



FILED
5-22-17
03:25 PM

KHY/NIL/vm1 5/22/2017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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)

ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING RESPONSES TO QUESTIONS REGARDING THE PATHWAY TO NEW MODELS OF DEMAND RESPONSE, IMPLEMENTATION OF THE COMPETITIVE NEUTRALITY COST CAUSATION PRINCIPLE, AND REMAINING BARRIERS TO THE INTEGRATION OF DEMAND RESPONSE INTO THE CAISO MARKET

Summary

Following an end-of-year review held on February 22, 2017, and two workshops held in early April 2017, parties of this proceeding are directed to respond to the questions in this Ruling. Responses are due June 8, 2017; reply comments are due June 23, 2017.

1. Background

In compliance with D.14-12-024 and D. 16-09-056, the Commission facilitated the following workshops in early 2017:

- The February 22, 2017, workshop to discuss program year 2016: During the workshop, parties addressed several remaining barriers to the integration of demand response into the California Independent System Operator (CAISO) energy market.
- The April 4, 2017 Workshop to discuss the pathway toward development of new models of demand response; and,

- The April 10, 2017 workshop to discuss the implementation of the cost causation competitive neutrality principle.

This ruling further describes these workshops and directs parties to respond to questions regarding the remaining barriers to integrating demand response into the CAISO market, the pathway to implementing new models of demand response, and the implementation of the cost causation competitive neutrality principle. These questions are attached to this ruling as Attachment A. Responses to the questions are due June 8, 2017; reply comments are due June 23, 2017.

2. February 22, 2017 Workshop

The purpose of the workshop was to present an overview of the results of the 2016 program year. During the course of the workshop, parties indicated several unresolved issues or barriers to integrating demand response into the CAISO market. Those issues or barriers include (in no particular order):

- CAISO Settlement;
- Click-Through Process;
- Mismatched Supply Plans;
- Incorporating or valuing unintegrated demand response megawatts;
- Changes to Commission and CAISO baselines;
- Resource adequacy issues; and
- Improved wholesale market participant (Community Choice Aggregators/Load Serving Entities) education.

Several parties acknowledged that most of these issues are currently being addressed in other venues. However, parties underscored the need to resolve these issues in order for the Commission to consider the integration of demand response into the CAISO market complete. To assist the Commission in ensuring the resolution of these CAISO integration issues or barriers, we direct the parties of R.13-09-011 to respond to the questions listed in Attachment A.

3. April 4, 2017 Workshop

The purpose of the workshop was to discuss policy issues surrounding new models of demand response and address the next steps. Following the presentations on the demand response potential study by Lawrence Berkeley National Lab and California grid needs by the California Independent System Operator, the workshop participants addressed a number of issues, including, barriers to adoption of new demand response programs, the role of the demand response potential study, and the current and future coordination needs among proceedings that address various issues related to demand response.

Workshop participants also took part in a small group exercise, in which each group was tasked with developing a list of activities the Commission needs to undertake (in this proceeding, through working groups, or in other proceedings) over the next eighteen months before adopting new models of demand response. For this exercise, each group discussed and prioritized five activities and assigned an approach for conducting each activity, e.g., evidentiary hearing, workshop, consultant, etc.

A review of the five lists of activities indicates several commonalities. The following is the compiled list of recommended activities (ordered by the number of times the activity appeared on a group list and priority of the activity on each list) and, if provided, the recommended approach to undertaking the activity:

1. The Commission needs to undertake several activities that relate to the resource adequacy including:
 - a) Identification of the value of new products and determination of customer appeal (through a joint demand response working group proposal to the resource adequacy proceeding);
 - b) Consideration of a policy that pays capacity value for ramping;

- c) Resolution of local resource adequacy requirements for demand response; and,
 - d) Review of qualifying capacity requirement for weather-sensitive demand response (through a working group in the resource adequacy proceeding).
2. Define and develop new products including both load consumption and bi-directional products (through a working group).
3. Resolve dual-participation issues including defining and addressing barriers (demand response portfolios).
4. Align retail and wholesale baselines and diversify the baselines by customer and load (through a working group).
5. Coordinate the efforts of CAISO and the Commission to integrate demand response into the CAISO market, including new models of demand response (through a working group driven by the demand response rulemaking with a report also submitted to the resource adequacy proceeding).
6. Create and implement more accurate dynamic price signals tied to wholesale pricing (pilot and test the technology).
7. Define and clarify jurisdiction regarding Community Choice Aggregation (CCA) (in a proposed CCA Order Instituting Rulemaking).
8. Consider and adopt consistent time-of-use periods with demand response and rate design (through workshops in the time of use proceeding and demand response applications).
9. Resolve remaining issues with CAISO integration of Shed demand response (by reopening Integration Working Group).
10. Develop characteristics and values of demand response for distribution system (being done in Integrated Distributed Energy Resources (IDER) proceeding and Distributed Resource Plan (DRP)).

11. Develop and define data access rules to enable new demand response models (Proposed to be done in IDER proceeding but currently in the scope of DRP and not IDER).
12. Consider multi-year procurement demand response contracts (in demand response applications).

Not all of the activities recommended by the workshop participants related to new models of demand response. Some are about load shedding demand response, the traditional model of demand response.

The responses to the questions in Attachment A will assist the Commission establish a pathway to implement new models of demand response. We clarify that the requested feedback on these activities and approaches should not be interpreted as an endorsement.

4. April 10, 2017 Workshop

The purpose of the workshop held on April 10, 2017 was to discuss the Utilities'¹ proposal to implement the cost causation competitive neutrality principle, address concerns or questions parties may have, and develop any necessary revisions. After an overview of the Utilities' proposal, the workshop participants discussed the definition of a "similar program," steps of the implementation process such as notification and billing issues, and applicability of state mandates, among others. We describe these discussions below.

Parties discussed the original purpose of the principle, which was to address not only competitive neutrality between the Utilities and other providers but also to eliminate barriers to the other providers providing demand response

¹ The Utilities are Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company.

programs.² The competitive neutrality cost causation principle states that once a direct access or community choice provider implements its own demand response program, the competing utility shall, no later than one year following the implementation of that program: i) end cost recovery from that provider's customer for any similar program and ii) cease providing the similar program to that provider's customer. Workshop participants brainstormed how to define "similar."

Following a small group exercise to define "similar program", parties were unable to come to a consensus on a definition. However, parties offered several suggestions for essential elements that would define "similar," including whether the program met certain California clean energy policies, such as the prohibition against certain resources; whether the program was eligible for resource adequacy, whether the program had to have the similar program elements, e.g., incentives, triggers or availability, or whether the program had to meet a similar load impact.

Parties noted two potential conflicts facing the Commission. First, there may be a conflict of the Commission's policy to ensure competitive neutrality versus the Commission's policy to ensure customer choice. Second, there may also be a conflict between Commission energy policies and the policy to ensure competitive neutrality.

To assist the Commission in further developing the implementation of the competitive neutrality principle, we direct the parties of R.13-09-011 to respond

² See D.14-12-024 at 48-49.

to the questions on the implementation of the competitive neutrality cost causation principle as listed in Attachment A.

IT IS RULED that parties to this proceeding should provide responses to the three sets of questions provided in this Ruling. Responses are due June 8, 2017; reply comments are due June 23, 2017.

Dated May 22, 2017, at San Francisco, California.

/s/ COLETTE KERSTEN for

Kelly A. Hymes
Administrative Law Judge

/s/ NILGUN ATAMTURK

Nilgun Atamturk
Administrative Law Judge

Attachment A

Questions Regarding the Remaining Barriers to Integrating Demand Response into the CAISO Market

1. During the course of the workshop, parties identified seven remaining barriers to integrating current models of demand response into the CAISO market as listed in Section 2 above. Provide an approach for addressing them, e.g., working group, another proceeding, CAISO stakeholder process, etc. If there are other barriers that should be included, please describe them and suggest a potential approach for addressing them.
2. Among the integration barriers (either listed in Section 2 above or added per your comments), which ones are the most important to resolve in light of the 2018 bifurcation deadline?

Questions Regarding the Pathway to Implementing New Models of Demand Response

1. Referring to the activity list in Section 3:
 - a. Is this a complete list of activities that the Commission must finish or accomplish before new models of demand response can be implemented?
 - b. What activities are missing? Why should the missing activities be included and how should they be prioritized?
 - c. Are there activities listed above that should be omitted and why?
 - d. Are the approaches suggested for the activities appropriate? Provide details on more appropriate approaches.
 - e. Is the list of activities appropriately prioritized? Explain why any listed activity should be prioritized ahead of or behind others. In adding and prioritizing activities, focus

on New Models for demand response (e.g. system-wide load consuming demand-response.)

- f. Several activities in this list concern load shedding demand response. If these activities need to be resolved before work can begin on New Models (system-wide load consuming demand response), explain why the process needs to be consecutive and not parallel.

2. For the activities that could be facilitated through a working group, could some be combined into one working group or should the activities be kept in separate working groups? Explain why certain activities can or cannot be combined in the same working group.

3. Parties at the workshop recommended that defining and developing new products, including both load consumption and bi-directional products, should be performed through the use of a working group. Do you agree? If so, should the working group be facilitated by the Commission's Energy Division, the Utilities or another entity or organization? Would the working group need additional expertise to assist them? What kind of additional expertise, e.g. academic, consultant, would the working group require?

4. For Activity 9 listed above, what are the remaining CAISO integration issues related to load shedding demand response that need to be resolved? Do any of the issues require a Commission decision in this proceeding? Which issues require resolution through other venues, e.g., changes with the CAISO tariffs? Please explain.

5. Activity 4 recommends aligning retail and wholesale baselines and diversifying the baselines by customer and load. Should this activity be done through a working group? If so, should the working group be established in this proceeding, another Commission proceeding, or through another venue? Why?

6. With respect to the recommendations in Activity 1:

- a. Some parties at the workshop recommended establishing a working group in the resource adequacy proceeding, some propose a working group in this proceeding. Explain which you prefer and why.
- b. What, if any, value streams should the working group consider that are outside the resource adequacy proceeding and what coordination would be needed to address them? (e.g., societal value).

7. Activity 6 proposes to test a pilot to create more accurate dynamic price signals tied to wholesale pricing. Provide a recommendation on the proceeding or venue in which this pilot would be tested.

8. Activity 8 speaks to making time-of-use rates more consistent. Should there be any effort to address the need for time-of-use rates to accomplish LBNL's Shift product (e.g. high differential between on-and-off-peak times) as noted in the potential study, and in written comments dated February 28, 2017, from a number of parties? What process should the time-of-use rates work follow considering the time-of-use proceeding is closed and related work is handled currently by general rate cases?

9. Activity 5 speaks to coordinating with the CAISO to integrate demand response into their markets, including New Models of demand response. Are there critical barriers to implementing bi-directional products? If so, what process best addresses the barrier(s)?

10. Activity 2 proposes defining new products including load consuming and bi-directional products.

- a. Workshop participants proposed using a working group to conduct this activity. Explain why you agree or disagree. If you disagree, what other approach should the Commission use?
- b. Is it possible to address retail rate and pricing policies that determine the load shape and availability of demand

response at the same time as working to design a wholesale load consuming product based on the Potential Study Shift service, but dispatched only occasionally? If yes, please explain a process and whether any specific issues need to be resolved on one front (retail or wholesale) before they can be decided on the other.

- c. Should the Commission use the approaches in 10.a to address any policy, cost or technical barriers to the New Models being developed? For instance, parties have raised the issue of demand charges, which are handled currently in general rate cases, as well as costs for automated controls and telemetry. If so, what coordination efforts are needed?

11. Clarify the following activity items listed in Section Three:

- a. Activity 3 refers to dual participation. Which dual-participation issues should be considered for this activity, e.g. prohibitions against participating in load-modifying and supply-side demand response, or DRAM and other supply-side programs?
- b. Activity 11 refers to data access rules. What are the specific data access rules needed to enable new demand response models, e.g. the data needed for third parties to recruit customers or to follow up with customers after an event?
- c. Activity 1b refers to capacity value for ramping. Explain whether you agree that demand response should be compensated with capacity payments for providing ramping? Should payments be considered for a load taking New Models products during morning ramp or a load-shedding product during the evening ramp, or both?
- d. Activity 5 refers to coordination with CAISO. Which specific CAISO efforts should be considered under this activity?

Questions Regarding the Implementation of the Cost Causation Competitive Neutrality Principle

1. Provide your definition for a “similar demand response program.” The definition may identify essential elements of demand response programs, such that if those essential elements are the same, the two programs can be deemed similar. These could be either specific attributes or grid impact, or both. They should be easily identifiable and/or accurately measurable. Provide justification for your definition.

2. Should the definition of “similar demand response program” include the requirement that the competing program of the direct access or community choice provider meet California clean energy policies? Why or why not? Define which policies should be included and why?

3. How should the Commission reconcile policy differences in cases where CCA procurement decisions are in conflict with or are not meeting the State’s demand response goals?

4. Parties addressed the potential conflict of Commission policies to ensure demand response provider competition versus those policies to ensure customers have choice. How should the Commission address this conflict?

5. Should the Commission allow ratepayer funds to implement utility billing systems in order to allow each customer to choose between a utility and a CCA?

6. With respect to the potential conflict between the Commission’s clean energy policies and its competitive neutrality policies, how should the Commission balance these two important matters?

7. Joint Utilities assert that “approximately 16% of the Joint Utilities’ total retail load receives generation service from a CCA or a Direct Access Energy Service Provider (ESP). This figure has the potential to increase to about 80

percent of the Joint Utilities' total retail load."1 In this context, how would implementing the competitive neutrality cost causation principle enhance the State's demand response goals? Consider cases in which a CCA might offer a program, but there might not be any participation. How should/could the Commission track and monitor the demand response programs offered by CCAs and Direct Access providers? In such a potential scenario, what recourse would the Commission have to address the Demand Response resource shortfall?

8. Should the Commission consider CCAs' long-term viability in examining their ability to achieve the state's Demand Response goals?

9. How could CCAs comply with the Commission's prohibited resources requirement?

10. What is the regulatory process that should be followed to determine that a demand response program is similar and can be implemented by a CCA? Would a Tier 3 Advice Letter process that allows for comments and protests be sufficient?

[END OF ATTACHMENT]

¹ Joint Utilities' Proposal on Competitive Neutrality Cost Causation Principles at 2.