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., LEAPFROG POWER, INC., OHMCONNECT, AND SUNRUN, INC. ON ADMINISTRATIVE LAW JUDGE'S RULING ON ENERGY DIVISION'S DEMAND RESPONSE PROPOSAL AND SEEKING COMMENTS ON THE PROPOSAL

Dated: May 4, 2021

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I. INTRODUCTION

The California Efficiency + Demand Management Council[1] ("the Council"), CPower, Enel X North America, Inc., Leapfrog Power, Inc., OhmConnect, Inc., and Sunrun, Inc. (collectively, the "Joint Parties") respectfully submit these Reply Comments on the Administrative Law Judge's Ruling on Energy Division's Demand Response Proposal and Seeking Comments on the Proposal, submitted in this resource adequacy ("RA") proceeding on April 19, 2021 ("April 19 ALJ Ruling"). These Reply Comments are timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the instructions contained in the April 19 ALJ Ruling. Appendix A to the April 19 ALJ Ruling is the Energy Division Demand Response Proposals for Proceeding R.19-11-009 ("Appendix A").

II. THE COMMISSION SHOULD CLARIFY HOW THE ENERGY DIVISION PROPOSAL APPLIES TO ALL THIRD-PARTY DEMAND RESPONSE ("DR") RESOURCES

It is clear from party comments to the Energy Division's proposal that Southern California Edison Company ("SCE") and Pacific Gas and Electric Company ("PG&E") met with the California Independent System Operator ("CAISO") to resolve the issues that led to Proposed Revision Request ("PRR") 1280 being held in abeyance last fall. It also appears that, as a result of these conversations, investor-owned utilities ("IOUs") agreed to apply an Effective Load Carrying Capability ("ELCC") factor based on an updated E3 ELCC study to their LIP-

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

based RA value for the 2022 RA year. At the same time, the Energy Division has put forward a competing proposal for an administratively-set 5 percent derate on an interim basis.

It is unclear to the Joint Parties which proposals are meant to apply to IOU DR programs and which are intended to affect all DR providers ("DRP"). In their comments, the CAISO proposes "…limiting the application of this interim ELCC methodology to IOU DR because the third-party participants under DR Auction Mechanism ("DRAM") are differently situated for several reasons."[2] The CAISO does not state how it believes non-DRAM third-party DR should be treated. Meanwhile, the Energy Division proposal suggests that the 5 percent derate apply to "all resources subject to the LIP process" which implies IOU DR programs and third-party, non-DRAM DR.[3]

The Joint Parties note that the application of either proposal to third-party DR resources is inappropriate. Third-party DRPs were not involved in the conversations between the IOUs and the CAISO and had no say in the outcome. Moreover, the CAISO's ELCC study that is proposed to serve as the basis for the 2022 Qualifying Capacity ("QC") value is explicitly based on IOU data only. In fact, it seems that the 5 percent derate proposed by the Energy Division is itself at least partially informed by this ELCC study.

The application of any QC methodology to parties that were neither considered in the study underlying that methodology, nor were included in conversations regarding its use for 2022 as an interim solution, is inappropriate and should not be approved. Moreover, third-party DRPs have already expended substantial financial and human resources - DRPs completely self-fund these costly evaluations - partaking in the LIP process for the 2022 RA year. These investments were undertaken with the understanding that non-DRAM DR QC will continue to be based entirely on the LIPs in 2022.

III. THE PROPOSED INTERIM DEFAULT 5 PERCENT DERATE TO DR LOAD IMPACTS HAS NO EVIDENTIARY BASIS AND SHOULD NOT BE ADOPTED

The Joint Parties reiterate that the proposed interim 5 percent derate of DR program load impacts is without evidentiary basis. Public Advocates Office ("PAO") and the California Community Choice Association ("CalCCA") support this position and express strong skepticism over the evidentiary support for this proposal. PAO states, "Energy Division's Proposal to derate

[2] CAISO Opening Comments, at p. 7.
[3] Appendix A, at p. 8.

Load Impact Protocol (LIP)-based demand response resources is premature since the proposal does not establish a need for a 5% interim derate nor justify how a derate would improve grid reliability."[4] Similarly, CalCCA points out that "there is not sufficient evidence to simply reduce the RA counting value by five (5) percent at this time."[5]

PAO and CalCCA also point to Energy Division's statement that the IOUs believe that if the LIP-based QC is compared to the CAISO's ELCC methodology on an "apples to apples" basis, the difference would be less than 5 percent.[6] If this is true, it is unclear why a default 5% derate is reasonable or needed. Moreover, it is premature to adopt a derate on the basis of an accuracy differential between the LIPs and a methodology that the Commission has not yet even adopted.

If the Commission ultimately adopts a default 5 percent derate despite a clear absence of evidence, it should condition that derate upon the CAISO treating DR resources as variable in the market. This includes allowing proxy demand resources ("PDR") to be bid below QC without being subject to the Resource Adequacy Availability Incentive Mechanism ("RAAIM") penalties. If the derate is meant to approximate the DR QC value using the CAISO's ELCC methodology, then DR should be treated as all other resources subject to the ELCC.

IV. ADOPTING AN ELCC METHODOLOGY FOR DR QC, EVEN AS AN INTERIM MEASURE, IS PREMATURE AND INAPPROPRIATE

PG&E, SCE, and the CAISO indicated in their opening comments that they are working together to update the CAISO's ELCC analysis to reflect the 2020 performance of IOU DR programs.[7] The IOUs and CAISO certainly have the right to collaborate in this way, but this should not serve as a basis for the Commission to approve the use of ELCC methodology for DR QC valuation before the CEC-led process is even underway, nor should an updated ELCC analysis inform a default derate. As CLECA states, "there is scant record evidence on how ELCC would work for DR, there is considerable opposition to its use, and the CAISO E3 study

[4] PAO Opening Comments, at p. 1.
[5] CalCCA Opening Comments, at p. 2.
[6] CalCCA Opening Comments, at p. 3; PAO Opening Comments, at pp. 1-2.
[7] PG&E Opening Comments, at p. 3; SCE Opening Comments, at p. 4; and CAISO Opening Comments, at p. 6.

has not been fully vetted by parties to this proceeding…"[8] Therefore, it would be inappropriate to use it even as an interim measure or standard upon which to base a derate.

Moreover, the application of the ELCC factor on top of the LIP QC misuses the ELCC methodology. The ELCC factor is typically applied to the nameplate value of a resource, where nameplate represents the maximum demonstrable output under ideal conditions. By definition, the LIP QC represents average expected impact under average conditions. Applying an ELCC derate to the equivalent of "average output" misapplies the methodology and is simply an administrative derate to DR QC.

V. THE COMMISSION SHOULD ADOPT A CALIFORNIA ENERGY COMMISSION (CEC)-LED WORKING GROUP PROCESS TO DETERMINE A LONG-TERM DR QC METHODOLOGY WITHOUT AN INTERIM STOP-GAP ADJUSTMENT

The Joint Parties support a working group process led by the CEC to determine a QC methodology for DR. All parties would benefit from a thorough conversation regarding the benefits and drawbacks of the LIPs, ELCC, and other methodologies with the aim of identifying an option that appropriately balances accuracy, flexibility, and simplicity to the greatest extent possible. The Joint Parties look forward to the conversation and to a more stable and transparent regulatory environment that a new QC solution could yield. Until then, the Joint Parties strongly recommend that the Commission maintain existing counting methodologies until the Working Group reaches its recommendations and these are adopted. Levying an interim solution based on a weak evidentiary record sets a poor precedent, creates confusion, and reduces confidence among LSEs looking to purchase DR to meet their RA obligations.

VI. THE DISTRIBUTION LOSS FACTOR AND TRANSMISSION LOSS FACTOR SHOULD BE RETAINED

There was no opposition among parties for retaining the Distribution Loss Factor ("DLF") and Transmission Loss Factor ("TLF") adders, but the CAISO expressed concerns about the TLF adder while supporting its re-consideration in the CEC-led process.[9] The Joint Parties have no objection to a closer examination of the TLF adder, but, as part of a CEC-led process, a workshop as suggested by San Diego Gas & Electric Company ("SDG&E") would be helpful for all parties to have a clear understanding of how the DLF and TLF are determined for

[8] CLECA Opening Comments, at p. 5.
[9] CAISO Opening Comments, at p. 8.

planning purposes and how they are applied to calculate actual performance in the energy market.[10]

Finally, the Joint Parties reiterate that, if DR credits are retained in any manner, they should be allocated more frequently than once per year and explicitly recognized by the CAISO. Any other outcome will differentiate the value of the same DR resource between the Commission and the CAISO, and between contracts signed in the year-ahead and intra-year timeframe.

VII. CONCLUSION

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

Respectfully submitted

May 4, 2021

/s/ GREG WIKLER

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[10] SDG&E Opening Comments, at p. 3.