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 PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2022-2024, FLEXIBLE CAPACITY OBLIGATIONS FOR 2022, AND REFINEMENTS TO THE RESOURCE ADEQUACY PROGRAM**

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Greg Wikler
Executive Director
California Efficiency + Demand Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: 925-286-1710
E-mail: policy@cedmc.org

Luke Tougas
Consultant for
California Efficiency + Demand Management Council
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: 510-326-1931
E-mail: l.tougas@cleanenergyregresearch.com

Jennifer A. Chamberlin
Executive Director,
Market Development
CPower
2475 Harvard Circle
Walnut Creek, CA 94597
Telephone: 925-433-2165
Email: JAC@CPowerEnergyManagement.com

Andrew Hoffman
Chief Development Officer
Leapfrog Power, Inc.
1700 Montgomery St., Suite 200
San Francisco, CA 94111
Telephone: (415) 409-9783
Email: marketdev@leap.energy

Marc Monbouquette
Regulatory Affairs Manager
Enel X North America, Inc.
846 Bransten Road
San Carlos, CA 94070
Telephone: (415) 488-6035
E-mail: marc.monbouquette@enel.com

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I. INTRODUCTION

The California Efficiency + Demand Management Council ("Council"), [1] CPower, Enel X North America, Inc., and Leapfrog Power, Inc. (collectively "the Joint Parties") respectfully submits these Reply Comments on the Proposed Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program ("Proposed Decision" or "PD"), mailed in this proceeding on May 21, 2021. 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 accompanying the Proposed Decision.

II. SUMMARY

The Joint Parties appreciate this opportunity to submit these reply comments on the Proposed Decision. In response to parties' opening comments, the Proposed Decision should be modified to:

1) delay implementation of a Saturday availability requirement,
2) direct that the investor-owned utilities' ("IOUs'") revised effective load carrying capability ("ELCC") analysis be used for informational purposes only,
3) disregard Middle River Power's proposal to bypass the California Energy Commission's ("CEC") assessment of the load forecast error component of the planning reserve margin ("PRM") Adder,

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

4) recommend the CEC consider changes to the mid-year demand response ("DR") Qualifying Capacity ("QC") update process,
5) direct the Energy Division to enter the transmission load factor ("TLF") Adder into the California Independent System Operator's ("CAISO's") Customer Interface for Resource Adequacy ("CIRA") on a monthly basis, and
6) eliminate the discriminatory aspects of the demand response ("DR") procurement cap.

III. SATURDAY AVAILABILITY

A. The Commission should delay consideration of a Saturday availability requirement pending a decision in Track 3B.2.

Since the Commission issued its Proposed Decision in Track 3B.1 and Track 4 in this proceeding, it issued a PD in Track 3B.2 that directs parties to further develop PG&E's "Slice-of-Day" proposal for restructuring the Resource Adequacy ("RA") framework. If approved, PG&E's proposal would likely render moot the question of which days of the week that RA resources would need to be available. The Track 3B.2 PD has made clear the Commission's desire for a new RA framework to be in place in time for implementation in 2023 for the 2024 RA year, so it would be highly impractical to implement a Saturday availability requirement in 2021 for the 2022 RA year or even in 2022 for the 2023 RA year. As the Joint Parties discuss below, implementing a Saturday availability requirement for the 2022 RA year would be highly disruptive; assuming the Commission agrees and would otherwise delay the Saturday requirement until 2022 for the 2023 RA year, it begs the question of the practical benefits of a one-year Saturday availability requirement. The Commission should not approve the Saturday availability requirement and instead let the proposed process directed in the Track 3B.2 PD play out to develop the final slice-of-day RA framework.

B. Adopting a Saturday availability requirement for the 2022 RA will be highly disruptive and would negatively impact reliability.

In its opening comments, Southern California Edison Company ("SCE") identifies several highly valid reasons for grandfathering existing DR contracts should the Commission ultimately adopt a Saturday availability requirement. SCE highlights several DR contracts that would no longer receive RA value because they would not be in compliance with the new availability requirement which would reduce ratepayer value and could result in higher costs from procuring replacement capacity.[2] SCE also correctly expressed concern that sellers would have no obligation to agree to a contract amendment, nor is it a guarantee that the sellers can even deliver the same amount of capacity on Saturdays.[3] California Energy Storage Alliance ("CESA") echoes these arguments for energy storage-backed DR contracts and adds that Saturday availability could be a challenge for some participating customers because their weekend load may not be high enough to deliver the required load curtailment when the BTM energy storage is dispatched.[4] This would reduce the QC value that the DR contract could deliver because the Monday-Friday load curtailments would need to be reduced in order to be consistent with the Saturday load curtailment capability.

In addition to grandfathering existing DR contracts, the DR qualifying capacity ("QC") values that are awarded in 2021 for the 2022 RA should also be grandfathered. As the Joint Parties stated in their Opening Comments, DR providers ("DRP") have already submitted their load impact evaluations to the Energy Division for their assessment for 2022 QC values. Furthermore, the QC update process does not allow for a reassessment of QC values based on an additional day of availability. Only changes to the customer enrollments and enrollment forecast are taken into consideration when QC values are updated. Therefore, the Commission should also grandfather the most recent QC values currently under assessment.

IV. DR QC METHODOLOGY

A. Using an ELCC-based methodology for IOU DR programs is impractical when a new methodology will be developed through a CEC-led process.

SCE highlights the potential confusion and uncertainty being created when the PD finds that there is insufficient basis to adopt an ELCC-based methodology to determine DR QC values, whereas the June 3 Assigned Commissioner's Ruling ("ACR") directs the IOUs to re-run the CAISO's ELCC analysis to determine new 2021 QC values for IOU DR programs.[5] The Joint Parties also question why this is even necessary when the CEC-led process will be underway in the second half of the year to develop a new DR QC methodology. Assuming the CEC proposal is ultimately approved in 2022 for the 2023 RA year, the IOU DR QC values will have been assessed through the DR Load Impact Protocol ("LIP") process, CAISO ELCC-methodology,

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[2] Opening Comments of SCE, at p. 3.
[3] *Id.*, at pp. 3-4.
[4] Opening Comments of CESA, at pp. 4-5.
[5] Opening Comments of SCE, at pp. 5-6.

and the CEC proposal over the course of two years. This is unnecessary, especially considering, as the PD acknowledges, there is no proof that the CAISO's ELCC methodology is more accurate than the LIP process. Furthermore, directing the IOUs to use the CAISO's ELCC methodology before its merits are more closely considered risks biasing the CEC-led process. The Commission should direct that the updated IOU ELCC analyses only be used for informational purposes to inform the CEC-led process.

B. The CEC-led process should consider potential refinements to the DR QC update process.

The Joint Parties support SDG&E's request that the CEC-led process to develop a new DR QC methodology also consider potential modifications to the methodology for the mid-year updates.[6] The backward-looking nature of the LIPs has always been a weakness for determining future DR QC values, it is critical that DR QC values be based on the most recent data available to ensure their accuracy.

V. DR ADDERS

A. The Commission should disregard Middle River Power's attempt to bypass the CEC-led examination of the PRM.

The Commission should disregard Middle River Power's ("MRP") proposal to bypass the CEC's assessment of the load forecast error component of the Planning Reserve Margin ("PRM") Adder and temporarily remove a five-year average load forecast error from the PRM Adder until the CEC process is complete.[7] This proposal is unsupported and appears to ignore the exact reason why the PD directs the CEC to determine the load forecast error component of the PRM Adder – because it is unclear how the remaining 9 percent should be divided.[8] MRP is free to make this same proposal during the CEC process.

B. The Energy Division must enter the TLF Adder into CIRA on a monthly basis.

The Joint Parties fully support the recommendation by OhmConnect that the Proposed Decision be revised to direct the Energy Division to credit the TLF and PRM Adders to the CAISO on a monthly basis.[9] Not all DR resources are shown on a year-ahead basis and resource

[6] Opening Comments of SDG&E, at pp. 2-3.
[7] Opening Comments of MRP, at p. 4.
[8] Proposed Decision, at pp. 40-41.
[9] Opening Comments of OhmConnect, at p. 6.

QC values may change over the course of a year. This approach will ensure that accurate RA values are being claimed.

VI. MCC BUCKETS

A. There is abundant evidence to support revising the DR procurement cap.

The Joint Parties agree with OhmConnect that the DR procurement cap can and should be revised in light of real-world developments and evidence that have rendered the cap distortionary and discriminatory. that and sufficient evidence exists for this to occur in this track of the RA proceeding. In addition to the evidence cited by the Joint Parties in Opening Comments, OhmConnect highlights that a load-serving entity's ("LSE's") mid-year true-up of its RA requirements could cause it to suddenly find itself over-procured with DR and out of compliance with D.20-06-031 while IOU DR capacity is unaffected because they are "first-in and last-out."[10] OhmConnect is also correct that how the DR procurement cap is applied directly contradicts the Commission's own policy with regard to third-party DR that was adopted in D.16-09-056.[11] The Proposed Decision should be revised to adopt one of the first two proposals in the Joint Parties' January 28, 2021 Track 3B.1 proposal: 1) apply the DR procurement cap at the system level, or 2) exempt IOU DR programs from the procurement cap.

VII. CONCLUSION

The Joint Parties appreciate this opportunity to provide these Reply Comments on the Proposed Decision.

Respectfully submitted

June 15, 2021

/s/ GREG WIKLER
Greg Wikler
On Behalf of the California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., and Leapfrog Power, Inc.
1111 Broadway, Suite 300
Oakland, CA 94607
Telephone: 925-286-1710
E-mail: policy@cedmc.org

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[10] *Id.*, at p. 3.
[11] Opening Comments of OhmConnect, at p. 4.