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 23-10-011 (Filed October 12, 2023)

REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL AND CPOWER ENERGY MANAGEMENT ON PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2026-2028, FLEXIBLE CAPACITY OBLIGATIONS FOR 2026, AND PROGRAM REFINEMENTS

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the "Council") and CPower Energy Management ("CPower") submit these Reply Comments on the Proposed Decision Adopting Local Capacity Obligations for 2026-2028, Flexible Capacity Obligations for 2026, and Program Refinements ("Proposed Decision" or "PD"), mailed in Rulemaking ("R.") 23-10-011 (Resource Adequacy ("RA")) on May 22, 2025. 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. THE COMMISSION SHOULD ADDRESS ALL OUTSTANDING SCOPING ISSUES

The Council and CPower strongly support the recommendation of Protect Our Communities Foundation ("PCF") that the Commission not close this proceeding "because numerous issues remain to be developed and decided."[1] Among the outstanding issues that PCF cites is the development of a new supply-side demand response ("DR") Qualifying Capacity ("QC") counting methodology.[2] In the November 1, 2024 Track 3 Scoping Ruling, the Commission specifically identified "Refinements to the California Energy Commission's (CEC) incentive-based supply-side demand response (DR) qualifying capacity proposal" as within the

[1] PCF Opening Comments, at p. 13.
[2] *Id*.

Track 3 scope of this proceeding.[3] However, in a cryptically-worded January 17 joint statement with the California Energy Commission (CEC), the Energy Division issued a status update stating, in relevant part,

> Joint Staff have been working on a final proposal that was initially planned for a Dec. 31, 2024 release. The release was expected to be available by January 17, 2025. Staff have encountered new technical and policy challenges that necessitate further examination and collaboration with the stakeholders. Consequently, the release of the Joint Staff Proposal will be postponed to allow for a more comprehensive and informed assessment of these issues. This additional time will ensure that the proposal reflects a thorough evaluation of the complexities involved.[4]

This statement cited no specific barriers to completing the proposal other than a vague reference to "new technical and policy challenges", nor did it provide a timeframe during which it would be addressed. In the absence of such a timeframe, because no Ruling was issued to revise the scope of this proceeding, parties had every reason to believe that it remained the Commission's intent to address this issue in Track 3 of this proceeding. The Council and CPower also note that this proposal was the culmination of a process that began with the CEC's Supply-Side DR QC Working Group in 2021. Many parties participated in this process in good faith in the expectation that it would yield a new approach to quantifying DR QC values that would be better suited for the current, market-integrated environment that was born from the Commission's DR Bifurcation policy. The credibility of the regulatory process is damaged when, despite several years of work, there is no resolution.

Therefore, because the scope of this proceeding has not been formally altered since the November 1 Scoping Memo, the Commission must keep it open until either 1) the scope is modified to remove the issues from the Track 3 scope that have not been addressed, 2) the PD is modified to transfer all unresolved Track 3 issues to the next RA proceeding or a new DR rulemaking, or 3) all Track 3 issues have been resolved. Given the late stage of the proceeding, the second option is the only realistic option available to the Commission.

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[3] Assigned Commissioner's Amended Scoping Memo and Ruling, issued in this proceeding on November 1, 2024, at p. 3.

[4] CPUC-CEC Joint Staff Status Update on the supply-side demand response qualifying capacity proposal, January 17, 2025 which can be found here: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M553/K678/553678792.PDF.

III. A WORKING GROUP SHOULD BE CONVENED TO DEVELOP A QC VALUE FOR BEHIND-THE-METER SOLAR PLUS STORAGE

The Council and CPower support PCF's proposal that the Commission adopt a working group to develop a QC value for behind-the-meter ("BTM") solar plus storage ("SPS").[5] The Commission's own policies through its revisions to the net energy metering compensation structure incentivize customers to adopt SPS rather than BTM solar on its own, so the Commission should take the next logical step to leverage the capacity value of these combined energy systems to improve system reliability and reduce ratepayer costs. QC proposals for BTM SPS have been submitted in the RA proceeding in the past, so there may be some elements to work with as a starting point. The Council and CPower recommend the Commission direct Energy Division to convene a working group this summer with the goal of submitting a proposal in the next Resource Adequacy rulemaking in early 2026 for Commission consideration in its June 2026 decision.

IV. CONCLUSION

The Council and CPower appreciate the Commission's consideration of these Reply Comments and recommend that the Proposed Decision be modified in order to improve the ratepayer benefits that DR can provide. Those needed modifications are included in Opening Comments, Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached to Opening Comments.

Dated: June 16, 2025

Respectfully submitted,

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[5] PCF Opening Comments, at p. 12.