BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.	Rulemaking 21-10-002 (Filed October 7, 2021)

NOTICE OF EX PARTE COMMUNICATION BY THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, ENEL NORTH AMERICA, INC., LEAPFROG POWER, INC. AND OHMCONNECT, INC.

Dated: June 27, 2023

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Pursuant to Rule 8.4 of the Commission's Rules of Practice and Procedure, the California Efficiency + Demand Management Council, Enel North America, Inc., Leapfrog Power, Inc. and OhmConnect, Inc. (the "Joint Parties") hereby timely give notice of one (1) ex parte communication. The individual oral ex parte meeting occurred by Webex on Thursday, June 22, 2023 at 1:00 with Yuliya Shmidt, Advisor to Commissioner Douglas. The communication was initiated by Joseph Desmond, Executive Director of the California Efficiency + Demand Management Council and lasted approximately 30 minutes. Present at the meetings were the following party representatives:

- **The California Efficiency + Demand Management Council**: Joseph Desmond (Executive Director) and Luke Tougas (Consultant).
- **Enel North America, Inc.**: Poonum Agrawal (Senior Manager, Regulatory Affairs, Western U.S.) and Jacob Varsano (Senior Program Manager, Energy Markets)
- **Leapfrog Power, Inc.**: Collin Smith (Regulatory Affairs Manager)
- **OhmConnect, Inc.**: Elysia Vannoy (Regulatory Affairs Manager)

Mr. Desmond began by discussing the Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements, issued on May 25, 2023, in the Resource Adequacy ("RA") proceeding (R.21-10-002). He stated that the Proposed Decision's demand response ("DR")-related proposals will have highly detrimental impacts on the DR market, particularly third-party DR which is contrary to DR budgets and legislative policies. He stated that the Joint Parties have concerns about all of the Proposed Decision's DR proposals, but their greatest concerns are with the proposal to derate third-party DR RA values based on test results, the proposal to eliminate the Transmission Load Factor ("TLF"), and the proposal to adopt a $500/MWh bid cap for Proxy DR ("PDR").

Ms. Vannoy discussed the Proposed Decision's determination to derate third-party DR qualifying capacity ("QC") values when they perform below their supply plan values. She stated that this proposal fails to recognize the differences between the processes used to calculate QC in the Load Impact Protocol ("LIP") process and test results. She stated that forecasts used to inform QC are based on the hottest weather conditions expected and it is unlikely that the proposed quarterly testing could be perfectly scheduled to also fall on the days with the hottest weather conditions. She concluded that the timing and performance of a single test would have an outsized effect on QC and this would unfairly result in a quarterly reduction in QC based on one event and the Proposed Decision should be modified to remove this proposal.

Mr. Smith discussed the elimination of the TLF Adder and stated that the record upholds that DR resources avoid transmission line losses, just as they avoid distribution line losses, which supports the justification for retaining the TLF Adder. He noted that the revenue provided by the TLF Adder can be significant for DR providers and removing it may hinder the ability for smaller DR providers to expand in the state. He stated that experience shows that this type of adder can be sustainably applied and elimination of the TLF Adder would put Supply-Side DR at a competitive disadvantage to Load-Modifying DR despite providing a virtually identical service.

Mr. Tougas agreed that PDRs should be dispatched prior to Reliability Demand Response Resources ("RDRR"), but the $500/MWh PDR bid cap which will have far reaching impacts that will likely lead to large volumes of DR simply departing the market because it would prevent DR participants with higher opportunity costs from reflecting these costs in their CAISO market bids. He also explained that the bid cap risked causing PDRs to be exhausted prior to when they would be of greatest value to the grid. He concluded that if the Commission does want to modify the cap it should be set at $949/MWh, as recommended by the CAISO Department of Market Monitoring, to ensure that PDRs are dispatched prior to reliability DR resources RDRRs.

Mr. Tougas addressed two concerns with the DR QC methodology: (1) the Proposed Decision's timeline for finalizing the incentive-based proposal is far too long, and (2) the Proposed Decision creates another working group to streamline the LIPs which would further distract from the effort to finalize the incentive-based methodology. He stated that the Commission should shorten the timeline as demonstrated in the California Efficiency + Demand Management and CPower's Opening Comments on the Proposed Decision, filed and served in this proceeding on June 14, 2023. Mr. Tougas also recommended that if a working group for the LIP process were established, the working group should use the proposal that OhmConnect, Inc. put forward in the California Energy Commission working group on QC methodologies as a foundation for discussion.

In further compliance with Commission rules and instructions included in Commissioners' Meeting Request forms, this notice has been served on the R.21-10-002 (RA) Service List and electronically copied to douglas_exparte@cpuc.ca.gov.

Respectfully submitted,

June 27, 2023

/s/ JOSEPH DESMOND

Joseph Desmond
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