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 COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON PROPOSED PHASE 2 DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY TO TAKE ACTIONS TO PREPARE FOR POTENTIAL EXTREME WEATHER IN THE SUMMERS OF 2022 AND 2023**

Dated: November 10, 2021

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SUBJECT INDEX

Page

TABLE OF AUTHORITIES

Page

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The California Efficiency + Demand Management Council ("the Council") respectfully submits these Opening Comments on the Proposed Phase 2 Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023 ("Proposed Decision" or "PD"), mailed in this proceeding on October 29, 2021. These Opening 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.

I.
BACKGROUND

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

[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.

II.
SUMMARY OF THE COUNCIL'S POSITION

The Council generally supports most of the PD but highlights areas needing clarification and provide recommendations for the more problematic elements.

- Emergency Load Reduction Program ("ELRP")
    - A 20-hour/season minimum dispatch should be added for subgroups A.2, A.4, and A.5.
    - California Alternate Rates for Energy ("CARE") customer auto-enrollment should be replaced with an opt-in model.
    - The community choice aggregator ("CCA") opt-out provisions should be clarified.
    - Subgroup A.6 should have the same trigger as all other ELRP groups and subgroups.
- Modifications to the investor-owned utility ("IOU") DR programs
    - Third-Party DR Solicitations
        - The IOU bilateral DR solicitations should not require use of the payment structure of Pacific Gas and Electric Company's ("PG&E's") Capacity Bidding Program ("CBP"). Instead, the purchase price should be negotiated between DR providers and IOUs.
        - The IOUs should be directed to procure a specified amount of cost-effective DR, with cost-effectiveness determined by the metric currently used for the Demand Response Auction Mechanism ("DRAM").
    - Automated Demand Response ("AUTO DR") Incentives: Participation in a non-DRAM third-party Resource Adequacy ("RA") contract should qualify as an eligible program for purposes of meeting the five-year minimum participation requirement under SCE's proposal for an 100% upfront Auto DR incentive.
    - Application of California Independent System Operator ("CAISO") Alternative Baseline Adjustment Option: The CAISO's Alternative Baseline Adjustment Option should apply to DRAM capacity performance in addition to CBP capacity performance.
    - Smart Thermostats

- Energy Savings Assistance ("ESA")-eligible customers should not be prohibited from receiving this smart thermostat incentive because allowing them to receive an incentive through this program would result in their DR program enrollment.
- The Commission should specify that, at minimum, customer participation in the CBP, third-party DR provider Resource Adequacy ("RA") contracts, and DRAM contracts qualifies as a "third-party supply-side DR program" for purposes of eligibility for the smart thermostat incentive.

III.
THE COUNCIL SUPPORTS A VAST MAJORITY OF THE PROPOSED MODIFICATIONS TO THE ELRP

The Council applauds the Commission for taking into consideration so much stakeholder feedback on needed improvements to the ELRP. Many of these changes will clarify program rules, provide greater revenue certainty, and lead to broader customer and third-party participation. We especially support the following elements:

1. Increasing the incentive payment from $1000/MWh to $2000/MWh;
2. Expanding subgroup A.2 eligibility to all non-Base Interruptible Program ("BIP"), non-residential aggregators;
3. Clarifying that Net Energy Metered ("NEM") customers may participate through subgroup A.3;
4. Significantly expanding subgroup A.5 eligibility to aggregations of all types of customers using electric vehicles ("EVs") and EV supply equipment ("EVSE");
5. Adding a subgroup A.6 for direct-enrolled residential customers (with recommended modifications discussed below);
6. Adopting minimum dispatch hours for subgroups A.2, A.4, and A.5; and
7. Clarifying that the Group B day-of trigger is activated by a Warning or Emergency under the CAISO Alert, Warning, and Emergency ("AWE") process.

A. Additional Revenue Certainty is Needed.

The Council appreciates the PD's adoption of minimum dispatch hours for subgroups A.2, A.4, and A.5. However, more revenue certainty is needed to incentivize customers and third parties to make the necessary time and financial investments to participate in the ELRP. Though the voluntary nature of the ELRP may create the appearance of no commitment costs, in reality there are often underlying costs to customers and DR providers for participation that must be recovered through dispatch revenue. To generate certainty that these costs can be recovered, the Commission should also establish a 20-hour minimum dispatch requirement for subgroups A.1 and A.3, and all of Group B. Due to continued concerns about free-ridership issues, the Council does not recommend a minimum dispatch requirement for subgroup A.6 customers if the opt-out enrollment plus financial incentives element of the ELRP is adopted as proposed in the PD.

B. Free Ridership Remains a Risk for Residential ELRP.

The PD adopts a two-tier participation structure for subgroup A.6 in which CARE customers and other specified customer segments would be auto-enrolled, while other residential customers would participate on an opt-in basis.[2] Several parties, including the Council, have cautioned against auto-enrollment in programs for which financial incentives are provided. In response to Oracle's, Southern California Edison's ("SCE's"), and San Diego Gas & Electric's ("SDG&E's") specific free ridership concerns, the PD cites Oracle's Opening Testimony to argue that in the case of Oracle's Baltimore Gas and Electric Company ("BGE") residential Peak Time Rebate ("PTR") program, Oracle claims to have "overcome many free ridership concerns through maximizing the awareness of the program and providing effective behavioral messaging."[3]

However, it is not clear that Oracle's testimony makes such claims. In Oracle's testimony, it does not claim that "many" free ridership concerns were addressed, only that "while stakeholders have been concerned about free ridership in this program, BGE has taken steps to ensure that awareness of the program is maximized."[4] In this instance, use of the term, "maximized", does not indicate any specific level of awareness, only that best efforts have been made. This is supported by Oracle's statement that pairing PTR with behavioral messaging "cannot eliminate all free ridership in the program."[5] Based on Oracle's testimony, free ridership was likely reduced by maximizing customer awareness, but it clearly remains a problem within BGE's service area which will very likely translate to a similar outcome in California. Therefore,

[2] Proposed Decision, at Ordering Paragraph ("OP") 29 and OP 34.
[3] *Id.*, at p. 51.
[4] Oracle Opening Testimony, at p. 11, lines 15-17.
[5] *Id.*, at p. 11, lines 17-20.

the Commission should eliminate auto-enrollment for all residential customers and adopt opt-in enrollment for all subgroup A.6 customers.

Alternatively, the Council suggests leveraging SDG&E's Peak Day behavioral DR program design, which does not provide financial incentives but relies solely on behavioral science to drive customer action, across all three electric IOUs. This approach has the advantage of immediately reaching the scale needed to drive significant load reductions while avoiding all of the free ridership issues of auto-enrolling customers into an incentive-based program. Another advantage of this program design is that it functions nearly identically to behavioral EE programs which utilize auto-enrollment, such as Home Energy Reports ("HERs"). Any customer can easily opt out of these programs which would address the concerns expressed by the Council and other parties regarding friction in the unenrollment process.

C. The CCA Option to Opt-Out of Residential ELRP is Problematic.

The PD allows CCAs the option not to participate in the Residential ELRP.[6] Though the Council does not seek to infringe on the rights of the CCAs, the share of retail load represented by CCAs raises the likelihood that, if even a handful of large CCAs opt out, participation in this program, especially among CARE customers, could be far below what the Commission envisions in the PD. Furthermore, it is unclear how the IOUs will achieve their auto-enrollment targets for the A.6 segment if CCAs are able to opt out of residential ELRP. The Commission should provide clarification of how a CCA decision not to participate in residential ELRP would impact CARE customer auto-enrollment. This concern highlights the many issues associated with auto-enrolling customers in an incentive-based DR program and lends further justification for only auto-enrolling customers in a behavioral DR solution.

D. Dispatch Triggers Should be Consistent Across All Groups and Subgroups.

The Council supports adopting a subgroup A.6 for direct-enrolled residential customers but are concerned about the use of inconsistent event triggers across different residential customer segments for day-ahead dispatches. Specifically, subgroup A.6 customers would be activated in the day-ahead by CAISO Flex Alerts whereas Group B residential customers would be activated by a CAISO Day-Ahead Alert pursuant to CAISO Operating Procedure 4420.[7] This discrepancy will likely create confusion among residential ELRP participants because it may be

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[6] Proposed Decision, at OP 31.
[7] PD, Attachment 2, at pp. 10-11.

unclear to them which program trigger applies. The Commission should eliminate this unnecessary confusion and align subgroup A.6 triggers with the other groups and subgroups in the ELRP.

E. Automation Service Providers Should Be Compensated.

To the extent that automation service providers are utilized by IOUs in the residential ELRP, they must be compensated. The PD is silent on how they will be compensated through the residential ELRP or otherwise for facilitating a broad automated response to Flex Alerts for residential customers. This is a significant oversight and out of alignment with the work of the California Energy Commission's ("CEC") Market Informed Demand Automation Server[8] ("MIDAS") which will be used to transmit Flex Alert signals to automation service providers during grid emergencies and, in turn, automate the response of customers within their network. Automation service providers cannot integrate with MIDAS without compensation. The Council recommends that the Commission clarify that IOUs can enter into emergency agreements with automation service providers to facilitate a broad automated response to Flex Alerts for residential customers that are not already enrolled in a non-behavioral DR program to complement the CEC's objectives for the residential ELRP.

IV.
THE COUNCIL REQUESTS CLARIFICATION AND MODIFICATION REGARDING THE IOU DR PROGRAMS GENERALLY

The Council supports certain aspects of the IOU DR programs generally, but also request clarification and modification of these programs.

A. Cost-Effectiveness.

The Council supports the PD's waiving of cost-effectiveness requirements for the DR proposals approved for 2022 and 2023.[9] This will promote expediency in the approval process and allow time for experience to be gained with these program improvements, which can then be used to evaluate their cost effectiveness at a future date, should the respective IOU have an interest in retaining any of the DR program improvements adopted in this proceeding beyond 2023.

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[8] https://www.energy.ca.gov/event/webinar/2021-08/staff-webinar-market-informed-demand-automation-server-midas

[9] Proposed Decision, at p. 61.

B. Third-Party DR Solicitations.

The Council appreciates and supports the PD directing IOU bilateral solicitations for third-party DR, combined with waivers for the DR procurement cap and Load Impact Protocol ("LIP") process.[10] This is an expeditious approach to adding a discrete quantity of additional DR capacity to help support reliability in 2022 and 2023. In addition, adoption of the Capacity Bidding Program ("CBP") penalty structure is a constructive step to ensure that DR providers will deliver on their commitments. However, clarification is needed in a few critical areas. First, the PD directs that the IOUs use the CBP "payment/penalty structure".[11] It seems clear that the intent is that the IOUs incorporate the CBP penalty structure into their respective purchase agreements; however, it would be problematic for the CBP payment structure to also be adopted for these solicitations because there would be almost no distinction between the DR procured through a bilateral solicitation and DR procured through the CBP. Instead, the price of the DR capacity procured through these bilateral solicitations should be negotiated by the IOUs and DR providers on a case-by-case basis.

The PD also neglects to specify the amount of DR capacity the IOUs should attempt to procure or at least a cost-effectiveness standard above which they would not be obligated to accept bids. This is a critical element that is needed to ensure that a reasonable amount of cost-effective DR is procured. The IOUs should be directed to procure all cost-effective DR RA capacity, as determined using the current Demand Response Auction Mechanism ("DRAM") cost-effectiveness methodology.

C. Auto DR Incentives.

The PD adopts Southern California Edison Company's ("SCE") proposal for 2022 and 2023 to pay upfront 100% of the eligible incentives for custom Auto DR projects on the condition that the customer commits to participate in an economic, market-integrated DR program for five years.[12] The Council appreciates the PD's approval of this but recommend that the PD be modified to specifically state that participation in non-DRAM third-party RA contracts qualifies as an eligible program for the purpose of meeting the five-year minimum participation requirement, including the DR contracts procured through the DR bilateral solicitations approved in this PD. Over the past two years, growing participation in the LIP process by DR providers

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[10] Proposed Decision, at OP 14.
[11] *Id*., at p. 62.
[12] *Id*..

indicates a growing interest among the DR community as well as LSEs to procure DR to meet RA requirements. The Commission should support this growth by making them eligible for these Auto DR incentives.

D. Application of CAISO Alternative Baseline Adjustment Option.

The Council appreciates the clarification that the CAISO's alternative baseline adjustment option is applicable to calculating capacity performance in the CBP.[13] This is critical to ensuring that CBP aggregators are accurately compensated for their performance during extreme heat events. However, the PD did not address the applicability of this baseline option to calculating capacity performance of DRAM resources. Decision ("D.") 21-03-056 adopted this baseline option for both the CBP and DRAM, and no reason has been provided in this PD for why they should be treated differently in this regard.[14] So, the Commission should affirm that the alternative baseline adjustment option applies to DRAM capacity performance as well as CBP capacity performance.

F. Prohibited Resources Using Renewables.

The Council greatly appreciates the PD's modification of Resolution E-4906 to include in its definition of allowable renewable fuels the Renewable Portfolio Standard ("RPS")-eligible fuels certified by the California Energy Commission ("CEC") for backup generators when providing DR.[15] This will attract significant amounts of new DR while continuing to protect local communities from harmful emissions.

V.
THE COUNCIL SUPPORTS MANY OF THE IOU-SPECIFIC DR PROGRAM PROPOSALS WHICH WERE ADOPTED BY THE PD

A. PG&E's DR Programs.

The Council fully supports the PD's approval of PG&E's proposal to increase the May-October BIP incentive for 2022 and 2023.[16] This will attract greater BIP participation during these critical months.

In addition, the Council appreciates the PD's approval of $1.2 million in incremental funding to enable PG&E to scale up its abilities to manage the growing demands on its systems

[13] Proposed Decision, at pp. 63-64.
[14] D.21-03-056, at OP 11.
[15] Proposed Decision, at OP 15.
[16] *Id.*, at OP 17.

that support third-party DR customers.[17] The Council continues to look forward to a PD in A.18-15-011 et al, but this is a highly productive step in the interim.

B. SCE's DR Programs.

The PD adopts SCE's proposals to 1) authorize non-residential customers enrolled in SCE's Summer Discount Plan ("SDP") to dual participate in ELRP under subgroup A.1 and exempts them from the associated Minimum Size Threshold[18], 2) reinstate its Smart Energy Program ("SEP") pre-cooling strategy[19], 3) increase its SEP ME&O budget by $1.27 million in 2022 and $980,000 in 2023[20], and 4) modify its Reliability Program Event Parameters to align its BIP and Agricultural Program-Interruptible dispatch parameters.[21] The Council supports all of these approvals.

C. SDG&E DR Programs.

The PD authorizes SDG&E to continue its 2022 Residential CBP pilot and to create its CBP-Commercial Elect option.[22] The Council supports these approvals to grow residential CBP participation and we look forward to seeing the results of SDG&E's creative tiered bid/incentive structure.

VI.
THE COUNCIL RECOMMENDS MODIFICATIONS TO THE SMART THERMOSTATS PROGRAM

The PD adopts a smart thermostat incentive program that provides a technology incentive to non-ESA eligible customers of up to $75 (not to exceed the cost of the device) contingent on pre-enrollment in a CAISO market-integrated DR program.[23] The program targets climate zones 9-15 and is funded with a $22.5 million budget to be divided between IOU and third-party allocation after subtracting out IOU administrative costs. This will directly link receipt of an incentive with the assurance of DR participation. The Council strongly supports this proposal and express appreciation to the Commission for its willingness to explore this model of technology incentive distribution. However, there are several issues that must be addressed to ensure an effective program.

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[17] Proposed Decision, at OP 15.
[18] *Id.*, at p. 67.
[19] *Id.*
[20] *Id.*, at OP 21.
[21] *Id.*, at pp. 67-68.
[22] *Id.*, at OP 22.
[23] *Id.*, at OPs 41-47.

The PD would prohibit participation by customers that are eligible for the Energy Savings Assistance ("ESA") program.[24] As a general policy, the Council believes it is wrong to exclude low-income customers from participating in any available DR or energy efficiency program because they may choose not to participate in ESA, despite being referred to the program. Since only a fraction of ESA-eligible customers will ultimately participate in ESA, they deserve access to other programs, as well. Using data reported in the IOUs' low-income program monthly reports for the first three quarters of 2021, only 1.5% of all CARE participants have enrolled in the ESA program this year, and the ratio of free thermostats distributed under ESA to total CARE participants is only 0.15%. Therefore, prohibiting ESA-eligible customers from participating in this smart thermostat incentive program would impact approximately 98% of the low-income population.

Furthermore, there is significant operational difficulty in requiring that IOUs and DR providers to verify customer eligibility for the ESA program because there is currently no way for third-party operators of IOU marketplaces (through which customers would pre-enroll in a DR program and purchase a thermostat with an instant incentive) and DR providers to identify ESA-eligible customers in real-time during an online shopping process, because of the requirements for determining ESA eligibility. As an alternative approach, CARE enrollment could be used as a proxy for ESA-eligibility. Customers on the CARE tariff would be straightforward to identify in real time through an IOU API, and these customers could be made aware that they are eligible to receive a free thermostat via the ESA program, and could be referred to their IOU's ESA program. Regardless, the Council initial principle remains in effect - CARE customers should be free to choose to participate in ESA, should they qualify, or in the non-ESA thermostat incentive program.

An item that needs clarification is that DR pre-enrollment should be a sufficient basis to provide the customer with a point of purchase incentive in IOU marketplaces or a third-party DR platform, not "installation and enrollment", which only happens after a purchase. From similar programs, it has been observed that incentivizing customers at the time of purchase is necessary, or participation rates will be negatively impacted. For example, under APS's Cool Rewards program, which has surpassed the halfway mark to its goal of 100,000 enrolled smart thermostats,

[24] Proposed Decision, at OP 47.

it was found that discounting the price at the point of purchase is effective.[25] Consumers may not necessarily need a smart thermostat or to participate in a DR program, so they sometimes need to be motivated to do so in order to improve grid reliability. This is especially important for IOU marketplaces where customers can procure a smart thermostat and immediately pre-enroll the device into a DR program, although a similar issue would surface if a customer purchases a device from a third party. When a thermostat device is pre-enrolled in an eligible DR program at the time of purchase, actual participation in the program is automatic and begins as soon as the device is installed and in communication with the DR program. The customer is neither required nor able to undertake additional steps to effectuate participation in the DR program they were pre-enrolled in. Under this approach, once the smart thermostat is installed, it is already enrolled in a DR program and can be dispatched accordingly. This is critical because unlike a third-party provider, IOU marketplace operators may not be in a position to provide the $75 incentive up front and wait for IOU reimbursement.

The PD also limits the availability of incentives to climate zones 9, 10, 11, 12, 13, 14 and 15.[26] The Council is generally supportive of targeted marketing efforts to customers with the greatest load drop potential, but do not support limiting smart thermostat incentives to the climate zones identified here, which only comprise roughly 50 percent of California households. It is not clear what would be gained by categorically excluding load curtailment from roughly half of all California households, even if the per-device magnitude of load curtailment would likely be less in cooler climate zones. California is not in a position to turn away any reductions that a customer is willing to provide, particularly during the hottest days of the year when residential AC usage spikes, even in coastal areas.

In order to flesh out the details of the program, the PD directs the IOUs to file a joint Tier 2 advice letter addressing the details of the program including 1) which DR programs a customer can enroll in and be eligible for the incentive, and 2) a process for identifying customers that qualify for the Energy Savings Assistance ("ESA") program.[27] Regarding eligible DR programs, the Council requests that the Commission explicitly specify that "third-party supply-side DR programs" include but are not limited to Capacity Bidding Program, Resource Adequacy

[25] https://www.aps.com/en/About/Our-Company/Newsroom/Articles/APS-Virtual-power-plant-benefits-customers-smart-grid-environment
[26] Proposed Decision, at OP 44.
[27] *Id.*, at OP 46.

contracts with IOU and non-IOU LSEs, and DRAM contracts. The PD does not explicitly direct the IOUs to confer with third-party DR providers on this issue, so the Commission should specify that these types of DR, at minimum, be included under the definition of "third-party supply-side DR programs."

VII.
CONCLUSION

The Council respectfully requests that the Commission revise the PD as recommended in these opening comments.

Respectfully submitted,

November 10, 2021

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APPENDIX A

THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL'S PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED PHASE 2 DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY TO TAKE ACTIONS TO PREPARE FOR POTENTIAL EXTREME WEATHER IN THE SUMMERS OF 2022 AND 2023

The California Efficiency + Demand Management Council ("Council") proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs of the Proposed Phase 2 Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023, mailed in R.20-11-003 (Extreme Weather) on October 29, 2021 (Proposed Decision).

Please note the following:

- A page citation to the Revised Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type and underlined**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as "**NEW**" in **bold,** underscored capital letters.

FINDINGS OF FACTS:

101. [134] An appropriate minimum aggregation size threshold for Group A.2 participants is 500 kW ~~**with the minimum dispatch hours set at 10 hours per season**~~.

116. [136] The alternative baseline adjustment option allowed by CAISO and already authorized for use in IOU Capacity Bidding Programs **and the Demand Response Auction Mechanism** in D.21-03-056 could be used for calculating capacity performance in their respective Capacity Bidding Programs **and Demand Response Auction Mechanism**.

NEW: 20 hours per season is an appropriate number of minimum dispatch hours for ELRP Group A.1, A.2, A.3, A.4, A.6, and Group B participants.

NEW: In the first three quarters of 2021, 9.97% of all ESA participants received a smart thermostat via the ESA program.

CONCLUSIONS OF LAW:

45. [143] The alternative baseline adjustment option allowed by CAISO and already authorized for use in IOU Capacity Bidding Programs **and Demand Response Auction Mechanism** in D.21-03-056 should be used for calculating capacity performance in their respective Capacity Bidding Programs **and Demand Response Auction Mechanism**.

NEW: A minimum 20 dispatch hours per season should be adopted for ELRP Group A.1, A.2, A.3, A.4, A.6, and Group B participants.

NEW: A minimum VGI dispatch hours of 30 hours per season in the EV/VGI pilot adopted here would provide an incentive for customers to participate in the program.

ORDERING PARAGRAPHS:

14. [150] Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company shall procure **all cost-effective** Resource Adequacy capacity from eligible third-party Demand Response (DR) providers for 2022 and 2023 deliveries through bilateral contracts. **Cost-effectiveness shall be calculated using the Demand Response Auction Mechanism ("DRAM") methodology currently in effect. Contracts shall include the Capacity Bidding Program penalty structure and the price of the DR capacity procured through these bilateral solicitations should be negotiated by the IOUs and DR providers.** The procured DR capacity shall **be exempt from the Load Impact Protocol process and** count toward the overall megawatt targets established for each investor-owned utility (IOU) in this decision and must be available at peak and net peak. Because these procured resources are incremental to IOUs' and all load serving entities' (LSEs') 15% Planning Reserve Margin, these resources need not be applied to any LSEs' Maximum Cumulative Capacity bucket cap calculation. The IOUs shall submit bilateral contracts to the Commission through Tier 1 Advice Letters.

42. [158] The smart thermostat program budget is authorized at up to $22.5 million in technology incentives to be available over a two-year period, from 2022 to 2023. The program rebate amount for non-Energy Savings Assistance program participants is $75, not to exceed the full cost of the smart thermostat equipment, and shall be uniform across all program implementers. Prior to incentive payment, the **participating customer must opt in to participate** ~~**Investor-Owned Utility (IOU) serving the customer shall certify installation of an eligible thermostat and enrollment**~~ in an eligible IOU or third-party supply-side Demand Response program**, and the program implementer must pre-enroll the device at the time of purchase**.

46. [159-160] Within 15 days of issuance of this decision Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (collectively, IOUs) shall meet and confer with third-party Demand Response (DR) Providers (DRPs) to discuss the process to distribute rebate awards, and to certify smart thermostat ~~**installation and**~~ DR program **pre**-enrollment. Within 45 days of issuance of this decision, the IOUs shall jointly file a Tier 2 Advice Letter that reflects a consensus across third-party DRPs and IOUs on the foregoing issues. The joint Advice Letter shall include the following items:

- Program design and budget;
- Amount of administrative budget each IOU will need to administer the program;
- A discussion of any balancing or memorandum account authorization sought to track program expenditures;
- Goal for number of customers reached, by when, and estimated megawatt demand savings;
- Identification of qualifying thermostats eligible for the $75 incentive;
- A process to ensure customers of both IOUs and third-party DRP programs are eligible for smart thermostat incentives;
- A description of the DR programs a customer must **pre-**enroll in to be eligible for the thermostat incentive, and how that **pre-**enrollment will occur before the customer receives a rebate; and
- The process for identifying **CARE** customers who **may** qualify for the Energy Savings Assistance program **and for notifying them that they may be eligible to receive a free thermostat from the ESA program**.

47. [160] Income-eligible customers who are participating in the Energy Savings Assistance (ESA) program shall continue to be eligible to receive no-cost, direct install smart thermostats

through ESA for all climate zones. Investor-Owned Utilities (IOUs) or third-party Demand Response (DR) Providers (DRPs) participating in the smart thermostat program adopted shall ~~**ensure**~~ **notify** the **CARE** customer**s** they are engaging **that they may be** ~~**is not otherwise**~~ eligible **to receive a free thermostat from** ~~**for**~~ ESA **and** ~~**. IOUs and third-party DRPs participating in the smart thermostat program adopted here shall verify customer eligibility for ESA, and if eligible,**~~ refer the customer to the IOUs' ESA programs. **CARE customers may choose to participate in ESA or in the non-ESA thermostat programs.** The IOUs and their ESA contractors, during their in-person assessment and installation, shall promote but not require enrollment in a DR program.

NEW: A minimum 20 dispatch hours per season is adopted for ELRP Group A.1, A.2, A.3, A.4, A.6, and Group B participants.

NEW: A minimum VGI dispatch hours of 30 hours per season in the EV/VGI pilot is adopted.

NEW: The IOUs are authorized to pay upfront 100% of the eligible incentives for a custom Auto DR project on the condition that the customer's enrollment commitment to participate in an economically bid market integrated DR program is extended from three years to five years. This modification should be effective for 2022 and 2023 only.

NEW: The alternative baseline adjustment option allowed by CAISO and already authorized for use in IOU Capacity Bidding Programs and Demand Response Auction Mechanism in D.21-03-056 is authorized to be used for calculating capacity performance in their respective Capacity Bidding Programs and Demand Response Auction Mechanism.