

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)

**REPLY COMMENTS OF  
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL AND  
CPOWER ON PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS  
FOR 2024-2026, FLEXIBLE CAPACITY OBLIGATIONS FOR 2024, AND PROGRAM  
REFINEMENTS**

June 19, 2023

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**I. INTRODUCTION**

The California Efficiency + Demand Management Council (the “Council”) and CPower (“the Joint Parties”) submit these Reply Comments on the Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements (“Proposed Decision”), mailed in Rulemaking (“R.”) 21-10-002 (Resource Adequacy (“RA”)) on May 25, 2023. These Reply 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.

**II. THERE IS BROAD OPPOSITION TO MOST OF THE PROPOSED DECISION’S  
DEMAND RESPONSE PROPOSALS**

It is clear that among those parties, including the Council and CPower, commenting on the Proposed Decision’s demand response (“DR”)-related proposals, other than the Proposed Decision’s DR Qualifying Capacity (“QC”) methodology proposed timeline, a significant majority do not support or outright oppose these DR proposals.<sup>1</sup> Specifically, six (6) parties, including California Energy Storage Alliance (“CESA”), California Large Energy Consumers Association (“CLECA”), the Council, CPower, Leapfrog Power, Inc. (“Leap”), and Southern California Edison Company (“SCE”) oppose the \$500/MWh Proxy Demand Resource (“PDR”)

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<sup>1</sup> See, e.g., Opening Comments of the Council and CPower, at pp. 2-3; Opening Comments of Leapfrog Power, Inc., at p. 2; Opening Comments of the California Energy Storage Alliance, at p. 2; Opening Comments of OhmConnect, Inc., at pp. 1-2; Opening Comments of California Large Energy Consumers Association, at pp. 1-2; Opening Comments of Pacific Gas and Electric Company, at pp. 3-8; and Opening Comments of Southern California Edison Company, at pp. 2-8.

bid cap.<sup>2</sup> Furthermore, CLECA, the Council, CPower and SCE oppose the reliability DR resource (RDRR) milestone proposal.<sup>3</sup> In addition, CLECA, the Council, CPower, and Leap oppose eliminating at least one of the Transmission Loss Factor (“TLF”) and Planning Reserve Margin (“PRM”) Adders.<sup>4</sup> The Council, CPower, Leap, PG&E and SCE oppose Expanded Availability Requirements for PDRs.<sup>5</sup> Lastly, the Council, CPower, Leap and OhmConnect all oppose the QC Derate proposal.<sup>6</sup> With regard to the Proposed Decision’s DR QC methodology proposal, each party appears to have different positions and are less aligned. The Council and CPower address specific elements of party comments below.

### **III. THE \$500/MWH PDR BID CAP SHOULD NOT BE ADOPTED**

With regard to the \$500/MWh bid cap, in addition to the Council and CPower, CESA, Leap, CLECA, and SCE oppose it.<sup>7</sup> The Joint Parties fully agree with Leap’s arguments that the proposed cap is arbitrary and appears designed to result in more DR dispatch for its own sake rather than ensuring PDRs are being used when they are the most valuable.<sup>8</sup> Leap also correctly warns against using a single year’s worth of data to inform the bid cap proposal.<sup>9</sup> When other aspects of the RA regime like the Planning Reserve Margin (“PRM”) are informed by extensive modeling looking years into the future, it is concerning to see the use of one year of California Independent System Operator (“CAISO”) price data to justify a PDR bid cap.

The Joint Parties understand the reasoning behind Leap’s proposal for a regular review process of a bid cap, but oppose it nevertheless. If a PDR bid cap was adopted in conjunction with a review process, there is nothing to prevent the Energy Division from cherry-picking data again to justify an even lower bid cap.

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<sup>2</sup> Opening Comments of CESA, at p. 2; Opening Comments of CLECA, at p. 13; Opening Comments of the Council and CPower, at pp. 6-9; Opening Comments of Leap, at pp. 3-6; and Opening Comments of SCE, at pp. 6-9.

<sup>3</sup> Opening Comments of CLECA, at pp. 3-5; Opening Comments of the Council and CPower, at pp. 9-10; and Opening Comments of SCE, at p. 5.

<sup>4</sup> Opening Comments of CLECA, at pp. 10-11; Opening Comments of the Council and CPower, at pp. 10-11; and Opening Comments of Leap, at pp. 6-9.

<sup>5</sup> Opening Comments of the Council and CPower, at pp. 11-13; Opening Comments of Leap, at pp. 9-11; Opening Comments of PG&E, at pp. 6-8; and Opening Comments of SCE, at p. 6.

<sup>6</sup> Opening Comments of the Council and CPower, at p. 13; Opening Comments of Leap, at pp. 11-12; Opening Comments of OhmConnect, at pp. 2-6.

<sup>7</sup> Opening Comments of CESA, at pp. 2-3; Opening Comments of CLECA, at p. 13; Opening Comments of the Council and CPower, at pp. 6-8; Opening Comments of Leap, at pp. 3-4; and Opening Comments of SCE, at p. 7.

<sup>8</sup> Opening Comments of Leap, at pp. 4-5.

<sup>9</sup> *Id.*, at p. 5.

It is unclear whether PG&E supports the proposed bid cap, stating that it “generally supports the use of a bid cap” but argues that the DRAM should be exempted because any design changes are being considered in Phase 2 of A.22-05-002 et al.<sup>10</sup> However, the Joint Parties agree with PG&E that any bid cap should exempt DRAM until its disposition has been determined because, as PG&E notes, it is unclear how the current DRAM Minimum Energy Dispatch Requirement (“MEDR”) would interact with a bid cap.

The Joint Parties appreciate SCE’s observation that “the additional availability and PDR bid cap requirements could turn certain PDRs from a use-limited resources into an unlimited resource” as well as SCE’s acknowledgement that a bid cap would limit the ability to optimize DR resources.<sup>11</sup> However, the Commission should reject SCE’s attempt to exempt its own DR programs from the bid cap.<sup>12</sup> Investor-owned utility (“IOU”) and third-party DR should be subject to the same set of rules and requirements, and adopting SCE’s proposal implies that third-party DR should have an unlimited availability requirement, as SCE characterizes it, while IOU DR would not. This would be wholly unjustified, especially given the demonstrably poor track record of IOU DR programs being bid into the CAISO market consistent with their RA credit value.<sup>13</sup>

Despite such broad opposition to the PD’s proposed bid cap, several parties do support a \$949/MWh bid cap to ensure PDRs are not dispatched prior to RDRRs.<sup>14</sup> If the intent of the PD is to ensure PDRs are dispatched prior to RDRRs, the Council and Leap continue to recommend this bid cap and no other.

#### **IV. RDRR ACTIVATION AT AN ENERGY EMERGENCY ALERT WATCH**

CLECA and PG&E recommend that, should the PD’s proposal to activate RDRRs at an EEA Watch rather than EEA 2, participants in an DR program that is bid into the CAISO market as an RDRR should be granted an opportunity to unenroll or revise their Firm Service Level outside of the current the process.<sup>15</sup> The Joint Parties agree because it would be unfair and

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<sup>10</sup> Opening Comments of PG&E, at p. 3.

<sup>11</sup> Opening Comments of SCE, at p. 7.

<sup>12</sup> *Id.*

<sup>13</sup> Opening Comments of OhmConnect, at pp. 3-4.

<sup>14</sup> Opening Comments of CESA, at pp. 2-3; Opening Comments of CLECA, at p. 13; Opening Comments of the Council and CPower, at p. 9; and Opening Comments of Leap, at pp. 3-4.

<sup>15</sup> Opening Comments of CLECA, at pp. 6-7 and Opening Comments of SCE, at p. 5.

inappropriate to adjust the terms of participation in the middle of the year without allowing participants to revisit their decision to participate and load curtailment capability.

## **V. TLF AND PRM ADDERS**

PG&E supports eliminating the PRM Adder but defends retaining the TLF Adder, but only for LSEs whose meter level load impact are 100 MW or greater.<sup>16</sup> Because no other LSE currently possesses that much DR through its own programs and/or through third-party contracts, this appears to be any attempt to exempt IOU DR programs while eliminating the TLF Adder for third-party DR. This would be wrong because, as PG&E admits, including the TLF Adder “is reasonable because when DR reduces the load at the customer level, it also eliminates the line losses that would otherwise occur.”<sup>17</sup> The Commission should reject PG&E’s proposal because, as the Joint Parties stated in opening comments, there is no evidence in the record to quantify the alleged administrative burden imposed by accounting for the TLF Adder. Therefore, there is no evidence to support *any* LSE load impact threshold below which the incremental costs outweigh the incremental benefits. Without a clear understanding of the exact administrative process by which the TLF Adder is included and the associated cost, there is no basis for any exemption.

## **VI. THE BASIS FOR DERATING THIRD-PARTY DR BASED ON TEST PERFORMANCE IS UNPROVEN**

The Council and CPower appreciate OhmConnect’s resurrection in its opening comments of the CAISO’s Department of Market Monitoring (“DMM”) *Demand Response Issues and Performance 2022 Report* (“2022 DR Report”).<sup>18</sup> In Figure 2.7 from the 2022 DR Report cited by OhmConnect, the DMM illustrates that, during the hottest non-holiday weekdays of 2022 (September 3-5 was Labor Day weekend), the quantity of IOU PDR schedules ranged from approximately 0 percent out of approx. 390 MW of total Resource Adequacy (“RA”) credit values on August 31 to less than 40 percent (on September 7-8) out of approx. 380 MW on September 7-8. Figure 2.7 also shows IOU PDR performance being less than their scheduled quantities. The third-party DR performance cited in the PD to support derating third-party DR based on a quarter’s test results was 27-35 percent of supply plan QC values in Q2 2022 and 23-58 percent of supply plan QC values in Q3 2022.<sup>19</sup> IOU PDR performance, relative to credited

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<sup>16</sup> Opening Comments of PG&E, at pp. 4-5.

<sup>17</sup> *Id.*, at p. 5.

<sup>18</sup> Opening Comments of OhmConnect, at pp. 3-4.

<sup>19</sup> Proposed Decision, at pp. 104-105.

RA values (a maximum of less than 40 percent), was no better than third-party DR performance in Q3 2022 (a maximum of 58 percent). Though that is a rough comparison, it demonstrates that limiting claims of DR underperformance to third-party DR is not supported. In fact, this demonstrates that IOU and third-party DR perform comparably.

Due to the fact that IOU DR programs are not required to be on supply plans, the IOUs have the flexibility to optimize their portfolio and bid far less than their RA credited values into the CAISO market with no repercussions. The 2022 DR Report demonstrates this because, on the hottest days of the year, IOU PDRs were not able to deliver on even modest (compared to their RA credited values) CAISO market schedules. Conversely, third-party DR providers are obligated, by way of the requirement to show their DR resources on supply plans, to bid the full QC value into the CAISO market, even if they are unable to fully deliver on a market schedule. Until IOU and third-party DR are subject to the same rules, it will be difficult to equitably compare the two. For this reason, the Commission should not adopt the proposal to derate third-party DR QC values based on testing performance.

## **VII. CONCLUSION**

The Joint Parties ask that the Proposed Decision be modified for the reasons stated above and in Opening Comments. Those needed modifications are included in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached to the Opening Comments submitted on June 14, 2023.

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Respectfully submitted,

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