

**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.

R.13-09-011
(Filed September 19, 2013)

**RESPONSE OF OHMCONNECT, INC. TO ADMINISTRATIVE LAW JUDGE'S
RULING REQUESTING RESPONSES TO ADDITIONAL QUESTIONS IN REGARD
TO 2018 AND BEYOND DEMAND RESPONSE PROGRAMS**

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I. INTRODUCTION

OhmConnect, Inc. (OhmConnect) respectfully submits these comments pursuant to Administrative Law Judge (ALJ) Hymes’s May 20, 2016 Ruling in the above-captioned proceeding directing parties “to reply to questions in response to the Interim Report on Phase I Results: 2015 California Demand Response Potential Study”.¹

II. DISCUSSION

Category 1 Questions: Demand Response Goals and Objectives

1.1. In general, what should the Commission expect demand response to accomplish?

Demand Response (DR) accomplishes four major goals. First, DR brings stability and reliability to the electricity grid by modifying the daily load profile and providing alternative supply during periods of high demand. Second, DR lowers electricity prices for California retail customers by displacing more costly generation and by deferring upgrades to the transmission and distribution systems. Third, DR that is flexible and price-responsive facilitates the integration of renewables by economically managing the intermittency and unpredictability of wind and solar resources. Fourth, DR educates customers on the time value of energy and empowers customers to manage their energy usage and expenditures.

¹ See May 20, 2016 *Administrative Law Judge’s Ruling Requesting Responses to Additional Questions in Regard to 2018 and Beyond Demand Response Programs*, at p. 1.

1.2. In general, what are your expectations of demand response in California?

OhmConnect believes significant progress can be made towards the goals identified in the response to question 1.1 above if the market for DR evolves in three ways. First, authorization of data sharing to non-utility DR providers should be expedient and streamlined. Third parties and utilities should have access to relevant customer and market data on equal terms. Likewise, customers should have ownership of their energy usage data to enable participation in the DR programs of their choosing. OhmConnect expects that participation in DR should continue to simplify as the quality and quantity of usage data improves. Second, the market for DR should not be arbitrarily capped at a certain megawatt level. OhmConnect expects the market for DR in California to continue to grow; indeed, the LBNL Interim Report observes that 2.3 GW of supply DR in California is presently available, with the potential to expand to 3-6 GW by 2025.² Moreover, initial results from the Demand Response Auction Mechanism (DRAM) pilot suggest third-party DR resources can and will contribute significantly to this growth. Third, DR must have fair opportunities to participate in California's electricity markets, with procurement mechanisms administered by independent entities (such as the CAISO) that are neither buyers nor sellers in these markets themselves.

1.3. Should the Commission set a different goal for load modifying and supply demand response resources? If yes, respond to the first two questions separately for load modifying and supply demand response.

No; both load modifying and supply DR resources can and will contribute to achieving the goals for DR discussed in the response to question 1.1.

1.4. Should the Commission set a different goal for third-party supply resources (e.g., demand response auction mechanism) and utility supply resources (e.g., Southern California Edison's Capacity Bidding Program bid into the CAISO market)? If yes, respond to the first two questions separately.

With respect to the goals specifically identified in the response to question 1.1, the Commission need not set different goals for utility and non-utility DR supply resources. Both types of supply DR can contribute to meeting these goals.

With respect to other conceivable goals for supply DR, such as the number of customers, number of megawatts, total budget dollars, etc. committed to each type of supply DR,

² See Apr. 1, 2016 *2015 California Demand Response Potential Study: Interim Report on Phase 1 Results*, at pp. 56-57.

OhmConnect likewise believes the Commission should not set differential goals. Rather, the Commission should put in place rules and infrastructure to facilitate a robust and competitive market for supply DR, and then allow market forces to determine the optimal balance of utility versus non-utility supply DR. In the interest of fair competition, the Commission should address the inherent advantages utilities have over non-utility DR providers – for example, the utilities’ ability to selectively market DR to customers by virtue of their possessing all customers’ data.

1.5. What metrics and targets (e.g. x number of customers per year per program or y percent of customers able to respond within z number of minutes) should the Commission use to measure the following aspects of demand response: Customer participation, engaging new customers, reliable customer response, deployment of automated technologies, market transformation; and integration with other distributed energy resources including energy efficiency and battery storage.

Any quantitative metrics or targets, whether assigned to different providers of DR or to all DR in California, should favor percentages and/or ratios instead of gross values. Additionally, OhmConnect believes these metrics and targets should apply equally to utility and non-utility DR resources. We do not propose metrics or targets for market transformation or integration with other distributed energy resources (DERs) at this time.

1.6. Are there additional demand response aspects for which the Commission should develop metrics and targets?

OhmConnect has no recommendations for additional DR metrics or targets at this time.

1.7. Explain and justify why and how the Commission should prioritize the demand response aspects provided in questions [1.5] and [1.6] above?

The Commission should prioritize the DR metrics provided in question 1.5 because they directly measure whether DR in California is evolving successfully into a competitive market that meets the goals from question 1.1. In particular, metrics for customer participation, engaging new customers, reliable customer response, and deployment of automated technologies are all indicators of whether customer engagement and empowerment are improving.

1.8. Who should be responsible for meeting the goals and objectives of demand response?

It is the shared responsibility of many stakeholders to ensure that the goals for DR identified in question 1.1 are ultimately met. First, the Commission must put in place rules that foster a fair and competitive marketplace for DR. Non-utility DR resources should have access to the same

economic opportunities as utility DR resources. Second, the utilities, in their capacity as stewards of customers' energy usage data, must develop and maintain IT infrastructure to enable sharing of all customer data necessary for third-party DR providers to fully participate in the CAISO's markets. Moreover, the authentication and authorization processes required for customers to enroll in third-party DR should be no more burdensome than the processes required for customers to enroll in utility DR. Third, the CAISO must ensure that its business processes reflect the realities of mass-market DR. Retail customers regularly move, enroll in and disenroll from DR programs, or install new load control technologies, and the processes by which DR providers communicate these changes to the market need to be streamlined. The CAISO should also take steps to ensure that DR supply resources can provide the same products in its markets as conventional resources with comparable operating parameters. Finally, DR providers are ultimately responsible for recruiting customers to their programs. This task is greatly simplified if DR providers can be confident that the market rules and infrastructure present real opportunities to create value for customers.

Category 2 Questions: Improving Demand Response Program Design

2.1. The Interim Report found that demand response resource potential and costs within an end-use category varies widely across customer sites depending upon cost of incentives, program administration, marketing and individual customer load shapes. The report recommends targeting customers within each sector who have eligible end-uses with strong coincidence between end-use load baselines and times of system need, large potential load reduction, and characteristics that indicate a propensity to participate. How should programs be designed to best make use of this information?

To level the competitive playing field between utility and non-utility DR programs, non-utility DR providers should be able to access customers' interval meter data and basic demographic information *before* incurring marketing and customer enrollment costs. This could be accomplished by creating an online portal where utility customers can opt in to sharing their energy usage information with third parties, with the understanding that third parties may contact them to offer DR and other energy services.³ Alternatively, the Commission could require that the utilities make available to third-party DR providers anonymized energy usage data for *all* utility customers, so that third parties may concentrate their DR marketing and enrollment efforts

³ Central Maine Power, for example, has created an online portal where customers can make their energy usage data available to third-party energy service providers, so that providers may market to customers selectively.

on specific ZIP codes, etc. The LBNL Interim Report states, “anonymized data sets could empower third parties to accelerate DR-enabling technology adoption by eliminating a key market barrier related to this current lack of information”.⁴

2.2. The Interim Report recommends integrating demand response with other clean energy services to reduce costs, increase potential and decrease customer confusion. The report points to a growing number of integrated measures that provide both energy efficiency and demand response capabilities. These integrated measures include programmable communicating thermostats and other technology, which provide energy management, convenience, and may reduce the cost of enabling demand response. What policies or benchmarks should the Commission adopt to support such integration? Explain and justify whether and how the Commission should ensure that new construction includes modern demand response enabling technologies?

OhmConnect has no response at this time.

2.3. The Interim Report observes widespread confusion among building code officials and market actors regarding the intention of Title 24 requirements for automated technology. The Interim Report recommends that the Commission evaluate knowledge gaps and develop training sessions to address the gaps. Should the Commission evaluate knowledge gaps for Title 24 requirements? How should such an evaluation be performed? What policies should the Commission adopt to ensure that Title 24 can lower the cost of demand response automation?

OhmConnect has no response at this time.

2.4. The Interim Report concludes that providing feedback to customers immediately following a demand response event encourages customers to participate in demand response. How can the Commission design programs to cost-effectively provide feedback to customers?

To provide feedback to customers immediately following a DR event, DR providers need near real-time access to customers’ interval meter data. Since the data is, in this case, only for informational purposes (rather than market settlement purposes), it need not undergo extensive validation, estimation, and editing (VEE), so long as it is of sufficient quality to provide customers with meaningful insights.

2.5. The Interim Report advises that demand response potential could be greater and more cost-effective if market transformation policies and practices were adopted. What practices or policies should the Commission adopt to facilitate market transformation? How can the Commission encourage and support manufacturers producing end-uses applicable to demand response, e.g. appliances and building controls?

⁴ See Apr. 1, 2016 *2015 California Demand Response Potential Study: Interim Report on Phase 1 Results*, at p. 94.

The Commission should adopt policies and practices in two key areas in order to transform DR in California from a business owned by the utilities to a market in which utilities and third parties compete to provide customers with innovative DR services at the lowest cost. First, as discussed in the responses to questions 1.2 and 1.8, third parties and utilities should have access to data on equal terms, and the customer authentication and authorization processes required to enroll in third-party DR should be no more burdensome than the processes required to enroll in utility DR. Second, procurement mechanisms for DR products should afford third-party DR the same economic opportunities as utility DR, and procurement of DR products should be conducted in a fair and transparent manner. Prior to the DRAM, third-party DR providers were unable to earn capacity payments outside of utility-administered DR programs, and, in the case of the 2016 DRAM, the manner in which one utility procured DR products deviated from the Commission's expectations.⁵ Because the utilities are presently the largest buyers and sellers of DR products, the Commission should require that an independent entity (e.g. the CAISO) administer the procurement mechanisms for DR products, rather than the utilities themselves.

2.6. Explain and justify the most important program design changes the Commission should require for the 2018 demand response portfolio. Include a detailed explanation and justification for how this change could be made.

Beginning with the 2018 DR program cycle, the Commission should require that utility and non-utility DR supply resources compete directly with each other to meet the IOUs' Resource Adequacy Requirements (RARs) at least cost. In particular, all RA capacity from DR supply resources – whether non-utility or utility – should be procured through auction (e.g. an expanded DRAM). In this manner, the Commission can avoid inefficient outcomes where RA capacity from utility DR supply resources is valued at administratively-determined prices different from the market-based price at which RA from non-utility DR supply resources is valued. To ensure fair and transparent competition between utility and non-utility DR supply resources wishing to provide RA capacity, the Commission should require that an independent entity (e.g. the CAISO) administer the DRAM program, and not the utilities themselves.

2.7. Over the history of the demand response programs, the Commission has approved many pilots. Pilots allow the Commission to test a new concept or program design, or advance a new

⁵ See, for instance, CPUC Resolution E-4754, *Approval with Modifications to Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas & Electric Company's Demand Response Auction Mechanism Pilot for 2017*, at pp. 21-22.

policy objective or operational requirement. What current demand response pilots should the Commission consider transitioning to a program? Are there pilots outside of the demand response portfolio that the Commission should consider integrating into the demand response portfolio, either for 2018 or in the future? In addition, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison are each directed to include, with their responses to the questions in this Ruling, a list of all demand response pilots approved since 2012. The list shall include the justification for undertaking the pilot, the customer segment the pilot targets, the results of the pilot, and whether the pilot should be transitioned to a full program.

The DRAM should be transitioned from a pilot to a program beginning with the 2018 DR program cycle. The DRAM is the only mechanism whereby third-party DR providers can earn RA capacity payments independent of utility-administered DR offerings. OhmConnect stated in its November 19, 2015 reply comments in the Rule 24 proceeding (A.14-06-001 et al.) that it believes in “a future in which DR resources may compete to provide the same set of market products – Energy, Ancillary Services, *and* Resource Adequacy – as physical generators with comparable operating characteristics”, and that “it is the DRAM that ultimately creates such parity between DR and generating resources”.⁶ Experience from other organized electricity markets – PJM, for example, where in 2015-16 DR resources accounted for 8.5 percent of the system reliability requirement of 177,184 MW⁷ – suggests California can support competitive procurement of capacity from DR supply resources on a much larger scale. Moreover, the recent authorization (in CPUC Decision 16-06-029) for SCE to conduct a custom DRAM to address Aliso Canyon reliability needs is testament to the Commission’s confidence in DRAM as a procurement mechanism. Indeed, Commissioner Florio has stated: “My expectation is that, if DRAM works, it will be the foundation of our DR procurement in the future.”⁸

2.8. Through the 2013-2014 demand response program year, the Utilities completed process evaluations for demand response activities on an intermittent basis. Have the process evaluations been useful and/or effective for improving evaluated programs’ design and operation? Is there a need to continue the process evaluations? How often? Should there be an agreed-upon criteria for the demand response activities that should be included for evaluation? Should the process evaluations be filed formally?

⁶ See Nov. 19, 2015 *Reply Comments of OhmConnect, Inc. to Comments of the Investor Owned Utilities in Compliance with Ordering Paragraph 15 of Commission Decision 15-03-042*, at pp. 6-7.

⁷ See Oct. 2015 *International Review of Demand Response Mechanisms*, (prepared by The Brattle Group for the Australian Energy Market Commission), at p. 49, accessible at http://www.brattle.com/system/publications/pdfs/000/005/220/original/AEMC_Report.pdf.

⁸ See video recording of Nov. 5, 2015 CPUC Business Meeting, at 2 hours 30 minutes 45 seconds, accessible at http://www.adminmonitor.com/ca/cpuc/open_meeting/20151105/.

OhmConnect has no response at this time.

Category 3 Questions: Increasing Participation and Performance in Demand Response

3.1. The Interim Report has suggested at least six strategies that could increase participation in demand response, including lowering the cost of demand response, target marketing, market transformation of technologies, and aligning profit mechanisms across end-users, aggregators and utilities. What policies should the Commission adopt to increase participation in demand response?

Increased participation in DR is a function of how successfully DR programs address the fourth goal identified in the response to question 1.1 – i.e. educating and empowering customers. Accordingly, any policies the Commission considers to increase participation must focus on customers. OhmConnect suggests five such policies to increase customer participation in DR.

First, policies should be adopted to simplify the customer enrollment process for third-party DR. The cost of DR is not just a monetary value – it also incorporates the time customers spend navigating lengthy or complex enrollment processes. Simplifying the enrollment process empowers customers because the costs of participating in DR are decreased.

Second, policies should be adopted to foster understanding among customers that there are alternative (i.e. non-utility) DR services available to them. Customers are empowered when they are educated about their available energy choices, and will be more likely to participate in DR.

Third, policies should be adopted that allow third-party DR providers access to customers' interval meter data and basic demographic information *before* incurring marketing and customer enrollment costs; otherwise, third parties are disadvantaged because they cannot market to customers as efficiently as the utilities. Customers will be more likely to participate in DR if they can choose among multiple DR offerings tailored to their circumstances.

Fourth, policies should be adopted that enable third-party DR providers to provide their customers with immediate DR participation feedback. Customers are more likely to stay engaged and take efforts to improve their performance during DR events if they are able to understand how specific actions impact performance.

Finally, policies should be adopted to ensure the DR market is competitive and affords equal economic opportunities to third parties and utilities. This will ensure that customers are fairly compensated for their participation in DR programs.

3.2. What policies should the Commission adopt to influence behavior change in response to

time-of-use pricing?

OhmConnect has no response at this time.

3.3. What design changes could the Commission make to current demand response programs to specifically increase the number of customers participating in the programs?

OhmConnect believes that several of the policies proposed in the response to question 3.1 will specifically increase the number of participating DR customers. For example, a streamlined enrollment process will lower the barriers faced by customers, and targeted marketing (enabled by improved access to data) will educate customers about the DR options available to them. One additional change we encourage the Commission to consider is eliminating caps on available Rule 24/32 customer registrations. A competitive market for DR will determine the efficient number of registrations, while a cap could artificially depress DR growth.

3.4. Should the Commission allow, prohibit, or require the use of technology deployment within the demand response auction mechanism? What policies would be required?

OhmConnect believes that policies requiring technology deployment distract from the greater goals of DR in general, and the DRAM in particular. A given technology does not necessarily guarantee positive performance in the DRAM. Furthermore, technology-specific policies run the risk of unintentionally prejudicing one technology over another. In a competitive market, policies must remain technology agnostic in order to avoid creating distortions. DRAM participants bear the financial consequences of non-performance in the CAISO's markets. Technology requirements do not change the incentives of DRAM participants (or their customers) because they are already incentivized to ensure their customers perform in accordance with their stated capabilities.

3.5. The Interim Report observes that large commercial building owners know the energy use intensity of their buildings. Underscoring that data on peak demand load shapes is less available, the Interim Report suggests that this data could communicate an understanding of energy usage beyond kilowatt hours thus leading to a better awareness of demand response. Do you think that a customer attaining their peak energy use data is important to the success of demand response in California? What steps could the Commission take to foster the availability and use of this data?

OhmConnect has no response at this time.

Category 4 Questions: Increasing Third-Party Provider Participation

4.1. *If the Commission determines it reasonable to continue the demand response auction mechanism beyond the pilot phase, funding will be necessary. In order to fund such an auction, the Commission must first determine the size of a DRAM program. Explain and justify the basis on which the Commission should design the size of the DRAM program. Should the DRAM program size be based on an overall budget limitation, a megawatt limitation, the number of available registrations in the CAISO market or another metric? Additionally, explain and justify the length of delivery contracts for a DRAM program.*

As discussed in the response to question 2.6, OhmConnect believes that beginning with the 2018 DR program cycle the DRAM (or some other competitive framework) should become the principal procurement mechanism for RA capacity from *all* DR supply resources (i.e. non-utility and utility). Therefore, the DRAM should be sized to enable the Commission to meet its *overall* requirement(s) for DR from supply resources. Being a competitive procurement mechanism, the DRAM will identify the portfolio of DR supply resources that meets this requirement at least cost. It is inefficient to impose arbitrary budget or megawatt limitations on DRAM procurement. Moreover, RA procurement via the DRAM need not be limited by available Rule 24/32 registrations because CPUC Decision 16-06-008 provides for increasing registrations in tandem with future DRAM solicitations.

Regarding the length of delivery contracts for a DRAM program, OhmConnect believes DR providers should be able to enter DRAM contracts lasting at least as long as the DR program cycle. This will afford DR providers with greater planning certainty, and will allow DR providers to capitalize on the *long-term* avoided capacity costs of their DR supply resources (as opposed to only the lower *short-term* avoided capacity costs that currently govern the cost-effectiveness of one-year DRAM contracts).⁹

4.2. *Provide an estimation of a budget for each of the three demand response utilities to administer a DRAM program based on your responses to question number [4.1] above.*

As discussed in the response to the previous question, OhmConnect believes that for each of the three utilities, the budget for procuring RA capacity via the DRAM should be commensurate to the utility's overall requirement for DR from supply resources, as established by the Commission. However, we reiterate our recommendation that an independent entity (e.g. the

⁹ See, for example, 2016 CPUC Demand Response Cost-Effectiveness Protocols, section 3.B.

CAISO) administer the DRAM, especially if the utilities are to bid into the auction the capacity from their own DR supply resources.

4.3. *Provide a detailed list of metrics, data and issues that the Commission should consider before transitioning from a DRAM pilot to program.*

The utilities' April 20, 2015 joint DRAM advice letter explains:

“The DRAM pilot has been developed to test: (a) the feasibility of procuring Demand Response Supply Resources for system Resource Adequacy (RA) with third party direct participation in the CAISO markets through an auction mechanism, and (b) the ability of winning bidders to integrate their Demand Response (DR) Resources directly into the CAISO market.”¹⁰

The DRAM pilots will provide the Commission with data for potentially hundreds of megawatts of RA capacity from third-party DR supply resources, which will allow for thorough evaluation of third parties' interest in and capability to deliver energy market products directly to CAISO. To ensure the DRAM's successful transition from pilot to program, OhmConnect asks that the Commission review the following issues:

- i. What “appetite” did third parties show for the DRAM (e.g. based on total megawatts bid into the pilot)?
- ii. What were the limiting constraints (e.g. authorized budget, available Rule 24/32 registrations, etc.) on procurement of RA capacity via the DRAM pilots?
- iii. Was the bid selection process fair and transparent? Were the limiting factors in (ii) consistent with the Commission's orders?
- iv. What differences exist between direct participation (i.e. Rule 24/32) DR and utility DR that might inhibit participation in the DRAM?
- v. What actions did stakeholders take during the pilot period that might have increased or decreased participation in the DRAM?

Category 5 Questions: CAISO Market Integration of Utility Programs

5.1. *Should the Commission require that all demand response resources have one trigger or should the Commission allow multiple triggers, as is the current policy?*

OhmConnect believes that DR programs that have triggers should all use the same trigger(s); otherwise, comparative evaluation of these programs is made difficult.

¹⁰ See, for instance, SCE Advice 3208-E, at pp. 2-3.

5.2. *In designing triggers for demand response programs, what elements should the Commission take into account? To what extent does participant fatigue factor into trigger design? Explain in detail what steps the Commission should take to ensure that demand response programs are being maximized (bid at prices that result in dispatch) while avoiding participant fatigue.*

OhmConnect has no response at this time.

5.3. *There has been discussion regarding the ability to pre-dispatch demand response resources in the day-ahead market to mitigate local contingency on the grid. What is the definition of pre-dispatch?*

OhmConnect has no response at this time.

5.4. *What is the impact of pre-dispatching demand response resources if they are not ultimately needed in real time and not dispatched?*

OhmConnect has no response at this time.

5.5. *Explain and justify whether customers should be compensated for being pre-dispatched even if they are not ultimately dispatched?*

OhmConnect has no response at this time.

5.6. *What are the practical implications of different baselines between utility demand response programs and the baselines in the CAISO tariff?*

If utility DR programs are able to utilize a set of baselines not available to third-party DR supply resources (i.e. because these baselines are not explicitly authorized by the CAISO tariff), the utilities may be credited with greater load curtailment capabilities than third parties, even though third parties' DR resources may incorporate exactly the same customer types, load control technologies, etc. as the utilities'. Consequently, one practical implication of different baselines for utility DR programs versus third-party DR supply resources is inefficient crowding out of the latter by the former. In the interest of fair competition, OhmConnect believes utility DR programs should be required to use the same set of baselines available to third-party DR supply resources – specifically, those baselines authorized in the CAISO tariff.

5.7. *Explain and justify whether and how the Commission should revise current utility demand response program baselines? Address the question of when the Commission should commence such a revision given that the CAISO is currently examining the addition of baselines to its tariff in Phase 2 of the Energy Storage and Distributed Energy Resources (ESDER) initiative.*

OhmConnect has no response at this time.

5.8. *The CAISO recently established a methodology for statistical sampling for settlement purposes. What, if any, additional Commission policies are needed to facilitate the market integration of multiple, aggregated small customer loads?*

OhmConnect has no response at this time.

5.9. *Explain and justify whether and how the Commission should standardize the penalties for non-performance across the utility demand response tariffs and demand response contracts with third-party providers? Explain and justify whether CAISO market penalties should be incorporated into this standardization?*

OhmConnect believes that, in the interest of fair competition, penalties for non-performance should be standardized across DR programs. Presently, DR supply resources, whether non-utility or utility, are subject to imbalance energy charges if they fail to perform in the CAISO's energy market. Non-utility DR supply resources providing RA capacity pursuant to DRAM contracts are subject to two additional forms of penalties if they fail to deliver their RA capacity to the market: (1) RAAIM penalties assessed by the CAISO (for failure to bid in accordance with the DRAM must-offer obligation); and (2) clawback of DRAM contract payments. If, beginning with the 2018 DR program cycle, the utilities intend to count towards their RA requirements their own DR supply resources, then OhmConnect believes these resources should be subject to the same RA non-performance penalties, (1) and (2).

5.10. *Currently, capacity incentives are competitively established (via competitive bids) for third-party providers participating in the CAISO market, administratively established for utility programs, and competitively established (via requests for offers) for third-party contracts with the utilities. Explain and justify whether the Commission should align the capacity incentives for demand response resources provided by utility programs with those provided by third parties? What are the advantages and disadvantages of moving to a competitive framework for all capacity incentives?*

OhmConnect strongly believes the Commission should align the capacity incentives for utility and non-utility DR supply resources – specifically, by requiring that all DR supply resources wishing to provide RA capacity participate in the DRAM. Alignment of capacity incentives is essential to ensuring that non-utility DR providers are fairly compensated for their capacity and that the Commission's overall requirements for capacity from DR supply resources are met at least cost. OhmConnect strongly agrees with the following sentiments expressed by the CAISO in response to a previous ALJ Ruling on 2018 and beyond DR programs:

“[U]tility-administered programs [...] are based on non-competitive, administratively set prices, which can create market distortions. Administratively set capacity prices and

program incentives effectively set a price floor. By setting administrative prices, the Commission indicates what it is willing to pay a provider for its product, not what price a provider is willing to accept. The Commission can transparently discover the price demand response providers are willing to accept only through a competitive solicitation framework.”¹¹

5.11. The Supply Resource Demand Response Integration Working Group Report highlighted the relationship of the net benefits test and the default load adjustment. Explain and justify whether the Commission should reevaluate its rules established in D.12-11-025 regarding the net benefits test and the default load adjustment?

OhmConnect has no response at this time.

5.12. Following the integration of utility demand response programs into the CAISO market, explain and justify whether the Commission should require the utilities to continue to file the weekly demand response exception report required by D.14-05-025 and Resolution E-4708.

OhmConnect has no response at this time.

III. CONCLUSION

OhmConnect appreciates the Commission’s continued efforts to develop a record to help guide DR activities for 2018 and beyond, and thanks the Commission for this opportunity to offer comments.

Respectfully submitted,

July 1, 2016

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¹¹ See Mar. 18, 2016 *California Independent System Operator Corporation Response to Administrative Law Judge’s Ruling Requesting Responses to Questions in Regard to 2018 and Beyond Demand Response Programs*, at p. 4.