BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39 E) for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027	Application 22-05-002 (Filed May 2, 2022)
And Related Matters.	Application 22-05-003 Application 22-05-004

REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL AND LEAPFROG POWER, INC. ON PROPOSED DECISION DIRECTING CERTAIN INVESTOR-OWNED UTILITIES' DEMAND RESPONSE PROGRAMS, PILOTS, AND BUDGETS FOR THE YEARS 2024-2027

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Joseph Desmond
Executive Director
California Efficiency + Demand Management Council
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: (925) 785-2878
E-mail: policy@cedmc.org

Luke Tougas
Consultant for
California Efficiency + Demand Management Council
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: (510) 326-1931
E-mail: l.tougas@cleanenergyregresearch.com

Collin Smith
Regulatory Affairs Manager
Leapfrog Power, Inc.
1700 Montgomery Street, Suite 200
San Francisco, CA 94111
Telephone: (267) 742-1081
E-mail: marketdev.caiso@leap.ac

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The California Efficiency + Demand Management Council ("the Council") and Leapfrog Power, Inc. ("Leap") respectfully submit these Reply Comments on the Proposed Decision Directing Certain Investor-Owned Utilities' Demand Response Programs, Pilots, and Budgets for the Years 2024-2027 ("PD"), mailed in this proceeding on November 6, 2023. These Reply Comments are timely filed and served pursuant to Rule 14.3 of the California Public Utilities Commission's ("CPUC's") Rules of Practice and Procedure and the instructions accompanying the PD.

I. THERE IS OVERWHELMING EVIDENCE TO SUPPORT BASE INTERRUPTIBLE PROGRAM ELIGIBILITY FOR AUTOMATED DEMAND RESPONSE AND HIGHER INCENTIVES

The Council and Leap share CPower and Enel X North America, Inc.'s ("Joint DR Parties'") objections to the PD declining to expand Automated Demand Response ("AutoDR") eligibility to Pacific Gas and Electric Company's ("PG&E's") Base Interruptible Program ("BIP") and Southern California Edison Company's ("SCE's") BIP-15.[1] It is unclear how the PD can come to this conclusion in the face of broad support among the proposing investor-owned utilities ("IOUs"), demand response ("DR") community, and customer associations whose members participate in BIP.

[1] Joint DR Parties Opening Comments, at pp. 5-9.

The PD's sole reason for dismissing this proposal – that one year of evidence is insufficient to support changing CPUC policy on this issue – overlooks the fact that despite higher incentives approved in 2020 for 2021 and 2022, and more outreach during that time, Table 3-3 in PG&E's direct testimony shows BIP enrollments and MW growing since 2017, peaking in 2020, and falling through 2022. The reduced activation threshold adopted in D.23-06-029 will exacerbate this trend of BIP attrition – it is based on the simple logic that should similar conditions that prevailed in 2020 and 2021 occur again, BIP will be dispatched more frequently than it was during those periods due to the lower threshold of an Energy Emergency Alert ("EEA") Warning compared to an EEA 2, which D.23-06-029 indicates is the CPUC's goal.[2] This renders moot the CPUC's basis for prohibiting BIP eligibility for AutoDR incentives – that "reliability programs are rarely dispatched."[3]

With this in mind, the CPUC should now seek to retain existing participants and attract new ones to replace those lost through attrition. PG&E has shown that opening AutoDR to BIP participants would be a positive step to that end, which the Council highlighted in its own direct testimony.[4] In addition to adopting PG&E's proposal for limiting BIP dispatches to three consecutive days and ten dispatches within a rolling 30-day window, another important step is to ensure that BIP incentives accurately reflect the opportunity cost of the more frequent RDRR dispatches the CPUC is seeking. Though the PD adopts the higher incentives that were proposed by PG&E and SCE, the Council and Leap agree with the Joint DR Parties that an additional tier of BIP incentives for customers that can reduce load by over 5,000 kW and an increased incentive rate for 50+kV service in SCE's service area should be adopted.[5] The Joint DR Parties correctly observe that the PD's dismissal of these additional incentives in favor of taking an "iterative approach" neglects to specify how or when this iterative approach would occur.[6] The PD's guidance on the scope of the Mid-Cycle Review ("MCR") does not appear to include incentive levels so it would appear that the next opportunity to discuss BIP incentives will be in

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[2] D.23-06-029, at pp. 95-97.
[3] D.18-11-029.
[4] Opening Phase II Testimony of the California Efficiency + Demand Management Council, submitted in this proceeding on April 21, 2023 ("Ex. Council-02"), at p. 19, lines 1-19.
[5] Joint DR Parties Opening Comments, at pp. 7-8.
[6] *Id.*, at p. 8.

2027 when the IOUs' next DR applications will be litigated.[7] By that time, the program could be much smaller than it is now.

II. THERE IS BROAD PARTY AGREEMENT THAT THE PD ERRS IN SIGNIFICANTLY REDUCING OPPORTUNITIES FOR RESIDENTIAL DR

One of the trends that stands out among parties' opening comments on the PD is their concern about the possibility that residential DR opportunities would be significantly reduced. For example, San Diego Gas & Electric Company's ("SDG&E's") Opening Comments note the concerning fact that "the PD would effectively leave SDG&E *without a single IOU residential supply-side demand response program for the 2024-2027 program years*" and "inhibit customers from participating in certain Energy Efficiency ("EE") and other programs that mandate customer enrollment in a qualified supply-side program."[8]

Additionally, PG&E cautioned that its new Automated Response Technology ("ART") program "with the currently approved budget will not be sufficient to transition the successes of BYOT, the ART pre-cursor program, nor be able to attract and retain new technology manufacturers and third-party implementers."[9] Uplight echoed this, noting "the current ART program budget is unlikely to be able to even maintain existing SmartAC devices, much less additional [distributed energy resources ("DERs")]."[10] Google Nest reiterated both of the aforementioned points in its opening comments, and highlighted that "residential DR programs with thermostats provide much needed grid savings for California that would be dangerous to limit funding for now."[11] All of these parties' comments indicate the significant risk the CPUC will undertake if the PD is adopted without substantial modifications that will enable residential programs to grow. The Council and Leap urge the CPUC to take the steps requested by parties in opening comments and reply comments to reverse this trend.

III. THE ART PROGRAM ADVICE LETTER SHOULD ALLOW FOR A HIGHER BUDGET REQUEST

In Opening Comments, the Council and Leap highlighted the need for a larger ART Program budget.[12] However, PG&E's request, made in its opening comments on the PD, to

[7] Proposed Decision, at pp. 33-34.
[8] SDG&E Opening Comments, at p. 1.
[9] PG&E Opening Comments, at p. 6.
[10] Uplight Opening Comments, at p. 5.
[11] Nest Opening Comments, at p. 2.
[12] Joint Parties Opening Comments, at pp. 8-9.

propose a larger budget in the advice letter the PD directs it to submit, is procedurally more viable because it retains the opportunity for parties to comment on it in the context of the more robust program detail that will be included in the advice letter.[13] Furthermore, as PG&E suggests, the Energy Division would be able to review ART Program expenses through the MCR process.[14] If PG&E is not authorized to request additional budget then the ART Program size will be capped and, with all of the incentive budget going to existing BYOT Program participants, no other enabling technologies will be covered in the program. The PD should be modified to authorize PG&E to request more budget for its ART Program in its advice letter.

IV. SDG&E SHOULD RETAIN ITS TECHNOLOGY DEPLOYMENT PROGRAM

SDG&E argues in its Opening Comments that by declining to adopt its Smart Energy Program ("SEP") proposal, the PD would eliminate the only utility-run DR program that allows customers in its service territory to satisfy requirements for technology incentives. While SDG&E acknowledges its customers can still satisfy DR participation requirements by enrolling in third-party programs, the Council and Leap agree that SDG&E's SEP should be continued to provide customers with a wider range of programs to choose from. However, by proposing to end its Technology Deployment ("TD") Program, SDG&E would similarly limit customers' options by removing the only smart thermostat incentive available to customers in third party DR programs.[15] SDG&E would like to eliminate the TD Program while transitioning the AC Saver Program to the SEP, which means customers would only be able to receive smart thermostat incentives by participating in the utility's SEP program. Just as SDG&E argues the SEP is needed to provide a direct-enrolled program option for customers receiving enabling technology incentives, the Council and Leap agree the TD Program is needed to ensure customers receiving smart thermostat incentives also have the option to enroll in third-party DR programs as well.

V. A NEW DR RULEMAKING IS NEEDED

Since the last DR rulemaking concluded, many important policy issues have come to light, which has left the IOU DR portfolios without needed direction and policy focus. In their

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[13] PG&E Opening Comments, at pp. 5-6.
[14] *Id.*, at p. 6.
[15] Prepared Direct Testimony of E. Bradford Mantz – Chapter 1B on Behalf of San Diego Gas & Electric Company, submitted in this proceeding on May 2, 2022 ("Ex. SDG&E-1"), at p. EBM-48, lines 3-5. Though the DRAM's disposition is currently up in the air, the updated definition of a "qualified" DR program should be adopted for all current enabling technology incentive programs now to ensure there are other third-party DR participation options beyond the DRAM.

respective opening comments, the California Large Energy Consumers Association ("CLECA") and SCE highlight the need for either a Phase 3 or a new DR rulemaking to address several important issues. CLECA recommends consideration of "BIP disenrollment and stalled program growth."[16] SCE proposes consideration of "the broader question of how DR programs can incorporate two to three-hour resources to address the 'super peak' period of highest demand", and "issues around bifurcation and integration either in this proceeding or in a future rulemaking, in order to (i) develop goals for the bifurcation/market integration policy; (ii) develop metrics for determining whether the goals have been met; and (iii) consider whether alternatives or improvements to the bifurcation/integration policy are warranted."[17]

The Council and Leap strongly support a new DR rulemaking to address the issues that CLECA and SCE propose, as well as 1) a Modified Proxy Demand Resource ("mPDR") product that would provide a way to account for exporting behind-the-meter energy storage, 2) integration of DR programs w/ the CalFUSE framework, 3) IOU-specific allocations of the statewide Load Shift Goal, 4) dual participation, and 5) the competitive parity issues highlighted by the Council in direct testimony.[18] The CPUC should explicitly commit to opening a new DR rulemaking as early as possible in 2024.

VI. CONCLUSION

The Council and Leap appreciate the opportunity to provide these Reply Comments.

Dated: December 5, 2023

Respectfully submitted,

/s/ JOSEPH DESMOND__

JOSEPH DESMOND
On Behalf of the
California Efficiency + Demand
Management Council and Leapfrog Power, Inc.
849 E. Stanley Blvd #294
Livermore, CA 94550
Telephone: (925) 785-2878
E-mail: policy@cedmc.org

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[16] CLECA Opening Comments, at pp. 10-11.
[17] SCE Opening Comments, at pp. 11-13.
[18] Opening Phase II Testimony of the California Efficiency + Demand Management Council, submitted in this proceeding on April 21, 2023 ("Ex. Council-02"), at p. 6, line 11 to p. 10, line 25.