

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking To Enhance
the Role of Demand Response in Meeting
the State's Resource Planning Needs and
Operational Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**COMMENTS OF
COMVERGE, INC., CPOWER, ENERNOC, INC., AND ENERGYHUB
("JOINT DR PARTIES") ON COST-EFFECTIVENESS REPORTS**

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Comverge, Inc., CPower, EnerNOC, Inc., and EnergyHub ("Joint DR Parties")¹ respectfully submit these Comments in response to the Administrative Law Judge's (ALJ's) Ruling Regarding February 19, 2016 Workshop Report and Permanent Load Shifting Working Group Report issued in this proceeding on June 17, 2016 (June 17 ALJ's Ruling). These Comments are filed and served pursuant to the Commission's Rules of Practice and Procedure and the June 17 ALJ's Ruling.

**I.
INTRODUCTION**

The June 17 ALJ's Ruling seeks comments on two reports. The first report is entitled "Draft Report on Cost-Effectiveness Protocols Workshop Held on February 19, 2016," and was jointly filed on in this proceeding by Southern California Edison Company (SCE) Pacific Gas and Electric Company (PG&E), and San Diego Gas and Electric Company (SDG&E) March 4, 2016 (March 4 C-E Workshop Report). The second report is entitled "Report to Commission Requesting Review and Approval of Findings of the Permanent Load Shifting Cost-Effectiveness Methodology Working Group," which is an appendix (Appendix A) to a motion jointly filed by SCE, PG&E, and SDG&E (collectively, the Investor Owned Utilities (IOUs)) on

¹ In previous filings in this proceeding, the Joint DR Parties also included Johnson Controls, Inc. (JCI). However, on May 2, 2016, EnergyConnect, the division of JCI offering demand response services, was acquired by CPower and is now a wholly owned subsidiary of CPower.

May 27, 2016 (PLS Working Group Report). By that motion, the IOUs ask for the Commission's approval of the PLS Working Group Report, which was prepared and submitted pursuant to Ordering Paragraph 13 of Decision (D.) 15-11-042.

In seeking comments, the June 17 ALJ's Ruling states that the context of the Workshop held on February 19 was to address the potential use of the Renewable Energy Capacity Planning (RECAP) model and alternatives and an interim model for determining the A Factor in the DR Cost-Effectiveness (C-E) methodology until a probabilistic reliability model could be created and adopted by the Commission. For the PLS program, the June 17 ALJ's Ruling notes that D.15-11-042 had found that the DR C-E Protocols "are not a good tool to measure the cost-effectiveness of the permanent load shifting program" and directed a working group to develop an appropriate methodology to evaluate the PLS program.²

The June 17 ALJ's Ruling further determines that, while deeming the March 4 Workshop Report to be "final," "additional record information" is required for the Commission to determine "an interim methodology for determining the A Factor and adoption of the proposed cost-effectiveness methodology for the [PLS] program."³ To that end, the June 17 ALJ's Ruling poses questions for party comment on both. The Joint DR Parties provide their responses below.

² June 17 ALJ's Ruling, at pp. 3-4.

³ *Id.*, at p. 4.

II. RESPONSES TO QUESTIONS ON THE MARCH 4 WORKSHOP REPORT

1. *The Workshop Report recommended that the Commission adopt the RECAP methodology as an interim methodology for determining the A Factor and allow the Utilities to use their own loss of load expectation methodology, which is similar to RECAP, as an alternative but any alternative methodology must be transparent and publicly available. In R.14-10-003, the Order Instituting Rulemaking to create a consistent framework for the guidance, planning and evaluation of integrated distributed energy resources, the Commission adopted the use of the RECAP methodology for hourly time allocation of avoided generation capacity across all resources but permitted the use of an additional methodology for enhancement purposes. Should the Commission adopt the RECAP methodology as its interim methodology for determining the A Factor and allow additional Utility methodologies for enhancement purposes?⁴*

The Joint DR Parties support the use of a RECAP model, which is a loss-of-load (LOLP) probability model, as a basis for determining the avoided capacity value (A Factor) for DR programs. The Joint DR Parties do not support an Effective Load Carrying Capability (ELCC) methodology applied to DR resources at this time, as a formal proposal has not been submitted for consideration in any docket for adoption by the Commission.

This perspective was expressed by the Joint DR Parties in their Comments filed in the Integrated Distributed Energy Resource (IDER) Proceeding (R.14-10-003) on May 25, 2016, incorporated by reference here.⁵ The current method of determining the A Factor for cost-effectiveness purposes for DR resources understates the avoided capacity value. As such, use of the RECAP model should be an improvement. However, the Joint DR Parties reserve the opportunity to examine the ultimate results of the model and to assess whether those results seem reasonable in association with the model design.

One important consideration, however, is that the RECAP model is still examining the top hours of demand on the system as the basis for the avoided cost valuation. DR is being considered for purposes that go beyond this examination.

⁴ June 17 ALJ's Ruling, at p. 4.

⁵ R.14-10-003 (IDER) Joint DR Parties Comments (May 25, 2016), at pp. 3-5.

For example, DR may be needed for local RA that may be dispatched for reasons other than peak demand. DR may participate as a flexible capacity resource to provide ramping services, again, outside of peak demand hours. Lastly, DR may be needed to increase load at times of the day when solar generation outstrips demand. Under the RECAP model, none of these types of DR will be valued from a capacity avoidance perspective, although, in each of these instances, that is exactly the service that is being provided.

If it is the desire for the Commission to utilize DR in ways that are additive to the way in which DR has traditionally been deployed, for emergency or peak shaving or local distribution concerns, then there must be value ascribed to that type of participation other than the top 100 highest demand hours in the summer. Participation will follow the value.

The Joint DR Parties do not object to the IOUs having the ability to use a transparent loss-of-load probability analysis as a counter to the RECAP model subject to the following conditions. Namely, that approach should only be used if the results of each methodology and the rationale for selecting one methodology over the other are transparent and subject to public examination in an open proceeding and approval by the Commission.

- 2. The Workshop Report states that the Utilities should be given the option of using the RECAP dispatchability factor drawn from the simulations that assume imperfect foresight and imperfect forecast and not apply the current B factor. The report states that the reason for this is that the current B Factor already adjusts for forecast uncertainty and hence not using the RECAP dispatchability factor will avoid double counting. Comment on whether the Commission should adopt this recommendation.⁶*

The dispatchability factor recognizes that utilities are not perfect in their ability to dispatch DR resources perfectly; but, the B Factor is intended to value resources more highly that can be dispatched more quickly, with a shorter notification period. The Joint DR Parties have previously suggested that the base for the B Factor and dispatchability factors be 100% and that

⁶ June 17 ALJ's Ruling, at p. 5.

faster, shorter notification resources should receive a value above 100% for these factors. The Joint DR Parties continue to hold that position and reiterate it here.

3. *A remaining question posed in the Workshop Report is whether an A Factor should be determined at the CAISO level or at the Transmission Access Charge area. Comment and provide justification for your answer.*⁷

There are reasons why capacity will be valued differently by location. For example, in New York, capacity that is built in the upstate region is not valued as highly as capacity that can be located in New York City because it is more difficult to build capacity in New York City where there is a load pocket and it is difficult to build alternatives. Similarly, there are regional differentiators that make building new capacity more or less costly within the state and by geographic area and should be reflected in the avoided cost of capacity.

In D.15-11-042, the Commission adopted an interim methodology which assigned a higher value to capacity that was built in Southern California.⁸ If a need exists in a Local Area or Sub-Area, the value for that capacity should be higher than capacity that is built in a region that is in surplus, generally.

However, with that said, preferred resources should be valued more highly than fossil-fuel alternatives. Avoided capacity values should encourage preferred resource deployment in order to offset or reduce future needs for new capacity and to reduce the likelihood that new capacity needs will be met with fossil fuel resources. Equating a capacity value to simply avoiding generation does not provide an incentive for cleaner technologies vis-à-vis fossil-fueled generation.

⁷ June 17 ALJ's Ruling, at p. 5.

⁸ D.15-11-042, Ordering Paragraph 9, at p. 71.

III.
RESPONSE TO QUESTION POSED ON RETAINING THE PLS PROGRAM.

4. *Why should the permanent load shifting program continue to be reviewed within the demand response portfolio? If it should not, how should the Commission review and approve performance and budgets for the permanent load shifting program?*⁹

The Joint DR Parties do not have a response at this time; but, reserve the right to respond in reply to comments of other parties.

IV.
CONCLUSION

The Joint DR Parties appreciate the opportunity to respond to the questions posed by the June 17 ALJ's Ruling. The Joint DR Parties request that any next steps on the DR C-E protocols or methodology reflect their responses above to the March 4 Workshop Report.

Respectfully submitted,

July 1, 2016

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⁹ June 17 ALJ's Ruling, at p. 6.

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