Rulemaking No.: 20-11-003 .

Exhibit No.: ____________

Witnesses Greg Wikler

Commissioner Marybel Batjer

ALJ Brian Stevens

REPLY PREPARED TESTIMONY OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL

Rulemaking 20-11-003
2021 Extreme Weather Event Reliable Electric Service

July 21, 2021

R.20-11-003 (Emergency Reliability)
REPLY PREPARED TESTIMONY OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL

Q. Please state your name and business address

A. My name is Greg Wikler. My business address is 1111 Broadway, Suite 300, Oakland, CA 94607.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the California Efficiency + Demand Management Council ("the Council").

Q. Have you testified previously in this proceeding?

A. Yes. On January 11, 2021, the DR Coalition served my Opening Prepared Testimony.[1] My Statement of Qualifications was appended thereto as Appendix A. On January 19, 2021, the DR Coalition served my Rebuttal Prepared Testimony.

Q. What is the purpose of your Reply Prepared Testimony?

A. The purpose of this testimony is to address the Supplemental Testimony of Pacific Gas and Electric Company and the Supplemental Testimony of California Environmental Justice Alliance which were submitted in this proceeding on July 7, 2021. The Pacific Gas and Electric Company ("PG&E") Supplemental Testimony addresses PG&E's "Residential Rewards" Pilot, now renamed the "Power Saver Rewards" Pilot. The California Environmental Justice Alliance ("CEJA") Supplemental Testimony addresses CEJA's "Just Flex Rewards" Pilot.

Q. What issues do you address in your Reply Prepared Testimony?

A. The Council generally supports the pilots as a means to grow demand response ("DR") and DR enrollment and provides some observations and specific recommendations pertaining to both pilot proposals. As a threshold matter, the pilots should follow the following principles:

[1] The DR Coalition consisted of the California Efficiency + Demand Management Council ("the Council"), Google LLC ("Google"), Leapfrog Power, Inc., ("Leap"), NRG Energy, Inc. ("NRG"), OhmConnect, Inc. ("OhmConnect"), Oracle, Tesla, Voltus, Inc. ("Voltus"), and Willdan.

1. The load reduction of each pilot should be reflected in the load forecast once they are deployed and not reduce the amount of DR that can be provided by third parties;
2. Customers should be able to easily and seamlessly switch to different DR programs with minimal delay and no cost to the customer;
3. The pilots should be used to engage with customers and encourage them to move up the value chain for DR programs;
4. The pilots should target enrollment of customers currently not participating in DR; and
5. The pilots should incrementally increase the amount of DR on the grid and reduce LSE RA requirements.

Q. Is clarification needed on how these pilots will fit into the Resource Adequacy regime?

A. Yes. Neither PG&E nor CEJA explain how their proposals would fit into the Resource Adequacy ("RA") regime. Both parties indicate that their pilots would not be market-integrated which, pursuant to the bifurcation Decision ("D.") 14-03-026, would qualify them as Load Modifying Resource ("LMR") DR. Consequently, the Commission should find that their load impacts, determined through the appropriate analysis, will reduce the load forecast and, by extension, the RA requirements, of the impacted load-serving entities ("LSEs"). Both pilots would deliver a significant amount of load impacts (PG&E estimates 100 MW and CEJA estimates 350 MW at their respective peak enrollment), and ratepayers should receive a commensurate capacity benefit in the form of reduced RA requirements. As the Council discusses further below, the two-year duration of the CEJA pilot is likely insufficient to deliver any persistent changes to the load forecast, so the Commission should extend the Just Flex Rewards Pilot to six years so that its load impacts will have a durable capacity value.

The Commission should also specify exactly how both pilots will count against the 8.3 percent per-LSE procurement cap that was approved under D.20-06-031.[2] The Council understands that the DR Maximum Cumulative Capacity ("MCC") Bucket and

[2] Decision 20-06-031, at Ordering Paragraph 19.

associated procurement cap apply only to Supply Resource DR but, to the Council's knowledge, the Commission has never explicitly stated this. It is critical that the Commission explicitly finds that neither pilot counts against the procurement cap because it will further squeeze out third-party DR.

Previously some members of the DR Coalition, filing as the Joint Parties[3], expressed these concerns in Rulemaking (R.) 19-11-009 because investor-owned utility ("IOU") DR programs get "first dibs" under the DR procurement cap which limits the opportunities for third-party DR providers to execute RA contracts with those LSEs that are at or near their DR procurement cap.[4] The Council is not requesting the Commission make an overarching policy statement with regard to the applicability of LMR DR to the DR procurement cap, but the Commission should explicitly state that, being pilots, the Power Saver Rewards and Just Flex Rewards pilots do not apply to the DR procurement cap.

Q. Should these pilots be modified?

A. Yes. If the Commission is intent on adopting both proposals, they may need to be modified where they overlap. It is not clear whether the Commission intends to adopt only one or potentially both of the proposed pilots. The Power Saver Rewards Pilot would apply only to PG&E's own service area, whereas the Just Flex Rewards Pilot would presumably apply throughout the PG&E, SCE, and SDG&E service areas. If this assumption is correct, then one or both pilots may need to be adjusted to ensure coordination within PG&E's service area to ensure that the Power Saver Rewards Option A does not conflict with the Just Flex Rewards Pilot which could confuse potential participants and result in double payments. Alternatively, the Commission could direct that the Just Flex Rewards Pilot be deployed throughout the SCE and SDG&E service areas only while PG&E deploys the Power Saver Rewards Pilot in its own service area. The Council is agnostic on which approach the Commission adopts, but the Commission should clearly specify exactly how it sees the two pilots interacting.

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[3] The Joint Parties was comprised of the California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., Leapfrog Power, Inc., and OhmConnect, Inc.

[4] *Joint Track 3B.1 Proposal of the California Efficiency + Demand Management Council, CPower, Enel X North America, Inc., Leapfrog Power, Inc., and OhmConnect, Inc.*, R.19-11-009, January 28, 2021, at p. 4.

Q. Should both pilots act as conduits to inform customers on participating in other DR programs?

A. Yes. Regardless of which (or both) of the pilots are ultimately adopted, one of their priorities should include growing DR program participation and adoption of smart technologies to convert participating customers from casual energy savers to more committed, regular performers to create additional valuable clean capacity. The circumstances surrounding load reduction events provide an excellent opportunity to present customers with opportunities to be compensated for reducing their load on a more frequent basis. As PG&E states in its supplemental testimony, "[a] behavioral DR program can often be a first step with DR and spark customers' interest in other types of DR programs in the future."[5] This education and experience would position those wanting to participate in a more robust manner, e.g., adopt smart technologies (for customers participating in PG&E's Option A or CEJA's pilot) and/or dispatch more frequently and earn the commensurate financial rewards. To achieve this, marketing for the pilots should include cross-marketing with IOU, LSE, and third-party DR programs, including critical peak pricing ("CPP"), as well as smart technology incentives by including reference to IOU websites where available DR programs and technology incentives can be found, including participating DR providers for aggregator programs.

Furthermore, cross-marketing with technology incentives should include the Energy Efficiency Statewide Plug Load Appliance Program, Self-Generation Incentive Program, and Automated Demand Response Program. In its supplemental testimony, PG&E stated that it <u>may</u> perform this cross-promotion, but the Commission should explicitly direct them to do so for the Power Saver Rewards Pilot;[6] the same technology cross-marketing should be done by the other IOUs to the extent the Just Flex Rewards Pilot is deployed in their service areas.

Finally, the Council stresses that customers currently participating in DR programs should *not* be opted in to any of these programs. The goal of these pilots should be to grow the available DR on the grid, and therefore the programs (described

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[5] Pacific Gas and Electric Company Supplemental Testimony, submitted on July 7, 2021 ("PG&E Supplemental Testimony"), at p. 4.
[6] PG&E Supplemental Testimony, at pp. 7-8.

as a “first step”) should target new customers only. The Council wants to avoid a situation where an opt-in deployment unintentionally unenrolls customers that are already participating in a DR program.

Q. Should the Commission ensure that participants can easily change their participation level or migrate to another DR program?

A. Yes. For the pilots to successfully act as feeders for other IOU and third-party DR programs, they will need to be able to quickly and easily change their level of participation in the Power Saver Rewards Pilot from Option A to Option B, and for participants in both pilots to migrate to other DR programs. Program migration is especially critical for customers enrolled in the base Option A or the Just Flex Rewards Pilot that adopt enabling technology like smart thermostats. The enabling technology will unlock greater rewards for residential customers through deeper reductions and/or more lucrative DR programs. In addition, pilot participants should be automatically disenrolled from whichever pilot they are participating in if they enroll in another DR program, rather than needing to affirmatively disenroll from the pilot, a process which can act as a barrier for residential customers. This would be consistent with how customers are automatically unenrolled from CPP when they authorize third-party access to their data through Electric Rule 24.

Q. What are your recommendations for the PG&E Proposal?

A. To begin with, the Commission should approve the “Front Load” budget option. PG&E’s Power Saver Rewards Pilot would involve enrolling approximately 100,000 customers with smart technologies and implement the Home Energy Report alert system for 1.6 million customers of peak or near-peak days over the course of the pilot, for an estimated 100-114 MW of load reduction at the pilot’s peak, depending on the deployment scenario. PG&E proposes two different budget scenarios: the $67 million “Steady Load” option would involve a steady upward ramping of customer enrollment and the $78 million “Front Load” would involve deploying more resources initially to kick-start enrollments and deliver more load impacts earlier. The added budget to the Front Load option is associated with higher up-front marketing costs and more customer incentives because customers would be recruited faster.

The Commission should approve the Front Load budget and deployment option, especially for Option B, because, as PG&E states, "it will drive greater customer recruitment in the early years of the Pilot resulting in maximizing MW in the first few years."[7] The Commission has found there is a significant need for resources in the short- and intermediate-term in both this proceeding as well as the Integrated Resource Plan proceeding, so the Power Saver Rewards Pilot should be ramped up as aggressively as is reasonably possible. Option B will add 100,000 smart, enabling, controllable devices to the grid, and it is critical that those resources are added as soon as possible to provide further grid flexibility.

Second, the Commission should allow customers in the Power Saver Rewards Pilot Option B to be eligible for existing Energy Efficiency incentives. The PG&E proposal states that "[t]he PSRP will not offer any specific rebates to incentivize the adoption of smart technologies; however, PG&E may cross-promote PG&E or third-party technology rebates."[8] We interpret that PG&E does not intend to preclude customers on the Power Saver Rewards Pilot from using existing technology incentives, such as the ENERGY STAR® Smart Thermostat rebate. We support this interpretation because a given enabling device provides multiple energy efficiency and DR benefits, and request that the Commission explicitly state as much to avoid unintentional misinterpretation.

Q. What are your recommendations for the CEJA Proposal?

A. First, the Just Flex Rewards Pilot duration should be extended to six years, just as PG&E proposes for the Power Saver Rewards Pilot, with the caveat that it does not divert funding from other more advanced DR programs and allows participants to easily and quickly transition to other DR programs should they so choose. A longer pilot duration would allow time for adjustments to be made as experience is gained. In fact, the Commission could fold the Just Flex Rewards Pilot into PG&E's proposed mid-cycle assessment process to explore areas of improvement. Furthermore, as the Council discussed above, a two-year pilot duration is an insufficient amount of time to create persistent load impacts and reduce RA requirements.

[7] PG&E Supplemental Testimony, at p. 13.
[8] PG&E Supplemental Testimony, at pp. 7-8.

Second, CEJA should consider adding a technology component. The Council appreciates CEJA's quest to develop a simple, easily deployed pilot that will deliver appreciable load reductions. However, we believe that CEJA's estimated per-customer load impact may be overly optimistic for a behavioral pilot with little verification of performance. The pilot would be enhanced by incorporating a smart technology option similar to Option B of the Power Saver Rewards Pilot and supported by cross-marketing with the local IOU's technology incentive programs, including Energy Efficiency Statewide Plug Load Appliance Program, Self-Generation Incentive Program, and Automated Demand Response Program to deliver greater and more reliable per-customer load reductions. This would improve the per-customer load impact by improving the magnitude and reliability of the participant load reductions.

Q. Does this conclude your testimony?

A. Yes.