

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)

OPENING BRIEF OF THE JOINT PARTIES ON PHASE 2 ISSUES

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SUMMARY OF RECOMMENDATIONS

Rule 13.11 of the Commission’s Rules of Practice and Procedure requires that a “summary of the briefing party’s recommendations [follow] the table of authorities.” In summary, the Joint Parties recommends and requests that the Commission do the following:

- Modify the Emergency Load Reduction Program (“ELRP”), as follows:
 - Increase the ELRP incentive to \$2/kWh for all participants with no additional load curtailment commitment than is already required under the pilot’s rules.
 - Compensate Base Interruptible Program (“BIP”) customers for ELRP event hours that are not overlapping with BIP events.
 - Add a day-of trigger for Group B ELRP participants.
 - Open ELRP to direct-enrolled and third-party residential customers on an opt-in basis.
 - Add Flex Alert as a potential trigger for residential and non-residential participants.
 - Provide DR Aggregators an avenue for receiving compensation for broadly automating a response to Flex Alerts during system emergencies through emergency agreements.
 - Expand ELRP Group B to include non-DR customers.
- Modify the Demand Response Auction Mechanism (“DRAM”), as follows:
 - Adopt a supplemental 2022 auction and an expanded 2023 budget.
 - Additional DRAM requirements should not be adopted in this proceeding.
 - If the Commission does not adopt a supplemental 2022 DRAM auction and augmented 2023 DRAM budget, the Commission should approve an IOU solicitation for bilateral DR contracts.
 - Waiting for the Independent Evaluator’s Report should not be a prerequisite for expanding the DRAM budget.
- Modify the Electric Vehicle/Vehicle to Grid Integration (“EV/VGI”) Aggregation Pilot, as follows:
 - Extend eligibility to residential customers.
 - Confirm the eligibility for V1G or V2G aggregations of at least 25 kw of incremental load reduction (“ILR”) in a single IOU territory to participate in Group A.3 as part of a standalone VGI-focused pilot.
 - Base ILR settlements on electric vehicle supply equipment (“EVSE”) submetering data if located behind a host site meter, to review interconnection rules to enable streamlined and affordable access to EVSE with bi-directional capabilities, and to guarantee at least 30 hours of ELRP dispatches per season.
- Modify the Smart Controllable Thermostats (“SCTs”), as follows:
 - SCT deployment should not be limited to specific climate zones.

- Require customers receiving a smart thermostat incentive to enroll in a DR program.
- Accelerate the use of the combined EE-DR cost-effectiveness test, particularly for SCT incentives.
- Extend the administration of Automated DR (“ADR”) technology incentives, and specifically the incentives for SCTs, to third-party DRPs that provide California Independent System Operator (“CAISO”)-integrated DR programs.
- Raise, eliminate, or suspend the 8.3% DR procurement cap.
- Direct Flex Alert cross-marketing with other DR programs.
- Customers should not be required to provide their utility account number to enroll in Bring Your Own Device (“BYOD”) programs or the Emergency Load Reduction Program.
- Allow prohibited resources using Renewables Portfolio Standard (“RPS”)-eligible biofuels for all DR programs.
- Explicitly authorize use of the CAISO’s new baseline options for the Capacity Bidding Program (“CBP”) and DRAM capacity settlement.
- Approve an SCE and SDG&E CBP Elect.
- Approve Marin Clean Energy’s (“MCE’s”) Peak FLEXmarket Program.
- Approve Recurve Analytics’ (“Recurve’s”) Demand FLEXmarket proposal as a pilot.
- Consider Oracle’s Behavioral Demand Response proposal as an alternative to the Energy Division’s default Residential ELRP concept.

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OPENING BRIEF OF THE JOINT PARTIES ON PHASE 2 ISSUES

California Efficiency + Demand Management Council (“the Council”), ecobee, Inc. (“ecobee”), Leapfrog Power, Inc. (“Leap”), and Oracle (“Joint Parties”) respectfully submit this Opening Brief in Rulemaking (R.) 20-11-003 (Extreme Weather) on Phase 2 issues. In Phase 2 of this Rulemaking, the Commission seeks to establish an expedited process to ensure there is adequate supply and demand management to achieve electrical system reliability in 2022 and 2023. The Joint Parties’ Opening Brief on Phase 2 Issues is timely filed and served pursuant to the Commission’s Rules of Practice and Procedure (Rule 13.12) and the Assigned Commissioner’s Amended Scoping Memo and Ruling for Phase 2 (Amended Scoping Memo), dated August 10, 2021.

**I.
BACKGROUND**

The Joint Parties is comprised of the Council, ecobee, Leap, and Oracle.

- **The Council:** The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.¹ Our 65+ member companies (including DR providers CPower, Enel, Google, Leap, OhmConnect, Oracle, Olivine, ecobee, and Uplight) employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“DR”), and distributed energy resources (“DER”) service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficient product manufacturers. The Council’s mission is to support appropriate EE and

¹ Additional information about the Council, including the organization’s current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

DR policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

- **ecobee:** ecobee is a leading developer of smart thermostats that facilitate cost-effective load management. ecobee is a vendor of automation technology that, if fully leveraged, can enhance grid reliability in the event of an extreme weather event using automated tools that do not require energy expertise or even active engagement. In 2019, ecobee introduced a new thermostat optimization platform to facilitate cost-effective customer load management. This platform, eco+, is a free software upgrade for consumers that has been pushed out to existing ecobee smart thermostats to improve the energy performance of residential HVAC systems by offering personalized energy efficiency, time-of-use, and demand response optimization.
- **Leap:** Leap is a demand response provider (“DRP”) founded in 2017 and headquartered in San Francisco, California. The company provides DR services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables DER providers in California to become grid participants, both adding revenue for their customers and integrating additional demand-side resources into the California electricity system. Leap believes that demand-side resources integrated into California’s wholesale electricity market will play a key role in helping California achieve a resilient and zero carbon future.
- **Oracle:** Oracle (formerly Opower, Inc.) has delivered Opower’s behavioral EE, DR, and customer engagement services to over one hundred electric and natural gas utilities across ten countries and thirty-five states, including California. To date, these programs have saved nearly 30 terawatt-hours of energy. In 2020 alone, the Opower behavioral EE program is projected to drive over 350 GWh of savings across the three electric investor-owned utilities (“IOUs”). Oracle appreciates this opportunity to provide input on the Commission’s Extreme Weather Rulemaking. Oracle’s comments are based on the 12+ years of behavioral demand-side management experience contained in the Opower platform, which has been implemented by more than 100 utilities around the world.

II. SUMMARY OF THE JOINT PARTIES' POSITION

The Joint Parties urge the Commission to adopt the proposals set forth in the Opening Phase 2 prepared Testimony of the Joint Parties, submitted on September 1, 2021 (“Exhibit “Ex.” Joint Parties-01”) and the Phase 2 Reply Prepared Testimony of the Joint Parties, submitted on September 10, 2021 (“Ex. Joint Parties-02”). As previously proposed, the Joint Parties recommend that the Commission adopt the proposals listed below. In addition, the Joint Parties address several statements made in reply testimony.

- Modify the Emergency Load Reduction Program (“ELRP”), as follows:
 - Increase the ELRP incentive to \$2/kWh for all participants with no additional load curtailment commitment than is already required under the pilot’s rules.
 - Compensate Base Interruptible Program (“BIP”) customers for ELRP event hours that are not overlapping with BIP events.
 - Add a day-of trigger for Group B ELRP participants.
 - Open ELRP to direct-enrolled and third-party residential customers on an opt-in basis.
 - Add Flex Alert as a potential trigger for residential and non-residential participants.
 - Provide DR Aggregators an avenue for receiving compensation for broadly automating a response to Flex Alerts during system emergencies through emergency agreements.
 - Expand ELRP Group B to include non-DR customers.
- Modify the Demand Response Auction Mechanism (“DRAM”), as follows:
 - Adopt a supplemental 2022 auction and an expanded 2023 budget.
 - Additional DRAM requirements should not be adopted in this proceeding.
 - If the Commission does not adopt a supplemental 2022 DRAM auction and augmented 2023 DRAM budget, the Commission should approve an IOU solicitation for bilateral DR contracts.
 - Waiting for the Independent Evaluator’s Report should not be a prerequisite for expanding the DRAM budget.
- Modify the Electric Vehicle/Vehicle to Grid Integration (“EV/VGI”) Aggregation Pilot, as follows:
 - Extend eligibility to residential customers.

- Confirm the eligibility for V1G or V2G aggregations of at least 25 kw of incremental load reduction (“ILR”) in a single IOU territory to participate in Group A.3 as part of a standalone VGI-focused pilot.
- Base ILR settlements on electric vehicle supply equipment (“EVSE”) submetering data if located behind a host site meter, to review interconnection rules to enable streamlined and affordable access to EVSE with bi-directional capabilities, and to guarantee at least 30 hours of ELRP dispatches per season.
- Modify the Smart Controllable Thermostats (“SCTs”), as follows:
 - SCT deployment should not be limited to specific climate zones.
 - Require customers receiving a smart thermostat incentive to enroll in a DR program.
 - Accelerate the use of the combined EE-DR cost-effectiveness test, particularly for SCT incentives.
 - Extend the administration of Automated DR (“ADR”) technology incentives, and specifically the incentives for SCTs, to third-party DRPs that provide California Independent System Operator (“CAISO”)-integrated DR programs.
- Raise, eliminate, or suspend the 8.3% DR procurement cap.
- Direct Flex Alert cross-marketing with other DR programs.
- Customers should not be required to provide their utility account number to enroll in Bring Your Own Device (“BYOD”) programs or the Emergency Load Reduction Program.
- Allow prohibited resources using Renewables Portfolio Standard (“RPS”)-eligible biofuels for all DR programs.
- Explicitly authorize use of the CAISO’s new baseline options for the Capacity Bidding Program (“CBP”) and DRAM capacity settlement.
- Approve an SCE and SDG&E CBP Elect.
- Approve Marin Clean Energy’s (“MCE’s”) Peak FLEXmarket Program.
- Approve Recurve Analytics’ (“Recurve’s”) Demand FLEXmarket proposal as a pilot.
- Consider Oracle’s Behavioral Demand Response proposal as an alternative to the Energy Division’s default Residential ELRP concept.

III.

THE COMMISSION MUST MODIFY THE EMERGENCY LOAD REDUCTION PROGRAM (“ELRP”)

A. The Joint Parties clarify their proposal to open Group B to non-DR customers.

In reply testimony, Pacific Gas and Electric Company (“PG&E”) expressed confusion regarding the Joint Parties’ proposal to expand Group B to include those customers not already enrolled in a DR program. PG&E stated that it was “unclear whether this recommendation by the Joint Parties was intended to address the current non-residential ELRP or a future residential

ELRP”, and pointed out that non-DR, non-residential customers can already participate as Group A.1 (direct-enrolled) customers and stated that the benefits of having multiple third parties administering the ELRP are unclear.²

The Joint Parties regret the lack of clarity and respond to PG&E’s points in an effort to clarify the record. First, the Joint Parties propose that both non-residential and residential customers (assuming ELRP is opened to residential customers) having relationships with third parties, but are not otherwise enrolled in a DR program, should be allowed to participate in the ELRP through the third party (i.e., as Group B customers) solely as ELRP participants rather than through dual participation in a supply-side DR program or Resource Adequacy (“RA”) contract. They should be able to do this without a requirement to be registered in a Proxy Demand Resource (“PDR”), which is a current requirement for Group B customers to participate in the ELRP. As the Joint Parties have stated, forcing the customer to register in a PDR only complicates participation and serves no apparent purpose.³ If a third-party customer is only going to be dispatched out-of-market through the ELRP, then it should not be subject to any other enrollment or participation requirements.

The purpose for allowing customers to participate in the ELRP through a third party derive from the third party’s relationship with their customers. DR providers (“DRP”) invest resources to attract and enroll customers, and they represent an asset the DRP can apply to the ELRP, or other DR programs or contracts, depending on the capabilities and availability of the customer. Therefore, it would be antithetical to the entire purpose for DRPs to exist if they simply directed their customers wanting to participate in the ELRP to their local IOU, thereby losing their relationship with the customer. Furthermore, by encouraging their customers to depart from the DRP and direct-enroll in the ELRP through an IOU, the DRP is forgoing the opportunity to transition the customer into a higher value program in the future.

The Joint Parties understand that there is currently no method in place by which third-party ELRP-only customers could be compensated across all IOUs. The challenge lays in compensating the DRP rather than the customer. The Commission should order all IOUs to put in place emergency agreement mechanisms for this purpose, such as that approved by the

² Pacific Gas and Electric Company Emergency Reliability OIR Reply Testimony, submitted on September 10, 2021 (“Ex. PG&E Reply Testimony”), at p. 2-4, lines 7-14.

³ Ex. Joint Parties-01, at p. 13, lines 7-8.

Commission for SDG&E in Phase 1 of this proceeding,⁴ to untap megawatts of flexible load resources that are not already participating in a DR program.⁵ In order to accomplish this, it is important that customers not be required to enter their utility account number to enroll in the program so as to reduce the complexity associated with enrollment. This recommendation is supported by the EnergyHub study cited in the January 4, 2019 DRAM evaluation report that found that requiring customers to provide utility account numbers to enroll in IOU DR programs resulted in an 84% drop-off in customer enrollments.⁶ Combined with EnergyHub's finding that requiring customers to complete a Customer Information Service Request form results in a 39% drop-off in customer enrollments, EnergyHub was only able to enroll 3 percent of eligible California customers it had targeted for DRAM participation.⁷

Another approach that the Joint Parties recommend is adopting a similar process to what is utilized for the Capacity Bidding Program ("CBP") in which the IOUs would simply calculate third-party ELRP performance and provide compensation to the DRP accordingly. How the compensation is allocated between the DRP and its customer would be a matter between them. This approach would not establish DRPs as ELRP administrators no more than CBP aggregators are CBP administrators.

B. Third-party administration of technology incentives is not a conflict of interest and is supported by precedent.

San Diego Gas & Electric ("SDG&E") and PG&E express a significant amount of skepticism of third-party administration of technology incentives.⁸ The Joint Parties understand

⁴ 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, Decision 21-03-056 at 39 (CPUC Mar.26, 2021); 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, R.20-11-003, Prepared Direct Testimony of SDG&E Regarding Demand Response Proposals at 15-17 (CPUC Jan. 11, 2021).

⁵ Opening Testimony of Tamara Dzubay on behalf of Ecobee Inc., submitted on ("Ex. ECOB-1"), at pp. 3-6, 12-13; Opening Brief of Ecobee Inc., at pp. 4-9; Reply Comments on Proposed Decision of Ecobee Inc. at pp. 1-5.

⁶ Energy Division's Evaluation of Demand Response Auction Mechanism – Final Report [Public Version – Redacted] at (Jan. 4, 2019), at p. 33.

⁷ Id.

⁸ Ex. PG&E Reply Testimony, at p. 2-2, lines 7-22 and Prepared Phase 2 Reply Testimony of San Diego Gas & Electric Company Regarding Demand-Side Actions to Reduce Peak and Net Peak Demand in 2022 and 2023, submitted on September 10, 2021 ("Ex. SDGE-11"), at p. 1, line 9 through p. 4, line 5.

the concerns expressed by the two IOUs but respectfully disagree that this proposal is as catastrophic as they would make it appear. There is extensive precedent for third-party administration of a technology incentive program in California. In contrast to the IOUs' mischaracterizations, the Joint Parties' proposal clearly avoids conflicts of interest and includes controls to ensure that ratepayer exposure is minimized. This proposal should not be viewed with suspicion when its sole purpose is simply to enable third parties to act as an intermediary between the customer seeking the technology incentive and the IOU that ultimately determines whether the conditions have been met for a technology incentive payment to be made.

In its opening testimony, OhmConnect provides a detailed series of arguments, based on first-hand experience, for the benefits of third-party administration of technology incentives.⁹ In their own opening testimony, the Joint Parties provided a detailed proposal for how this could work.¹⁰ Therefore, the Joint Parties infer that any IOU statements cited here on this issue refer equally to the Joint Parties proposal.

The Joint Parties take issue with the SDG&E claims that third-party administration is a conflict of interest and akin to “the fox guarding the henhouse” and would encourage fraud and increase ratepayer costs.¹¹ SDG&E does not state how this alleged fraud would occur nor do they explain how ratepayer costs would increase. Under the Joint Parties proposal, third parties would pay the technology incentives to their customers up front and out of their own pocket, in the form of a free device, contingent upon the successful interconnection of the device and verified enrollment in a DR program or resource. Only when these two milestones are met and verified would the third party seek reimbursement from the IOU. Should the IOU find that the customer does not meet the requirements to qualify for the technology incentive, the third party would not be reimbursed for it until and unless any shortcomings are rectified. Therefore, third parties, not ratepayers, would take on 100% of the financial liability.

SDG&E states that OhmConnect provides no evidence of a problem with customer uptake due to a faulty Automated Demand Response (“ADR”) process but then immediately states that the underlying reason for customer failure to understand the process (implying this is

⁹ Opening Testimony of Maria Belenky on behalf of OhmConnect, Inc. (“Ex. OhmConnect Opening Testimony”), at p. 8, line 21 through p. 10, line 22.

¹⁰ Ex. Joint Parties-01, at p. 20, line 9 through p. 25, line 16.

¹¹ Ex. SDGE-11, at p. 1, line 20 through p. 2, line 2.

the reason for customer uptake problems) is a customer education issue. SDG&E states that it “submits that understanding the rebate process is largely a customer education issue. Customers with a clear understanding of the relationship between the DRP and the IOU will have no reason to ‘mistrust’ the process.”¹² The Joint Parties wholeheartedly agree with SDG&E and argue this “customer education issue” which SDG&E has acknowledged exists, is the reason why the Commission should approve third-party administration of technology incentives. Third parties have a direct financial incentive to be as innovative as possible in their customer education efforts in order to maximize the load curtailment capability of their customers. The Joint Parties do not seek to diminish the IOUs’ efforts to educate customers and administer their technology incentive programs, but third parties can often do it better and they have a financial interest in doing so.

PG&E’s statement that only IOUs should administer technology incentives because of “better Commission oversight” as well as a greater effort required on the part of the Commission is not supported by the successful history of third-party administration of technology incentives.¹³ Under the California Solar Initiative (“CSI”), solar installers were allowed to sign over the rights to their customer’s incentive, in advance of the photovoltaic (“PV”) system even being installed, to their product distributors in return for the PV modules, racking, inverter, etc. If the PV system was not completed or did not otherwise meet the local IOU’s criteria to receive the incentive payment, the distributors would ultimately bear the risk. This mechanism was incredibly successful because it significantly reduced the upfront cost of the PV system to the customer and reduced the amount of working capital that PV installers needed to keep on hand, thus allowing them to quickly move on to a new project rather than wait for customer payment. Under this approach, the PV installers and their distributors had every motivation to promptly complete and interconnect the system to the IOU’s and Commission’s required standards. Furthermore, a mechanism, administered by the IOUs, was in place to ensure that incentive amounts were sized according to the actual system size which largely eliminated fraud. Despite these PV installers and their distributors not being subject to Commission oversight, the Joint Parties would argue that third party administration of incentives was one of the biggest factors in the success of the CSI. Therefore, the Commission’s jurisdiction over third parties is not so

¹² Ex. SDGE-11,p. 3, line 19 through p. 4, line 2.

¹³ Ex. PG&E Reply Testimony, at p. 4-6, lines 25-32.

important in this instance, but its jurisdiction over the technology incentive process is the critical element.

The Commission should approve this proposal and direct the Energy Division to convene a working group to develop the rules and guidelines for third party administration of DR technology incentives.

IV. THE COMMISSION SHOULD APPROVE A SUPPLEMENTAL 2022 DRAM AUCTION AND EXPANDED 2022-2023 DRAM BUDGET

A. Procuring additional DR through the DRAM will result in a significant amount of new capacity.

Several parties in this proceeding have argued that a supplemental 2022 DRAM auction and an expanded 2022 and 2023 budget would not lead to significant additional DR being procured.¹⁴ In reply testimony, the Joint Parties have refuted this argument by pointing to the dramatic growth from 221 MW to 635 MW in the ex ante load impacts from 2020 to 2021 through the Load Impact Protocol (“LIP”) process.¹⁵ This evidence clearly demonstrates the availability of additional capacity that can be delivered through DRAM contracts.

PG&E also claims that “parties supporting expansion of the DRAM pilot do not consider the types of performance and reliability concerns raised by PG&E, SCE, Cal Advocates, and CLECA.”¹⁶ In addition, they claim that “[t]here is no record to suggest that the issues that were raised in that proceeding and that currently exist today have been addressed...”.¹⁷ The Joint Parties strongly support a strong and robust DRAM but, as argued in reply testimony, it will be some time until the DRAM assessment is completed which must then be followed by the Commission process for considering potential improvements to the DRAM.¹⁸ In the meantime,

¹⁴ Pacific Gas and Electric Company Emergency Reliability Order Instituting Rulemaking Opening Testimony, submitted on September 1, 2021 (“Ex. PG&E Opening Testimony”), at p. 6-1, line 18 through p. 6-4, line 20; Prepared Phase 2 Direct Testimony of San Diego Gas & Electric Company Regarding Demand-Side Actions to Reduce Peak and Net Peak Demand in 2022 and 2023, submitted September 1, 2021 (“Ex. SDGE-8”), at p. 23, line 16 through p. 26, line 5; Public Advocates Office Prepared Testimony, submitted on September 1, 2021 (“Ex. PAO Prepared Testimony”), at p. 2-1, line 9 through p. 2-5, line 2; and Ex. PG&E Reply Testimony, at p. 5-2, lines 12-15.

¹⁵ Ex. Joint Parties-02, at p. 8, line 29 through p. 9, line 4.

¹⁶ Ex. PG&E Reply Testimony, p. 5-2, lines 2-3.

¹⁷ *Id.*, at p. 5-2, lines 9-11.

¹⁸ Ex. Joint Parties-02, at p. 7, lines 8-25.

the state remains short on capacity and, despite what conditions had been established in 2019 for a DRAM expansion, they do not tie the Commission's hands now should they choose to approve additional procurement through the DRAM.

B. DRAM resources are perfectly suited to meet the additional resource needs.

The Joint Parties would like to correct statements made by SDG&E in reply testimony that DRAM resources cannot meet the needs that have been identified in Phase 2 of this proceeding. SDG&E states, "DRAM is generally not well-suited for use in emergency circumstances."¹⁹ In addition, SDG&E states, "Practically speaking, there is no reason to expect that the DRAM-related proposals offered in Phase 2 would actually serve the objective of reducing peak and net peak demand in 2022 and 2023."²⁰ Both statements are patently false and should be disregarded. DRAM resources are like any other market-integrated resource and therefore are dispatched by the CAISO to meet system needs, regardless of whether the system is in an emergency or not. Furthermore, DRAM resources must be available, at minimum, during the CAISO's Availability Assessment Hours which are currently 4:00-9:00 p.m. These hours coincide with the gross and net peak, so any statement that they would not reduce either peak is simply untrue.

The Joint Parties also refute allegations by Public Advocates Office ("PAO") and SDG&E that DRAM providers have track records of underperformance and therefore additional DRAM budget should not be authorized.²¹ Public Advocates Office and SDG&E appear to forget that many of these same DRPs also participate in the IOUs' Capacity Bidding Program ("CBP") and Base Interruptible Program ("BIP") and, to the Joint Parties knowledge, generally have a record of good performance. Therefore, the Commission should disregard these unsupported statements.

¹⁹ Ex. SDGE-11, at p. 9, line 3.

²⁰ *Id.*, at p. 9, lines 12-14.

²¹ Ex. PAO Opening Testimony, at p. 2-2, lines 7-9 and Ex. SDGE-11, at p. 9, lines 14-16.

V.
**THE COMMISSION SHOULD RAISE, ELIMINATE, OR SUSPEND THE 8.3% DR
PROCUREMENT CAP**

The Joint Parties reiterate their recommendation that Commission address the DR procurement cap. The Utility Reform Network (“TURN”) succinctly describes the problem saying:

“At a time when the State is beating the bushes for any resources it can find for the summer of 2022, it simply makes no sense for the Commission to artificially limit LSEs’ ability to purchase DR resources to meet their RA requirements, which is exactly what the 8.3% demand response procurement cap adopted in D.20-06-031 does. The Joint Parties explain this issue in detail at pages 25-29 of their testimony, and I support their recommendations.”²²

This argument is also supported by the Joint DR Parties who state, “actions authorized by the Commission in Phase 1 of this proceeding have not yet produced the resource results, from DR or other resources, hoped for and needed to ensure no resource shortfalls for 2021-2023.”²³ Therefore, it seems apparent that the Commission must take new steps, in addition to simply making changes to IOU DR programs, to procure more DR.

The Joint DR Parties also correctly argue that “in fact, it is utility-scale procured generation (fossil and renewable) and storage that also suffer from not being developed as planned or face unplanned outages” but opponents of additional DRAM procurement ignore this when claiming that new DRAM capacity will not be delivered.²⁴ The Joint Parties have proposed in their Reply Testimony two options for developing a new DRAM penalty structure to encourage delivery of contracted capacity.²⁵ The Commission should adopt one of them in addition to the expanded 2022 and 2023 budget to procure more DR capacity.

²² Prepared Reply Testimony of Michael Peter Florio, submitted on September 10, 2021 (“Ex. TURN-03”), at p. 19, lines 22-26.

²³ Phase 2 – Reliability for 2022-23 – Update: Reply Prepared Testimony of Joint Demand Response Parties, submitted on September 10, 2021 (“Ex. JDRP-4”), at p. 6, lines 26-28.

²⁴ *Id.*, at p. 7, lines 11-15.

²⁵ *Id.*, at p. 9, line 10 through p. 10, line 6.

VI.
**ORACLE BEHAVIORAL DR PROGRAM PROPOSAL SHOULD BE APPROVED AS
AN ALTERNATIVE TO DEFAULT BEHAVIORAL ELRP**

In its reply testimony, SDG&E states its belief that opt-in DR programs are the best method to procure the most value per customer.²⁶ That may be true in some instances, but the Joint Parties believe that the key factor in whether opt-in or opt-out is most appropriate is whether a financial incentive is being made for customer load reduction.

As the Joint Parties have pointed out, an opt-out DR program involving financial incentives to customers represents a significant free-ridership risk.²⁷ However, opt-out behavioral DR with no financial incentive to customers is virtually risk-free from a free-ridership perspective and can only result in benefits, so long as it utilizes randomized controlled trials.

Oracle's Behavioral DR (BDR) proposal is a prime example of this type of program, as it relies solely on personalized alerts and communications to drive load reductions which are measured via randomized controlled trials (RCTs), thereby eliminating free-ridership and dramatically simplifying the measurement process at the same time. As noted in Oracle and PG&E's testimony, this approach has been successfully piloted by PG&E in 2015, and SDG&E notes that it is currently running a much larger pilot of this program design currently, with results likely to be available in the coming months.²⁸

In PG&E's July 7 testimony regarding its Power Saver Rewards Pilot ("PSRP"), it states that "Option A" also utilizes this program design.²⁹ The Joint Parties recommend the Commission approve this proposed program design while rejecting the more costly and fraught programs proposed by both SCE and PG&E which would provide financial incentives to residential customers on a default basis. The Commission should therefore approve PG&E's initial "Option A" portion of its July 7 PSRP proposal, acknowledge SDG&E's leadership in moving forward with BDR ahead of this proceeding, and consider directing SCE to modify its "Whole Home Savings Program" proposal to align with this program design by eliminating the

²⁶ Ex. SDGE-11, at p. 5, lines 13-14.

²⁷ Ex. Joint Parties-01, at p. 9, lines 19-22.

²⁸ Opening Phase 2 Prepared Testimony of Oracle Utilities, submitted on September 1, 2021 ("Ex. Oracle-01"), at p. 2, line 25 through p. 3, line 1; Ex. PG&E Opening Testimony, at p. 2-7, lines 1-17 Ex. SDGE-8, at p. 20, line 25 through p. 21, line 8.

²⁹ Pacific Gas and Electric Company Emergency Reliability OIR Power Savers Reward Pilot Supplemental Testimony, submitted on July 7, 2021 ("PG&E Supplemental Testimony"), at p. 4, line 1 through p. 5, line 18.

financial incentive portion of the program, including RCT measurement. These recommendations assume that customer notifications would be consistent with state law and that opting out can be done quickly and seamlessly, especially when customers want to shift into another DR program or provider.

VII. CONCLUSION

The Joint Parties urge the Commission to adopt the recommendations set forth in this Opening Brief.

Respectfully submitted,

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/s/ GREG WIKLER

GREG WIKLER

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