

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric Rates.

Rulemaking 22-07-005
(Filed July 14, 2022)

**OPENING COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, LEAPFROG
POWER, INC. AND OHMCONNECT, INC.
ON PROPOSED DECISION TO EXPAND SYSTEM RELIABILITY PILOTS OF
PACIFIC GAS AND ELECTRIC COMPANY AND SOUTHERN CALIFORNIA EDISON
COMPANY**

Dated: January 5, 2024

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I. INTRODUCTION

The California Efficiency + Demand Management Council (“the Council”),¹ Leapfrog Power, Inc. (“Leap”), and OhmConnect, Inc. (“OhmConnect”) (collectively “the Joint Parties”) respectfully submit these Opening Comments on the Proposed Decision to Expand System Reliability Pilots of Pacific Gas and Electric Company and Southern California Edison Company (“Proposed Decision” or “PD”), mailed in R.22-07-005 (“Demand Flexibility”) on December 15, 2023. 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. The due date for Opening Comments was extended to January 5, 2024, pursuant to procedural e-mail issued by Administrative Law Judge (“ALJ”) Wang, dated December 22, 2023. This e-mail also extended the due date for Reply Comments to January 12, 2024.

II. 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.² Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“DR”), and distributed energy resources (“DER”)

¹ The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

² 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.

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

Leap is a Demand Response Provider (“DRP”) founded in 2017 and headquartered in San Francisco, California. The company provides DR services to residential, commercial, industrial, and agricultural customers throughout the state of California. Through its technology platform, Leap enables DER providers in California to provide grid flexibility, delivering revenue for their customers and integrating additional demand-side resources into the California electricity system. Leap believes that demand-side resources integrated into California’s wholesale electricity market will play an increasingly important role in helping California achieve a resilient and zero carbon future. Leap is a registered DRP, as well as a registered Scheduling Coordinator, with the California Independent System Operator Corporation (“CAISO”).

OhmConnect is a third-party DRP founded in 2013 and headquartered in Oakland, California. The company provides DR services to residential retail electric customers in California pursuant to Electric Rules 24 (Pacific Gas and Electric Company (“PG&E”) and Southern California Edison Company (“SCE”)) and 32 (San Diego Gas & Electric Company (“SDG&E”)). Specifically, OhmConnect’s free software service notifies households of impending DR events and pays them for their energy reductions, without requiring purchase or installation of additional hardware. OhmConnect is registered to participate as a DRP in the wholesale electricity market operated by the CAISO and contracts to provide resource adequacy with load serving entities.

III. SUMMARY

The Joint Parties support the Proposed Decision’s direction to PG&E to expand the Valley Clean Energy Alliance (“VCE”) agricultural pumping dynamic rate pilot to other agricultural uses throughout PG&E’s service area (“Expanded Pilot 1”), and to certain residential and non-residential rate schedules in PG&E’s service area (“Expanded Pilot 2”), and to SCE to expand its dynamic rate pilot for residential, commercial, and industrial customers to include Charge Ready Program participants (“Expand Pilot 3”), and to extend them through 2027.³ With

³ Proposed Decision, at pp. 2-3.

the deadline for compliance with the California Energy Commission’s (“CEC’s”) Amended Load Management Standards (“LMS”) in 2027, it is important that the Commission create this runway for these two investor-owned utilities (“IOUs”) to meet these obligations. This will enable for lessons learned to be developed and applied during this period, which the Joint Parties hope can be used to benefit other load-serving entities (“LSEs”) that are also subject to the LMS.

However, as discussed further below, the Joint Parties recommend the Commission not be overly focused on cost effectiveness at the expense of the learning opportunities the expanded pilots provide. Similarly, the PD’s approach to cost recovery is highly problematic from a policy and implementation standpoint, and should be modified to maximize PG&E’s and SCE’s outreach and pilot enrollment opportunities to customers. Finally, convening the Commission’s proposed workshop on dual participation will be a critical step for the future success of dynamic rates at scale, and the Commission should provide a more detailed timeline for this working group to ensure there are no delays in establishing dual participation rules for customers.

IV. THE COMMISSION SHOULD USE THIS OPPORTUNITY TO MAXIMIZE THE POTENTIAL OF THE PILOTS

As the PD states, the CEC’s Amended Load Management Standards require that each large IOU and large community choice aggregator (“CCA”) must offer to each of its electricity customers voluntary participation in a marginal cost-based rate, if approved by their respective rate-approving body, by January 1 and July 1, 2027, respectively.⁴ Though this is at least three years into the future, the reality is that, even if the expanded pilots considered in this PD are adopted, their expansion in scope and magnitude will likely require a great deal of work and adjustments for them to be positioned for broad success. With this in mind, the Joint Parties are concerned that the Commission is unnecessarily focused on limiting the cost of these pilots rather than trying to maximize the utility of the opportunity these expanded pilots represent over the next three years.

Addressing PG&E’s Expanded Pilot 2, the PD curiously states, “we will not require PG&E to enroll significant number of customers from each eligible rate schedule” and directs PG&E to develop an ME&O strategy “that will result in a lower cost per kilowatt enrolled in the

⁴ Proposed Decision, at p. 5.

pilot” with a \$7.1 million administrative budget (reduced from \$9.58 million).⁵ The PD then pivots and directs PG&E and SCE to propose plans for conducting ME&O to potential pilot participants in environmental and social justice (“ESJ”) communities in their Tier 2 advice letters.⁶ The Joint Parties are confused by the Commission’s apparent focus on recruiting customers primarily from ESJ communities when broad uptake among *all* eligible rate schedules will be critical to the success of the expanded pilots and, subsequently, the success of the full-scale dynamic rate programs needed to satisfy the requirements under the LMS. The PD does not explain why it is so critical to save \$2.48 million on the Expanded Pilot 2 administrative budget or to target ESJ customers over all others.

The Council respectfully reminds the Commission that, though expanded in scale and scope, these remain pilot programs and as such, cost effectiveness should be a lower priority. Instead, the greatest priority should be placed on ensuring that the pilots identify meaningful research findings and recommendations on performance, utilization, and customer insights that can help the pilots evolve into full programs that are sufficiently attractive to customers of all classes, leading to wide-scale participation while delivering as much load-shifting capability as possible. To be clear, the Joint Parties do not advocate for a “blank check” budget but the PD’s proposed budget cuts amounts to “penny wise, pound foolish” when considered in the context of the importance that these pilots lead to the successful roll out of dynamic rate programs that can deliver substantial amounts of load shift starting in 2027. If the Commission will allow the IOUs the necessary budgetary freedom to achieve such an outcome, the value of the expanded pilots will far surpass their cost at the fully-funded level. The Commission should approve the IOU budgets as proposed.

V. THE STEP-FUNCTION BUDGETARY APPROACH IS COUNTERPRODUCTIVE TO THE PILOTS’ SUCCESS

The PD authorizes a program implementation budget based on PG&E’s and SCE’s success in meeting 25%, 50%, or 75% of their respective 50 MW enrollment targets.⁷ This is based on the PD’s reasoning that “by adjusting the program administration budget automatically based on program enrollment levels, we will incentivize the program administrators to meet their

⁵ Proposed Decision, at p. 30.

⁶ *Id.*, at p. 31.

⁷ *Id.*

enrollment targets and ensure that the cost per kW-yr [sic] of the pilot will be reasonable in the event that pilot enrollment is lower than expected.”⁸

The Joint Parties strongly believe that this budgetary approach will result in the opposite of its intended outcome. First, the PD is silent on exactly how the IOUs are to determine the number of MW of load shifting potential that has been enrolled. Ex ante load impacts can probably be estimated based on the IOUs’ observations of their own DR programs, but this will be comparing “apples to oranges.” With no direction from the Commission on this issue, each IOU will simply have to use its own best judgment. Further complicating this load impact estimation effort is that PG&E and SCE will be working with automation service providers (“ASPs”) who will themselves be attempting to enroll customers and estimate their load shift potential.

The second significant flaw of the PD’s stepped budget lays in the expectation that the amount of enrolled load shifting capability can be predicted prior to spending the marketing, education and outreach (“ME&O”) budget. These expanded pilots are still very new and there is limited data available on enrollment rates or load impacts per ME&O dollar spent. The likely result of such uncertainty will be that PG&E and SCE, in an effort to avoid any disallowances, will focus on recruiting the largest customers in order to reach their MW enrollment goals, at the expense of mass market customers other than those in the ESJ community (if the Commission retains this enrollment priority). This would inevitably deprioritize recruiting efforts of residential and small commercial customers who, though they have less load shift capability, may ultimately end up being the most desirable participants over the long term due to the comparative ease in recruiting them relative to large customers.

It is well understood by efficiency program implementers that larger commercial and industrial customers require more information and take much longer time before a decision to participate in a pilot will be made for reasons that include: financial risks, potential business disruptions, expected benefits relative to other investment opportunities, limited construction windows, and the number of internal reviews and approvals needed to proceed. ME&O is critical to addressing the questions in a manner that is specific to different customer types. ME&O is also critical to attracting ASPs who vary in their go-to-market strategies, technologies, and target market segments. ASPs also need to understand the business value proposition over the long run

⁸ Proposed Decision, at p. 31.

to justify the time, energy, and cost of participating in a pilot program. Certainty that the State's financial support over a three-year program is as fundamental to obtaining ASPs' commitments as are the financial incentives provided to electric customers.

Ultimately, the program administrators must have budget capable of reaching as many potential participants as possible. While enrollment targets can provide some guidance for ME&O spending categories, the Commission should also consider that in most pilots, the adoption curve is typically initially quite flat, then ramps up as awareness and understanding contribute to more participation. Therefore, the uptake is more likely to be asymptotic, rather than linear, relative to the budget. The PD should be modified to eliminate the step-budget approach.

VI. DIRECTING THE IOUS TO CONVENE A DUAL PARTICIPATION WORKING GROUP IS PRUDENT AND SHOULD BE DONE AS QUICKLY AS POSSIBLE

The Joint Parties appreciate the PD's acknowledgement that prohibiting dual participation with DR programs may reduce participation in the pilots and agrees that the necessary mechanisms must first be developed before dual participation could occur.⁹ As such, the PD's direction to the IOUs to put forth a joint proposal for addressing these issues and to host a workshop to discuss their proposal is a prudent approach. Though the Joint Parties acknowledge that dual participation in 2024 may be off the table, it is critical that the necessary rules to govern it be developed as quickly as possible to ensure that dual participation, if approved by the Commission, can occur beginning in 2025. To that end, the PD should be modified to specify a date certain by when the IOUs will convene the dual participation working group. Given that the Tier 2 implementation advice letter will be due 60 days after the Commission issues the final decision, the Joint Parties recommend that the IOUs be directed to convene the working group within two weeks following Commission approval of the advice letter.

VII. CONCLUSION

The Joint Parties ask that the Proposed Decision be modified for the reasons stated above. Those needed modifications to the Proposed Decision are included in Appendix A (Proposed

⁹ Proposed Decision, at p. 62.

Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Dated: January 5, 2024

Respectfully submitted,

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APPENDIX A

THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, LEAPFROG POWER, INC. AND OHMCONNECT, INC. PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION TO EXPAND SYSTEM RELIABILITY PILOTS OF PACIFIC GAS AND ELECTRIC COMPANY AND SOUTHERN CALIFORNIA EDISON COMPANY

The California Efficiency + Demand Management Council (the “Council”), Leapfrog Power, Inc. (“Leap”), and OhmConnect, Inc. (“OhmConnect”) (collectively “the Joint Parties”) propose the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Proposed Decision to Expand System Reliability Pilots of Pacific Gas and Electric Company and Southern California Edison Company, mailed in R.22-07-005 (Demand Flexibility) on December 15, 2023 (“Proposed Decision”).

Please note the following:

- A page citation to the 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**; 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.

PROPOSED CONCLUSIONS OF LAW:

~~9. [71] PG&E should develop an ME&O strategy for the PG&E Expanded Pilot 2 that will result in a lower cost per kilowatt enrolled in the pilot.~~

~~10. [71] PG&E and SCE should each propose a plan for conducting ME&O to potential pilot participants in ESJ communities in its Tier 2 advice letter for implementing the expanded pilots.~~

12. [71-72] It is reasonable to adopt the following budget provisions for program administration costs for the PG&E Ag Pilot:

- ~~(a) PG&E shall have an upfront budget of \$1,500,000 for program administration costs;~~
- ~~(b) If enrollment for the pilot reaches 12.5 MW, PG&E shall have an additional budget of \$1,250,000 for program administration costs;~~
- ~~(c) If enrollment for the pilot reaches 25 MW, PG&E shall have an additional budget of \$1,250,000 for program administration costs;~~
- ~~(d) If enrollment for the pilot reaches 37.5 MW, PG&E shall have an additional budget of \$1,250,000 for program administration costs;~~
- ~~(e) PG&E shall file a Tier 1 advice letter to notify the Commission when pilot enrollment reaches 12.5 MW, 25 MW, or 37.5 MW;~~
- ~~(f) VCE shall have an upfront budget of \$372,500 for program administration costs;~~
- ~~(g) If enrollment for the pilot in VCE's service territory reaches 2.5 MW, VCE shall have an additional budget of \$372,500 for program administration costs; and~~
- (h) CCAs, other than VCE, shall receive an incentive of \$20 per unbundled kW-yr enrolled in the pilot in its service territory, subject to a \$1,800,000 cap for all CCA incentives for the pilot.

13. [72] It is reasonable to adopt the following budget provisions for program administration costs for the PG&E Expanded Pilot 2:

- ~~(a) PG&E shall have an upfront budget of \$2,000,000 for program administration costs;~~
- ~~(b) If enrollment for the pilot reaches 12.5 MW, PG&E shall have an additional budget of \$1,700,000 for program administration costs;~~
- ~~(c) If enrollment for the pilot reaches 25 MW, PG&E shall have an additional budget of \$1,700,000 for program administration costs;~~
- ~~(d) If enrollment for the pilot reaches 37.5 MW, PG&E shall have an additional budget of \$1,700,000 for program administration costs;~~
- ~~(e) PG&E shall file a Tier 1 advice letter to notify the Commission when pilot enrollment reaches 12.5 MW, 25 MW, or 37.5 MW; and~~

(f) CCAs shall receive an incentive of \$20 per unbundled kW-yr enrolled in the pilot in its service territory, subject to a \$1,800,000 cap for all CCA incentives for the pilot.

25. [74] It is reasonable to adopt the following program administration budget provisions for the SCE Expanded Pilot:

~~(a) SCE shall have an upfront budget of \$2,000,000 for program administration costs;~~

~~(b) If enrollment for the pilot reaches 12.5 MW, SCE shall have an additional budget of \$1,700,000 for program administration costs;~~

~~(c) If enrollment for the pilot reaches 25 MW, SCE shall have an additional budget of \$1,700,000 for program administration costs;~~

~~(d) If enrollment for the pilot reaches 37.5 MW, SCE shall have an additional budget of \$1,700,000 program administration costs;~~

~~(e) SCE shall file a Tier 1 advice letter to notify the Commission when pilot enrollment reaches 12.5 MW, 25 MW, or 37.5 MW; and~~

(f) CCAs shall receive an incentive of \$20 per unbundled kW-yr enrolled in the pilot in its service territory, subject to a \$1,800,000 cap for all CCA incentives for the pilot.