’ proposed changes to the DR Load Impact Protocols (“LIPs”) for the purpose of determining the Net Qualifying Capacity (“NQC”) values of DR programs and resources “are unnecessary and may simply reflect the Joint Parties’ misunderstanding of the wording/description of how to perform the various LIPs” and recommends that the Joint Parties present its concerns in workshops.”<sup>6</sup>

The Joint Parties can assure SDG&E and the Commission that the Joint Parties’ proposal is based on the real-world experience of DRPs gained during the LIP process in collaboration with consultants who themselves have extensive experience in utilizing the LIPs. The LIPs were originally designed for IOU DR programs for the purpose of calculating cost effectiveness, as well as short-term and long-term resource planning. This scope is significantly broader than the narrow purpose of determining the NQC values of third-party DR resources; therefore, it is

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<sup>3</sup> Joint Parties Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at pp. 14-17.

<sup>4</sup> Joint Parties Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at p. 6.

<sup>5</sup> February 25 DMM Report, at pp. 22-24.

<sup>6</sup> SDG&E Opening Comments, at p. 1.

logical and appropriate to explore opportunities to reduce the scope of the load impact reports to reduce the time and cost required to complete them.

The Joint Parties are confused by SDG&E's recommendation that concerns around the application of the LIPs be presented in "the DR workshops led by Energy Division Staff."<sup>7</sup> Decision 20-06-031 explicitly directed the Energy Division to facilitate a discussion on the simplification of the LIPs in the Supply Side Working Group ("SSWG").<sup>8</sup> The SSWG held a workshop on this topic on November 10, 2020 where the Joint Parties' proposal was presented and discussed. Feedback provided by parties, including the Energy Division staff who assess IOU and DRP load impact reports, during this workshop directly informed the Joint Parties' proposal. In fact, the majority of the proposed changes were not controversial; for example, parties either generally agreed or did not object to streamlining Protocol 8 and 22 and eliminating Protocols 5 and 19.<sup>9</sup> Specific areas of consensus are highlighted in SSWG report, submitted as the Joint Parties January 28 proposal.

The Joint Parties appreciate the CAISO's observation that the Joint Parties proposal highlights complexity and lack of transparency of using the LIPs to establish DR NQC values.<sup>10</sup> The Energy Division should be recognized for its steps to improve transparency of the LIP process by issuing its February 10, 2020 *Guide to CPUC's Load Impact Protocol (LIP) Process*, but it remains a challenging, expensive, and sometimes unpredictable process. However, the Joint Parties remain unconvinced at this point that the application of an Effective Load Carrying Capability ("ELCC") methodology will remedy the challenges presented by the LIPs, especially if an ELCC methodology is layered *on top of* the LIPs. This will only further complicate an already burdensome and opaque process. As the Joint Parties stated in their opening comments, we are open to a process to develop a potential DR ELCC methodology based on the key principles that 1) it should greatly increase transparency and decrease complexity, and 2) either wholly supplant the LIPs with an alternate methodology or utilize a highly streamlined version of the LIPs to determine nameplate capacity.<sup>11</sup> In addition, any successor to the current LIP process must be simple enough to eliminate or at least significantly reduce the uncertainty associated

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<sup>7</sup> SDG&E Opening Comments, at p. 1.

<sup>8</sup> Decision 20-06-031, at Ordering Paragraph 16.

<sup>9</sup> Joint Parties January 28, 2021 Track 4 Proposal, at pp.2-4.

<sup>10</sup> CAISO Track 4 Opening Comments, at p. 8.

<sup>11</sup> Joint Parties Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at p. 4.

with the annual LIP process so that DRPs can plan farther than one year ahead, while also being nimble enough to provide a timely NQC determination for DRPs to meet rapid-turnaround procurement opportunities.

**C. The Commission Should Not Pre-Judge the Viability of a DR Effective Load Carrying Capability Methodology.**

No party has yet provided a convincing rationale or evidence for the Commission to approve the use of a yet-to-be-determined ELCC methodology for DR NQC valuation. Pacific Gas and Electric (“PG&E”) expresses support for moving towards implementation of a DR ELCC methodology but does so in the context of the CAISO’s Proposed Revision Request (“PRR”) 1280 and subsequent CAISO decision to hold PRR 1280 in abeyance.<sup>12</sup> This is not a sufficiently compelling reason on its own because how the NQC value of DR is determined is separate from how it is attributed to different LSEs. To be more specific, whether the NQC is determined through the LIP process or using an ELCC methodology, the resulting RA capacity can either be credited as it currently is for IOU DR programs, or fully reflected on LSE supply plans. However, the Joint Parties agree that, if the Commission is intent on further exploring the use of a DR ELCC methodology, it should establish a working group dedicated to developing a DR ELCC proposal.

The Commission should also decline to adopt Southern California Edison’s (“SCE’s”) proposal to combine a future hypothetical ELCC with the current LIPs.<sup>13</sup> Contrary to SCE’s characterization, this is not a “middle ground” approach because it will only add another layer of complexity on top of the LIP process and will not address the transparency and cost issues associated with using the current LIPs. Also, using this as an interim approach in the 2022 RA year is not workable because 1) the LIP process for the 2022 RA year is already well under way and DRPs have planned business decisions around expected LIP outcomes, and 2) no specific DR ELCC methodology is yet ready to be adopted. Rather than using an interim solution, the Commission should skip straight to a working group process in the second half of 2021 if a Commission decision can be issued in 2021 so that any new methodology could be implemented for the 2023 RA year; otherwise, if the Commission does not envision being able to develop and

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<sup>12</sup> PG&E Track 3B.1 and Track 4 Opening Comments, at pp. A1-6 to A1-7.

<sup>13</sup> SCE Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at p. 16.

approve a proposal by the end of 2021, it could still convene a working group in late 2021 or early 2022 to develop a proposal for implementation in the 2024 RA year NQC process.

The Commission should be cautious about “leveraging” the CAISO-commissioned E3 ELCC Study, as the CAISO suggests, as a starting point for developing an ELCC methodology.<sup>14</sup> The CAISO does not clearly explain what it means by “leveraging” so this term leaves the door open for the Commission and parties to interpret this in many ways. This is an important point because, as the California Large Energy Consumers Association (“CLECA”) states, the E3 ELCC Study has not been fully vetted, so it is not clear yet to what extent it should be utilized when considering a DR ELCC methodology.<sup>15</sup> Further highlighting this lack of vetting, in its Track 3B.1 opening comments, SDG&E explained its continued difficulty in getting “important study information” and its suspicion that the E3 ELCC DR model yielded depressed DR ELCC values.<sup>16</sup> In fact, the only materials associated with this study that have ever been distributed is a slide show. There is no comprehensive report on the study nor has the underlying model been made available to parties to test.

The CAISO has stated that the purpose of the study was simply to demonstrate that a DR ELCC study can be developed. It is fair to say that the CAISO has accomplished this goal, but the viability of the study remains unknown. It is possible that elements of it could be useful in exploring a new DR ELCC methodology, but it needs to be reviewed in much greater depth by stakeholders before that determination can be made.

#### **D. The Transmission and Distribution (“T&D”) Line Loss adder and Most of the Planning Reserve Margin Adder Should Be Retained.**

Several parties propose or support eliminating the Planning Reserve Margin (“PRM”) adder and/or the T&D Line Loss adder from the DR RA value. In Opening Comments, the Joint Parties have clearly explained why the T&D Line Loss adder should be retained.<sup>17</sup> SCE and CLECA provide similar explanations that corroborate the Joint Parties’ arguments.<sup>18,19</sup>

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<sup>14</sup> CAISO Track 4 Opening Comments, at p. 9.

<sup>15</sup> CLECA Track 3B.1 and Track 4 Opening Comments, at p. 7.

<sup>16</sup> SDG&E Track 3B.1 Opening Comments, at p. 9.

<sup>17</sup> Joint Parties Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at p. 2.

<sup>18</sup> CLECA Track 3B.1 and Track 4 Opening Comments, at pp. 10-11.

<sup>19</sup> SCE Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at pp. 19-20.

With regard to the PRM adder, CLECA and SCE make compelling arguments for retaining at least a portion of the PRM Adder.<sup>20,21</sup> SCE is correct that, when curtailing load during an event, a DR resource is simultaneously reducing the CAISO forecast error associated with the participating customer load.<sup>22</sup> In addition, the LIP's consideration of historical performance, including the impact of forced outages on performance, is captured in the ex post analyses of DR programs and resources. Therefore, removing this associated component of the PRM adder will double-count forced outages.<sup>23</sup> At the very least, the forecast error and forced outage components of the PRM adder should be retained.

The Joint Parties generally agree with DMM that formal processes be developed for manually dispatching available DR capacity.<sup>24</sup> This could be useful under some conditions, as there were instances during the 2020 heat events when DR resources were not being dispatched even when the market-clearing price met or exceeded bids. However, any such mechanism should only be triggered by specific emergency or near-emergency grid conditions and should not be in the form of a bid cap or give the CAISO carte blanche to dispatch DR resources in conditions other than those it would exceptionally dispatch resources under Operating Procedure 2330.

#### **E. Prohibiting DR Resource Startup Costs Would Be Distortionary and Redundant with the CAISO's Responsibilities.**

The Joint Parties agree with SCE and DMM that DR resource startup costs should not be disallowed. As SCE noted, this would result in inefficient outcomes in the CAISO Residual Unit Commitment ("RUC") market by dispatching DR ahead of lower cost resources.<sup>25</sup> Furthermore, as the Joint Parties stated in Opening Comments and DMM confirms, this issue can be addressed by the CAISO through its own market process.<sup>26</sup>

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<sup>20</sup> CLECA Track 3B.1 and Track 4 Opening Comments, at pp. 11-14.

<sup>21</sup> SCE Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at pp. 20-21.

<sup>22</sup> *Id.*, at p. 20.

<sup>23</sup> *Id.*, at p. 21.

<sup>24</sup> DMM Track 4 Opening Comments, at p. 6.

<sup>25</sup> SCE Track 3B.1, Track 3B.2, and Track 4 Opening Comments, at p. 25.

<sup>26</sup> DMM Track 4 Opening Comments, at p. 7.

### III. CONCLUSION

The Joint Parties appreciate this opportunity to provide these Reply Comments on the RA Tracks 3B.1 and 4 proposals.

Respectfully submitted

March 26, 2021

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