

**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)

**REPLY COMMENTS OF OHMCONNECT, INC. TO PARTIES' OPENING
COMMENTS ON THE PROPOSED DECISION OF ALJ HYMES ADOPTING
GUIDANCE FOR FUTURE DEMAND RESPONSE PORTFOLIOS AND MODIFYING
DECISION 14-12-024**

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September 26, 2016

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, OhmConnect, Inc. (“OhmConnect”) respectfully submits these Reply Comments in response to parties’ Opening Comments on the August 30, 2016 *Proposed Decision Adopting Guidance for Future Demand Response Portfolios and Modifying Decision 14-12-024* (“Proposed Decision”, or “PD”). OhmConnect’s responses address the “least-cost, best-fit” bid evaluation methodology proposed by certain parties, which we believe is inconsistent with the Commission’s Goals and Principles for Demand Response. Furthermore, our responses consider three themes from the parties’ Opening Comments:

1. The Final Decision should outline the Rule 24/32 registration implementation process necessary to meet the procurement targets proposed for the DRAM.
2. There is need for added clarity on the delivery of third-party Demand Response in 2019.
3. The Commission should clarify the parameters of the proposed DRAM quantities to ensure transparency of future DRAM auctions.

II. OVERVIEW OF OHMCONNECT

OhmConnect is a third-party Demand Response Provider (DRP) founded in 2013 and headquartered in San Francisco, California. The company provides Demand Response (DR) services to residential retail electric customers in California pursuant to Rule 24/32. 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 California Independent System Operator Corporation (CAISO),¹ and is one of the largest residential participants in the 2016 and 2017 DRAM pilots.

III. DISCUSSION

A. Selecting offers using a “least-cost, best-fit” approach runs counter to the Goals and Principles for Demand Response articulated in the PD and is not appropriate for DRAM procurement.

OhmConnect believes that the proposal by PG&E, SCE, and SDG&E (collectively, the “Investor Owned Utilities” or “IOUs”) to use a least-cost, best-fit methodology for DRAM offer selection contradicts the Commission’s proposed principles for Demand Response and would afford the IOUs undue discretion in bid selection.² In particular, the Commission’s goals for DR include that “[d]emand response processes shall be transparent” and that “[d]emand response shall be market-driven [...] with a preference for services provided by third-parties through performance-based contracts at competitively determined prices.”³ OhmConnect does not believe that the IOUs’ least-cost, best-fit methodologies – which employ “**confidential** capacity price curves and models in their [...] evaluation processes” – foster transparent bid selection.⁴ Likewise, OhmConnect does not believe a methodology that “allows for reasonable **discretion**” is appropriate for market-driven procurement.⁵ Furthermore, it is not clear how the established “loading order,” which prioritizes Demand Response (along with Energy Efficiency) and “applies to all utility procurement, even if pre-set targets for certain preferred resources have been achieved” would be considered during the “best-fit” evaluation.⁶ Finding of Fact (FOF) #79 states that “creating separation of the two utility roles (as program providers and auction administrators) while allowing the continuation of both sets of programs meets with our

¹ See list of CAISO Demand Response Participants, at <https://www.caiso.com/Documents/ListofDemandResponseParticipants.pdf>.

² PG&E Opening Comments, at p. 9; SCE Opening Comments, at p. 10; SDG&E Opening Comments, at p. 4.

³ Proposed Decision, at p. 42.

⁴ PG&E Opening Comments, at p. 9 (emphasis added).

⁵ SCE Opening Comments, at p. 7 (emphasis added).

⁶ See Decision (D.) 12-01-033, at p. 17 and at p. 20.

principles of competition and customer choice.”⁷ OhmConnect believes that permitting the discretion that comes with a least-cost, best-fit methodology will blur the Commission’s desired separation.

B. Comments indicate widespread agreement that the Commission should establish a process to expand the IOUs’ Rule 24/32 registration capabilities.

OhmConnect agrees with several parties’ requests that the Commission address the availability of Rule 24/32 registrations in the Final Decision. For example, the Joint DR Parties state that “IOU systems would need to be able to process hundreds of thousands of registrations in order to meet [1 GW of statewide DR procurement].”⁸ Furthermore, CLECA notes that “[i]t is also unclear if there will be sufficient Rule 24 registrations available.”⁹ And CEEIC suggests that “[t]he utilities should be directed to plan to expand to keep ahead of demand, not use the registration targets as an artificial wall, and support mass market participation to meet the authorized capacity of one gigawatt.”¹⁰ PG&E, in its comments, further articulates the timing challenges posed by Rule 24/32 registrations:

“PG&E anticipates that a DRAM program on an order of magnitude of 400 MW would require Rule 24 implementation beyond levels approved in D.16-06-008, which the Commission has not yet ordered PG&E to file. [...] PG&E anticipates that upon making such a request, it would require approximately 12 to 18 months to implement upon Commission approval. If the Commission intends to have registrations in place to support 400 MW, it should allow PG&E to request expansion of its Rule 24 capacity to support up to 400 MW through the i) a Tier 3 advice letter process approved in D.16-06-008, OP 13, as long as the funding request does not exceed the amount authorized for PG&E of \$10.39 million, or 2) an application filed on PG&E’s own initiative.”¹¹

The 12- to 18-month timeframe suggested by PG&E – and the concerns raised by DRPs and IOUs alike – underscore the need for Commission guidance as early as possible, in order to implement Rule 24/32 systems that can enable DRAM deliveries at the scale the Commission envisions.

⁷ Proposed Decision, at p. 81.

⁸ Joint DR Parties Opening Comments, at p. 13.

⁹ CLECA Opening Comments, at p. 8.

¹⁰ CEEIC Opening Comments, at p. 10.

¹¹ PG&E Opening Comments, at pp. 10-11.

C. Procurement and delivery of DRAM capacity for 2019 should be addressed in the Final Decision.

OhmConnect concurs with the Joint DR Parties that “the Proposed Decision is not clear on the 2019 delivery year.”¹² The Joint DR Parties raise the issue of whether delivery of DR from third parties in 2019 will be solicited as part of the DRAM pilot or as part of a full-fledged DRAM program and, like OhmConnect, they conclude that “full [DRAM] implementation should begin in the 2019 delivery year.”¹³ OhmConnect’s Opening Comments proposed a revised timeline to enable delivery of DRAM capacity to begin in 2019 (potentially on a smaller scale than the 1 GW the Commission envisions for 2020 and beyond).¹⁴ Moreover, in protests to the IOUs’ joint proposal for the 2018 DRAM pilot, several parties requested that the Commission require the IOUs to use the advice letter process authorized by D.16-06-008 to increase the number of Rule 24/32 registrations available during 2018 and 2019.¹⁵ Thus, even if “mass market” Rule 24/32 capabilities are not implemented in time to enable 1 GW of DRAM deliveries for 2019, there should be ample additional Rule 24/32 registrations in place to support a robust DRAM program beginning in the 2019 delivery year.

D. To ensure transparency of future DRAM auctions, the Commission should clarify whether the proposed DRAM quantities are requirements or targets.

Parties’ Opening Comments on the PD indicate some confusion as to whether the proposed quantities for DRAM procurement – 400 MW for each of PG&E and SCE and 200 MW for SDG&E – are *requirements* or just *targets*. For example, the Joint DR Parties note that “the language in the Proposed Decision is somewhat unclear on whether this is simply a limit for the IOUs or is in fact a goal for procurement.”¹⁶ OhmConnect interprets the language in the PD that “the Utilities shall not be obligated to procure more than one gigawatt statewide annually” to mean that the Utilities are obligated to procure collectively at least 1 GW annually, unless this threshold could only be met by procuring bids with prices above the “simple average August bid price.” Furthermore, we agree with the Joint DR Parties that previous auctions have

¹² Joint DR Parties Opening Comments, at p. 11.

¹³ Ibid.

¹⁴ OhmConnect Opening Comments, at pp. 4-5.

¹⁵ See, for instance, the September 21, 2016 protests of OhmConnect and the Joint DR Parties to the September 1, 2016 joint advice letter seeking Commission approval of the 2018 DRAM pilot.

¹⁶ Joint DR Parties Opening Comments, at p. 12.

demonstrated the need for clear language around procurement obligations.¹⁷ Therefore, in the interest of transparency and clarity, we ask the Commission to confirm that the IOUs are *required* to procure 1 GW of DRAM capacity statewide annually, provided the IOUs receive sufficient competitively-priced bids in their annual DRAM auctions.

OhmConnect also notes SDG&E's concern in its Opening Comments that its 200 MW allocation is inconsistent with the Demand Response Potential Study.¹⁸ To address this, OhmConnect suggests that the Commission allow each IOU to count towards its DRAM procurement obligation capacity from Resources comprised of customers within another IOU's service territory. For example, a DRP could submit bids into SDG&E's annual DRAM auction for Resource Adequacy (RA) capacity from end-use customers in SCE's service territory. This would better resemble the statewide manner in which System RA is procured from conventional generating resources, and would enable a more efficient DRAM market by allowing DR resources throughout California to compete directly against each other.

IV. CONCLUSION

OhmConnect appreciates the opportunity to submit these Reply Comments, and respectfully requests that the Commission give due consideration to the recommendations herein. We look forward to continuing to work with the Commission and other parties on growing the market for third-party DR to the scale envisioned by the Commission. We especially believe this can be accomplished by developing transparent procurement processes and establishing a process for Rule 24/32 registration implementation.

Respectfully submitted,

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¹⁷ Ibid.

¹⁸ SDG&E Opening Comments, at p. 5.