

Application No.: 22-05-002, et al.

Exhibit No.: Council-03

Witnesses Joseph Desmond

Commissioner John Reynolds

ALJs Garrett Toy and Jason Jungreis

**REBUTTAL PHASE II TESTIMONY OF
THE CALIFORNIA EFFICIENCY + DEMAND
MANAGEMENT COUNCIL**

Application 20-05-002, et al.
Demand Response Programs

May 12, 2023

1 A.20-05-002, et al. (DR Programs)
2 REBUTTAL PHASE II TESTIMONY OF
3 THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
4

5 **Q. Please state your name and business address**

6 **A.** My name is Joseph Desmond. My business address is 849 East Stanley Blvd.,
7 #264, Livermore, CA 94550.

8 **Q. On whose behalf are you testifying?**

9 **A.** I am testifying on behalf of the California Efficiency + Demand Management
10 Council (“the Council”). The Council is a statewide trade association of non-utility
11 businesses that provide energy efficiency, demand response, and data analytics
12 services and products in California.¹ Our member companies employ many thousands
13 of Californians throughout the state. They include energy efficiency (“EE”), demand
14 response (“DR”), and distributed energy resources (“DER”) service providers,
15 implementation and evaluation experts, energy service companies, engineering and
16 architecture firms, contractors, financing experts, workforce training entities, and energy
17 efficient product manufacturers. The Council’s mission is to accelerate the evolution of
18 decarbonization policies and clean energy markets and expand the impact of DERs vital
19 to California’s future.

20 **Q. Have you testified previously in this proceeding?**

21 **A.** Yes. On August 3, 2022, the Council served my Reply Testimony in this
22 proceeding (Ex. Council-01); on August 5, 2022, the Council and Leapfrog Power, Inc.
23 (“Leap”) served my Opening Testimony in this proceeding (Ex. Council/Leap-01); on
24 September 2, 2022, the Council and Leap served my Reply Testimony in this
25 proceeding (Ex. Council/Leap-02); and on April 21, 2023, the Council served my

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.

1 Opening Phase II Testimony in this proceeding (Ex. Council-02). My Statement of
2 Qualifications was appended to Ex. Council-01 and Ex. Council/Leap-01 as Appendix A.

3 **Q. What is the purpose of your testimony?**

4 **A.** The purpose of my testimony is to sponsor Exhibit Council-03, the Rebuttal
5 Phase II Testimony of the California Efficiency + Demand Management Council in A.22-
6 05-002, et al. (DR Applications).

7 **Q. Was Exhibit Council-03 prepared by you?**

8 **A.** Yes.

9 **Q. Are the statements made in your testimony true and correct to the best of**
10 **your knowledge and belief?**

11 **A.** Yes.

12 **Q. To the extent that Exhibit Council-03 contains expressions of opinion, do**
13 **they represent your best professional judgment?**

14 **A.** Yes.

15 **Q. Do you adopt Exhibit Council-03 as your sworn testimony in A.22-05-002, et**
16 **al. (DR Applications)?**

17 **A.** Yes.

18 **Q. What issues do you address in your Rebuttal Testimony?**

19 **A.** In my Rebuttal Testimony, I discuss OhmConnect, Inc.'s ("OhmConnect's")
20 testimony regarding customer parity and support OhmConnect's proposal to provide a
21 channel for defaulted A.6 Emergency Load Reduction Program ("ELRP") participants to
22 transition to market-integrated DR programs. I also support Google LLC's ("Google's")
23 smart thermostats proposal and the Joint Community Choice Aggregators' ("Joint
24 CCAs") recommendation for exchanging DR program participation data. Lastly, I
25 support several proposals made by the Joint DR Parties.² Namely, I concur with the

² The Joint DR Parties are comprised of CPower and Enel X North America, Inc.

1 Joint DR Parties who oppose Southern California Edison Company’s (“SCE’s”) proposal
2 for a January 31 Capacity Bidding Program (“CBP”) nomination deadline, propose to
3 revise Pacific Gas and Electric Company’s (“PG&E’s”) CBP Enhanced Testing process
4 proposal, and propose a new Base Interruptible Program (BIP”) incentive category.

5 In my Rebuttal Testimony, I also rebut Public Advocates Office’s (“Cal
6 Advocates”) proposal for a statewide CBP and Cal Advocates’ criticism of the cost-
7 effectiveness of CBP.

8 **Q. Do you believe that the IOUs’ Applications contain provisions which**
9 **prevent a level playing field between the investor-owned utilities and third-party**
10 **DR providers?**

11 **A.** Yes. In my Opening Phase II Testimony, I provided several examples of how the
12 investor-owned utilities’ (“IOUs”) Applications negatively impact customers participating
13 in third-party provided DR services.³ These include the IOUs’ unique ability to
14 designate their Supply Resource programs as Reliability DR Resources (“RDRR”) and
15 to transition their Supply Resource DR programs to Load Modifying programs, and their
16 preferred access to technology incentives for their programs.⁴

17 **Q. Does any other party share this position?**

18 **A.** Yes. In its Opening Testimony, OhmConnect identifies broader advantages
19 provided to all IOU DR customers relative to third-party DR customers. The first
20 advantage identified by OhmConnect is the less rigorous performance standard
21 compared to what third-party DR is subject to. Specifically, third-party DR is required to
22 be shown on the supply plans of their Resource Adequacy (“RA”) contract
23 counterparties whereas IOU DR programs are not.⁵ The second advantage is the
24 preferential treatment given to IOU DR programs when they are counted against the

³ Opening Phase II Testimony of the California Efficiency + Demand Management Council, submitted in this proceeding on April 21, 2023 (“Exhibit (“Ex.”) Council-02”), at p. 6, line 20 through p. 10, line 25.

⁴ *Id.*, at p. 7, line 13 through p. 8, line 7.

⁵ Opening Testimony of Cliff Staton on behalf of OhmConnect, Inc., submitted in this proceeding on April 21, 2023 (“OhmConnect Phase II Testimony”), at p. 2, line 22 through p. 3, line 10.

1 Maximum Cumulative Capacity (“MCC”) bucket DR procurement cap of each load-
2 serving entity (“LSE”).⁶

3 As OhmConnect testifies, IOU DR programs are not required to be shown on
4 their supply plans, so they have no obligation to deliver their RA credited value nor are
5 they required to disclose updates to the RA values during the delivery year.⁷ In this way,
6 they avoid Resource Adequacy Availability Incentive Mechanism (“RAAIM”) penalties.⁸
7 With regard to being counted first in the DR MCC bucket, IOU DR capacity in effect gets
8 first rights to the DR MCC bucket headroom, with third-party DR left to compete for the
9 remaining headroom for all LSEs under the 8.3 percent DR procurement cap.⁹

10 **Q. What solutions do you propose to address the two issues raised by**
11 **OhmConnect?**

12 **A.** I realize that these issues generally fall within the purview of the Commission’s
13 RA proceeding, so taking concrete action to address these two issues may not be
14 possible in this proceeding. However, the Commission should at the very least find that
15 these two issues undermine competitive parity between IOU and third-party DR and
16 state a preference that they be addressed by the Commission in the RA proceeding.

17 **Q. Do you agree with the OhmConnect proposal to provide a channel for**
18 **defaulted A.6 ELRP participants to transition to market-integrated DR programs?**

19 **A.** Yes. OhmConnect proposes that ELRP administrators “should be required to
20 utilize existing marketing, education, and outreach channels to provide customers with
21 information about available IOU, non-IOU Load Serving Entity (“LSE”), and third-party
22 DR programs between March and May of each year.”¹⁰ Given the well-documented
23 amount of free ridership in ELRP A.6, the Commission should seek to transition as
24 many of these participants to capacity-based DR programs such as CBP, DR Auction
25 Mechanism (“DRAM”), or bilateral RA contracts as soon as possible, so that they can be

⁶ OhmConnect Phase II Testimony, at p. 3, lines 13-26.

⁷ *Id.*, at p. 2, lines 22 through p. 3, line 10.

⁸ *Id.*

⁹ *Id.*, at p. 3, lines 13-26.

¹⁰ *Id.*, at p. 7, lines 13-16.

1 used to avoid the acute conditions that occur when FlexAlerts are called. OhmConnect
2 succinctly describes the problem and solution when it states:

3 A residential ELRP that automatically enrolls millions of households without
4 educating them about available market-integrated DR program options and
5 giving them an opportunity to select a DR program of their choice is a
6 substantial missed opportunity to increase load reduction capabilities
7 statewide. On the other hand, the Commission can leverage the funds
8 already approved for the ELRP to capture customers that are willing and
9 able to do more and, rather than keeping them in a rarely-called, behavioral-
10 only program, explicitly provide them an opportunity to enroll in more
11 engaging and higher-impact DR.¹¹

12
13 The steps OhmConnect proposes are a reasonable approach that will likely
14 require little-to-no incremental funding while reducing the incentives paid to A.6
15 participants for load curtailment they would have delivered anyhow absent their being
16 defaulted into the ELRP.¹² Though I believe the ELRP can be a useful program to help
17 prevent blackouts, I agree with OhmConnect that “if properly engaged, many
18 households can provide deeper load reduction during emergencies, as well as in less
19 severe conditions in response to economic signals.”¹³

20 **Q. Do you agree with Google’s position regarding smart thermostats?**

21 **A.** Yes. I support the five recommendations and design principles that Google has
22 put forth to increase enrollments in smart thermostat DR programs. These are:

- 23 1. Customers should receive both upfront and ongoing incentives, and
24 those incentives should be significant enough to drive program enrollment.
25 2. Incentives for smart technology and program participation should be
26 consolidated and easy to understand and attain for the customer.
27 3. Support for pre-enrollment in demand response programs.
28 4. Eligibility for incentives should be available for all customers rather than
29 targeted to specific demographics.
30 5. Cost-effectiveness should reflect the actual value to the grid, including
31 avoided costs of grid failures.¹⁴
32

¹¹ OhmConnect Phase II Testimony, at p. 12, lines 9-15.

¹² *Id.*, at p. 11, line 1 through p. 12, line 15.

¹³ *Id.*, at p. 11, lines 5-12.

¹⁴ Phase II Issues Prepared Testimony of Aaron Berndt on behalf of Google LLC, submitted in this proceeding on April 21, 2023 (“Google Phase II Testimony”), at p. 5, lines 3-13.

1 Google's recommendations succinctly encapsulate what I believe can be an
2 effective strategy for maximizing customer uptake of smart thermostats and, in turn,
3 leveraging them to maximize the value of their load curtailment capability to the grid. I
4 agree with Google's first recommendation because receiving both upfront and ongoing
5 incentives will help to ensure customers will be more effective in encouraging sustained
6 customer participation, which should be one of the primary DR goals of the
7 Commission. Consistent and durable customer participation serves as the foundation
8 for long-term, sustainable growth of the resource. On a more practical level, there is a
9 distinct cost incurred by an IOU, community choice aggregator ("CCA") or DR provider
10 to acquire a DR participant, so the Commission should prioritize retaining DR
11 participants rather than any ongoing "churn" in which a portion of current DR
12 participants disenroll and are replaced by new participants. The Commission should
13 adopt policies that keep current participants while adding new ones.

14 I agree with Google's second recommendation because technology incentives,
15 like any other product or service, should be easy for customers to understand and
16 acquire; otherwise, they are more likely to simply become frustrated and refrain from
17 procuring a thermostat or could at least procure one outside of the context of pre-
18 enrolling in a DR program.

19 I agree with Google's third recommendation because leveraging smart
20 thermostat incentives to support DR program pre-enrollment will maximize the reliability
21 value that each participant can provide to the grid. If a customer purchases a smart
22 thermostat with an incentive but does not deploy it in the context of a DR (or similar)
23 program, there is no certainty the thermostat will be deployed in a manner that will
24 provide the most value to the grid by delivering the greatest amount of load curtailment
25 at the optimal time.

26 I agree with Google's fourth recommendation because all things being equal,
27 virtually every customer, regardless of their demographics, can deliver greater grid
28 benefits with a smart thermostat than without one.

29 Regarding Google's fifth recommendation, I agree that the cost-effectiveness of
30 smart thermostats, which should reflect the incremental load curtailment value they can

1 provide relative to no smart thermostat, should be appropriately valued to ensure the
2 incentives received by the smart thermostat customers are commensurate with the
3 benefits they provide to the grid.

4 **Q. Do you support the Joint CCAs' recommendation for exchanging DR**
5 **program participation data?**

6 **A.** Yes. The Joint CCAs recommend “that the Commission direct the development
7 of a streamlined process in this proceeding to ensure CCAs and PG&E regularly
8 exchange program participation data and effectively prevent double counting customer
9 load reductions.”¹⁵

10 I agree with this recommendation in concept because it points to the need for a
11 platform or database where customer participation status can be easily tracked (while
12 protecting customer privacy), when customers move between Load Modifying and
13 Supply Resource DR, between IOU and other LSE programs, and between DR
14 providers. With the expected widespread addition of dynamic rates programs in the
15 future, the need for such a system will likely become more acute. I believe such a
16 system would be of the greatest benefit if it was also made available to third-party DR
17 providers because they also must be aware of a customer’s DR participation status and
18 may often be in the best position to provide customer DR participation status updates
19 for those customers who enroll with them. Also, though the Joint CCAs recommend that
20 DR program enrollment data be updated on a monthly or quarterly process, I
21 recommend that they be updated far more frequently to provide as accurate a picture as
22 possible of customers’ DR enrollment status.¹⁶

23 **Q. Do you agree with the Joint DR Parties' opposition to SCE's proposal for a**
24 **January 31 CBP nomination deadline?**

25 **A.** Yes. The Joint DR Parties opposes SCE’s proposal to change the existing
26 monthly CBP nomination deadline to January 31 of each year.¹⁷ In this instance, the

¹⁵ Prepared Direct Testimony of the Joint Community Choice Aggregators, submitted in this proceeding on April 21, 2023 (“Ex. JCCA-01”), at p. 5, lines 17-20.

¹⁶ *Id.*, at p. 6, lines 1-10.

¹⁷ Phase 2 Opening Testimony of Joint Demand Response Parties, submitted in this proceeding on April 21, 2023 (“Ex. JDRP-01”), at p. 7, lines 1-23.

1 Joint DR Parties, who has direct knowledge of their customers' preferences, cites the
2 participation flexibility that the CBP has provided for participants lacking a consistent
3 and predictable load curtailment capability.¹⁸

4 SCE's proposal would remove a great deal of this flexibility. Though CBP
5 aggregators would retain the ability to balance their nominations across their respective
6 customer portfolios, a nomination deadline so far in advance of the summer season
7 would likely force them to be more conservative in their nomination forecasts due to the
8 difficulty of foreseeing enrollment levels and the amount of capacity their customers can
9 nominate for each month. If the Commission adopts SCE's proposed nomination
10 deadline, it should at least direct SCE to revise its penalty structure to allow for a larger
11 amount of variation between nominated and delivered amounts.

12 **Q. Do you support the Joint DR Parties' recommendation to revise PG&E's**
13 **CBP Enhanced Testimony process proposal?**

14 **A.** Yes. The Joint DR Parties "disagree with PG&E's proposal for an initial 4-hour
15 test event for all resources with new customers during the first week of the first month in
16 the calendar year that an Aggregator is participating[.]"¹⁹ The Joint DR Parties also
17 testify that PG&E's overall CBP Enhanced Testimony process proposal falls short of
18 achieving the goal of improving testing effectiveness.²⁰ The Joint DR Parties provides
19 the following proposal to address their concerns:

- 20 • Resources can be called for up to 2, 2-hour test events per program season
21 if the following conditions are met:
- 22 1. It is a weekday during program hours after the 20th of the month;
 - 23 2. If there has not been any form of dispatch in that given month;
 - 24 3. If there has not been a test throughout the preceding month;
 - 25 4. If previous event or test performance was below 75% of the presently
26 nominated value or if the resource nomination for the given month is
27 greater than 25% from the previous month;
 - 28 5. There is not a state of emergency in California related to the grid; and
 - 29 6. There was not forecasted capacity shortfalls.²¹

¹⁸ Ex. JDRP-01, at p. 7, lines 5-23.

¹⁹ *Id.*, at p. 14, line 5 through p. 15, line 2.

²⁰ *Id.*, at p. 15, line 3 through p. 16, line 2.

²¹ *Id.*, at p. 16, line 24 through p. 17, line 6.

1 I agree with the Joint DR Parties' proposal, but I recommend that it be adopted
2 across all three IOUs to provide consistency to simplify CBP participation for
3 aggregators and customers that participate across multiple IOU service areas. I agree
4 with the Joint DR Parties that PG&E's testing proposal would penalize existing
5 participants, exceed its authority by attempting to provide a "learning experience", and
6 fail to account for its own proposed T-70 nomination window.²²

7 **Q. Is the Joint DR Parties' proposal for a new BIP incentive category**
8 **reasonable?**

9 **A.** Yes. The Joint DR Parties propose a new incentive rate for 50+ kV customers
10 for adoption for SCE's BIP by the Commission.²³ I agree with the Joint DR Parties and
11 the California Large Energy Consumers Association ("CLECA") that compensation for
12 BIP participation should be commensurate with the value of the resource, as well as the
13 opportunity costs imposed by the relatively high frequency of dispatches.²⁴

14 Last year's updated Avoided Cost of Capacity ("ACC") indicates that the value of
15 new capacity has increased significantly. PG&E's ACC has increased from \$96/kW-
16 year to \$257/kW-year and SCE's has gone from \$92/kW-year to \$257/kW-year.²⁵

17 In this context, if the Joint DR Parties' proposal to create a new incentive
18 category for BIP participants providing greater than 5 MW of load curtailment is cost-
19 effective under the updated ACC, it should be adopted. However, I believe that an ACC
20 that has increased by over 2.5 times warrants reconsideration of all current BIP
21 incentive categories. PG&E and SCE were required to conform their BIP incentives to
22 the prevailing ACC when they submitted their 2018-2022 DR applications when the
23 ACC was lower, therefore it is completely appropriate for these incentives to be
24 increased accordingly in light of a higher ACC. In fact, such a large increase in the ACC
25 should trigger a reconsideration of all DR program incentives.

²² Ex. JDRP-01, at p. 13, line 10 through p. 16, line 21.

²³ *Id.*, at p. 20, lines 1-5.

²⁴ *Id.*, at p. 19, lines 4-19 and Direct Testimony of Sam Harper on behalf of California Large Energy Consumers Association, submitted in this proceeding on April 21, 2023 ("CLECA Phase II Testimony"), at p. 18, line 3 through p. 19, line 9.

²⁵ *Id.*, at p. 17, line 15 through p. 18, line 24.

1 **Q. Do you agree with Cal Advocates' proposal for a statewide CBP?**

2 **A.** No. Cal Advocates states that the "Commission should forego all IOU Capacity
3 Bidding Program ("CBP") proposals and adopt a Statewide Capacity Bidding
4 Program."²⁶ Though I do believe there are opportunities to align some elements of the
5 IOUs' respective CBPs that do not impact the cost-effectiveness of their programs such
6 as nomination period, penalty structure, and auditing guidelines, because each IOU is
7 subject to its own cost-effectiveness requirement, any elements that impact the program
8 cost or benefits must be unique to each IOU. Cal Advocates does not address this
9 issue in its proposal and provides no evidence to support its suggestion that a statewide
10 administrator would improve program cost-effectiveness.

11 **Q. Do you agree with Cal Advocates' criticisms of CBP cost-effectiveness?**

12 **A.** No. I strongly disagree with Cal Advocates' claims that in spite of the cost-
13 effectiveness improvements of the IOUs' respective CBPs in light of the updated ACC,
14 their cost-effectiveness scores are "inadequate and signify an unjust burden on
15 ratepayers."²⁷ As Cal Advocates states, the PG&E's CBP Total Resource Cost ("TRC")
16 has increased from 0.88 to 2.66, SCE's has increased from 0.91 to 1.19, and SDG&E's
17 has increased from 0.4 to 1.0.²⁸

18 Cal Advocates has not adequately explained why a TRC at or above 1.0 is
19 somehow not sufficiently cost-effective. Cal Advocates' dismissal of the cost-
20 effectiveness improvements because they are "mainly attributed to an increase in the
21 Avoided Cost of Generation Capacity value rather than improvements in program
22 design" is a red herring.²⁹ Under the DR Cost Effectiveness Protocols, the value of
23 capacity is by far the largest component to the benefits of a DR program; the cost-
24 effectiveness of the IOUs' proposed DR portfolios should reflect the most current values

²⁶ Public Advocates Office Opening Testimony on Phase 2 2024-2027 Demand Response Programs Budget Applications, submitted in this proceeding on April 21, 2023 ("Cal Advocates Phase II Testimony"), at p. 3, lines 4-5.

²⁷ *Id.*, at p. 1-3, line 8 through p. 1-4, line 3.

²⁸ *Id.*, at p. 1-3, Footnotes 13 and 14.

²⁹ *Id.*, at p. 1-4, lines 1-3.

1 so when the ACC increases, this should be reflected accordingly in DR cost
2 effectiveness.

3 **Q. Does this conclude your Rebuttal Testimony?**

4 **A.** Yes, it does.